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KEXIM ASIA LIMITED

31 December 2018

Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2018.

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 USD113,547 (2017: USD273,528) in respect of the year ended 31 December 2018.

Share capital

Details of share capital of the Company are set out in note 23 to the financial statements. There were no movements during the year.

Directors

The directors during the financial year were:

Executive directors

Ok Young Chul, Managing Director
Kwon Minyung
Im Jae Kyun

Non-executive directors

Koh Joongyul	(resigned on 10 October 2018)
Ahn Jong Hyuck	(resigned on 20 April 2018)
Jung Doo Wha	(appointed on 20 April 2018)
Lee Jae Rak	(appointed on 10 October 2018)

Independent non-executive director

Jo Sang Kyun	(appointed on 12 January 2018)

Directors (continued)

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.

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 6 to 104 for the year ended 31 December 2018 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

Ok Young Chul, Managing Director

Hong Kong,

29 APR 2019

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

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of KEXIM ASIA LIMITED ("the Company") set out on pages 6 to 82, which comprise the statement of financial position as at 31 December 2018, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

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

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Certified Public Accountants

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

29 APR 2019

Statement of profit or loss and other comprehensive income for the year ended 31 December 2018

(Expressed in United States dollars)

	Note	*2018*	*2017* (Restated)
Interest income calculated using the effective interest method	3(a)	$ 13,148,556	$ 9,601,324
Interest expense	3(b)	(8,693,606)	(5,404,455)
Net interest income		$ 4,454,950	$ 4,196,869
Fee and commission income	4(a)	$ 407,315	$ 160,000
Fee and commission expenses	4(b)	(10,766)	(10,847)
Net fee and commission income		$ 396,549	$ 149,153
Net trading gain	5	$ 285,722	$ 491,846
Net loss on foreign exchange		(9,505)	(35,981)
Net hedging expense	6	-	(141,955)
Net gain on sale of available-for-sale securities	10	-	247,149
Net gain on sale of debt investment securities at FVOCI	10	175,857	-
Other income		-	1,094
		$ 452,074	$ 562,153
Operating income		$ 5,303,573	$ 4,908,175
Operating expenses	7	(2,390,234)	(1,964,228)
Operating profit		$ 2,913,339	$ 2,943,947
Net (charge)/release of impairment allowances	9	(195,145)	326,548
Profit before taxation		$ 2,718,194	$ 3,270,495
Income tax	11(a)	(447,260)	(535,212)
Profit for the year		$ 2,270,934	$ 2,735,283

Statement of profit or loss and other comprehensive income for the year ended 31 December 2018 (continued)

(Expressed in United States dollars)

	Note	*2018*	*2017* (Restated)
Profit for the year		$ 2,270,934	$ 2,735,283
Other comprehensive income for the year, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Debt investment securities at FVOCI: net movement in fair value reserve (recycling)	12	(1,686,555)	-
Available-for-sale investments: net movement in fair value reserve (recycling)	12	-	(823,712)
Total comprehensive income for the year		$ 584,379	$ 1,911,571

The notes on pages 13 to 82 form part of these financial statements.

Statement of financial position at 31 December 2018

(Expressed in United States dollars)

	Note	2018	2017
Assets			
Cash and balances with banks and other financial institutions		$ 7,173,048	$ 6,048,775
Loans and advances to banks and other financial institutions	13(a)	30,865,107	29,126,507
Loans and advances to customers	13(a)	230,351,869	194,048,523
Investment securities	14	143,684,671	162,430,630
Current taxation	16(a)	-	23,893
Deferred tax assets	16(b)	549,335	345,945
Other assets	17	2,432,815	2,026,566
Property, plant and equipment	15	36,186	10,915
TOTAL ASSETS		$ 415,093,031	$ 394,061,754
Equity and liabilities			
Liabilities			
Deposits and balances from banks and other financial institutions		$ 177,865,823	$ 153,800,830
Current taxation	16(a)	67,301	-
Derivative financial liabilities	18	-	66
Other liabilities	22	1,694,398	1,206,476
Borrowings from other financial institutions	20	49,941,925	69,851,724
Borrowings from the ultimate holding company	19	113,210,011	98,036,456
Subordinated liabilities	21	14,977,057	15,000,000
Total liabilities		$ 357,756,515	$ 337,895,552

Statement of financial position at 31 December 2018 (continued)

(Expressed in United States dollars)

	Note	*2018*	*2017*
Equity and liabilities (continued)			
Equity			
Share capital	23	$ 30,000,000	$ 30,000,000
Reserves	24	27,336,516	26,166,202
Total equity		$ 57,336,516	$ 56,166,202
TOTAL EQUITY AND LIABILITIES		$ 415,093,031	$ 394,061,754

Approved and authorised for issue by the board of directors on 29 APR 2019

Ok Young Chul) Directors

권 민 영

Kwon Minyung)

The notes on pages 13 to 82 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2018

(Expressed in United States dollars)

	Attributable to equity shareholders of the Company			
	Share capital	*Retained profits*	*Fair value reserve*	*Total*
Balance at 1 January 2017	$ 30,000,000	$ 23,953,215	$ 419,346	$ 54,372,561
Changes in equity for 2017:				
Profit for the year	$ -	$ 2,735,283	$ -	$ 2,735,283
Other comprehensive income	-	-	(823,712)	(823,712)
Total comprehensive income	$ -	$ 2,735,283	$ (823,712)	$ 1,911,571
Dividends declared in respect of prior year and paid during the year	$ -	$ (117,930)	$ -	$ (117,930)
Balance at 31 December 2017 and 1 January 2018	$ 30,000,000	$ 26,570,568	$ (404,366)	$ 56,166,202
Impact on transition to HKFRS 9	-	798,730	60,733	859,463
	$ 30,000,000	$ 27,369,298	$ (343,633)	$ 57,025,665
Changes in equity for 2018:				
Profit for the year	$ -	$ 2,270,934	$ -	$ 2,270,934
Other comprehensive income	-	-	(1,686,555)	(1,686,555)
Total comprehensive income	$ -	$ 2,270,934	$ (1,686,555)	$ 584,379
Dividends declared in respect of prior year and paid during the year	$ -	$ (273,528)	$ -	$ (273,528)
Balance at 31 December 2018	$ 30,000,000	$ 29,366,704	$ (2,030,188)	$ 57,336,516

The notes on pages 13 to 82 form part of these financial statements.

Cash flow statement
for the year ended 31 December 2018
(Expressed in United States dollars)

	2018	2017 (Restated)
Operating activities		
Profit before taxation	$ 2,718,194	$ 3,270,495
Adjustments for:		
Interest expense on borrowings and deposits from banks and other financial institutions	8,092,427	4,935,107
Interest expense on subordinated liabilities	601,179	469,348
Net charge/(released) of impairment losses on loans and advances	189,853	(108,705)
Net charge of impairment losses on investment securities	5,292	-
Net gain on disposal of investment securities	(175,857)	(247,149)
Depreciation	8,518	2,818
Amortisation of premium and fees received as part of effective interest rate adjustment	(235,834)	(120,843)
Operating cash flows before changes in working capital	$ 11,203,772	$ 8,201,071
Increase in operating assets:		
Loans and advances	(37,212,283)	(36,097,009)
Other assets	(406,249)	(27,218)
Increase/(decrease) in operating liabilities:		
Deposits and balances of banks and other financial institutions, and the ultimate holding company	24,064,993	32,542,684
Derivative financial liabilities	(66)	(1,436)
Other liabilities	(5,234,664)	(2,226,785)
Cash (used in)/generated from operations	$ (7,584,497)	$ 2,391,307
Tax paid		
- Hong Kong Profits Tax Paid	(382,972)	(366,611)
Net cash (used in)/generated from operating activities	$ (7,967,469)	$ 2,024,696

Cash flow statement
for the year ended 31 December 2018 (continued)
(Expressed in United States dollars)

	2018	*2017*
Investing activities		
Payments for purchase of property, plant and equipment	$ (33,789)	$ (9,855)
Proceeds from sale of investment securities	132,032,558	69,512,910
Payment for purchase of investment securities	(114,903,290)	(76,006,153)
Net cash generated from/(used in) investing activities	$ 17,095,479	$ (6,503,098)
Financing activities		
(Repayment of)/proceeds from borrowings	$ (4,736,245)	$ 10,738,587
Repayment of subordinated liabilities	(22,943)	-
Interest paid on subordinated liabilities	(622,033)	(463,058)
Interest paid on borrowings	(2,348,988)	(2,482,059)
Dividend paid	(273,528)	(117,930)
Net cash (used in)/generated from financing activities	$ (8,003,737)	$ 7,675,540
Net increase in cash and cash equivalents	$ 1,124,273	$ 3,197,138
Cash and cash equivalents at 1 January	6,048,775	2,851,637
Cash and cash equivalents at 31 December	$ 7,173,048	$ 6,048,775
Cash flow from operating activities included:		
Interest received	$ 12,313,583	$ 8,856,442
Interest paid on deposits from banks and other financial institutions	(5,270,534)	(2,215,703)

The notes on pages 13 to 82 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. Significant accounting policies adopted by the Company are disclosed 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 certain financial instruments (see note 1(c)(ii)) 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 33.

1 Significant accounting policies (continued)

(c) Financial instruments

(i) Initial recognition

The Company initially recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of investment securities classified as measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) (from 1 January, 2018), available-for-sale or held-to-maturity (before 1 January, 2018) financial assets and financial liabilities at FVTPL or debts issued are recognised using trade date accounting. Other financial assets and financial liabilities are recognised using settlement date accounting.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, in 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 on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

From the date of initial recognition, any gains and losses arising from changes in fair value of the financial assets or financial liabilities measured at fair value are recorded.

Accrued contractual interests from financial assets and liabilities are presented as accrued interest receivables and payables separately in the financial statements.

(ii) Classification

(A) Financial assets and liabilities – Policy applicable from 1 January, 2018

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

1 Significant accounting policies (continued)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

1 Significant accounting policies (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. When (and only when) the Company changes its business model for managing financial assets, it reclassifies all affected financial assets in accordance with the new business model. The reclassification should be applied prospectively from the 'reclassification date', which is defined as, 'the first day of the first reporting period following the change in business model that results in reclassifying financial assets'. Accordingly, any previously recognised gains, losses or interest will not be restated.

If a financial asset is reclassified out of the amortised cost measurement category and into the FVTPL or FVOCI measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss (if reclassification as FVTPL measurement category) or is recognised in other comprehensive income (if reclassification as FVOCI measurement category).

If a financial asset is reclassified out of the FVOCI measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost.

If a financial asset is reclassified out of the FVOCI measurement category and into the FVTPL measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

1 Significant accounting policies (continued)

If a financial asset is reclassified out of the FVTPL measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

If an entity reclassifies a financial asset out of the FVTPL measurement category and into the FVOCI measurement category, the financial asset continues to be measured at fair value and subsequent changes in fair value will be recognised in other comprehensive income.

Financial liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

The Company has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(B) Financial assets and liabilities – Policy applicable before 1 January, 2018

The Company classified 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 were: fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Fair value through profit or loss

This category comprised financial assets and financial liabilities held for trading and those designated at fair value through profit or loss upon initial recognition, but excluded those investments in equity instruments that did not have a quoted market price and whose fair value could not be reliably measured.

Financial instruments were designated at fair value through profit or loss upon initial recognition when:

- the assets or liabilities were managed, evaluated and reported internally on a fair value basis;
- the designation eliminated or significantly reduced an accounting mismatch which would otherwise arise; or
- the asset or liability contained an embedded derivative that significantly modified the cash flows that would otherwise be required under the contract and the separation of the embedded derivatives from the financial instruments was not prohibited.

1 Significant accounting policies (continued)

Financial assets and financial liabilities under this category were carried at fair value. Changes in the fair value were included in the income statement in the period in which they arise. Upon disposal or repurchase, the difference between the net sales proceeds or the net payment and the carrying value was included in the income statement.

Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than (i) those that the Company intended to sell immediately or in the near term, which would be classified as held for trading; (ii) those that the Company, upon initial recognition, designated as at fair value through profit or loss or as available-for-sale; or (iii) those where the Company might not recover substantially all of its initial investment, other than because of credit deterioration, which would be classified as available-for-sale. Loans and receivables mainly comprised placements with and advances to banks and other financial institutions, trade bills and loans and advances to customers.

Securities classified as loans and receivables typically comprised securities issued by the same customers with whom the Company had a lending relationship that were not quoted in an active market. Investment decisions for credit substitute securities were subject to the same credit approval processes as loans, and the Company bore the same customer risk as it did for loans extended to those customers. Additionally the yield and maturity terms were generally directly negotiated by the Company with the issuer. These securities included commercial paper, short term debentures and preference shares issued by the borrower.

Loans and receivables and securities classified as loans and receivables were carried 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 were non-derivative financial assets with fixed or determinable payments and fixed maturity which the Company had the positive intention and ability to hold to maturity, other than (i) those that the Company, upon initial recognition, designates as at fair value through profit or loss or available-for-sale; and (ii) those that met the definition of loans and receivables.

Held-to-maturity investments were 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 was 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 financial assets

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

1 Significant accounting policies (continued)

Available-for-sale financial assets were carried at fair value. Unrealised gains and losses arising from changes in the fair value were recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which were recognised in the income statement.

Investments in equity securities that did not have a quoted market price in an active market and whose fair value could not be measured reliably, and derivatives that were linked to and must be settled by delivery of such unquoted equity securities were carried at cost less impairment losses, if any.

When the available-for-sale financial assets were sold, gains or losses on disposal included the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments which were previously recognised in other comprehensive income were reclassified from equity to the income statement.

Other financial liabilities

Financial liabilities, other than trading liabilities and those designated at fair value through profit or loss, were 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.

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 a reliable estimate of prices which could be obtained in actual market transactions.

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

The Company derecognises a financial asset when the contractual rights to receive 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.

1 Significant accounting policies (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement. From 1 January 2018 any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in the income statement on derecognition of such securities.

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

The Company uses the weighted average or first-in first-out method, where appropriate, to determine realised gains and losses to be recognised in the income statement on derecognition.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

(vi) Derivatives

Derivatives are recognised initially and are subsequently remeasured, at fair value. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative, this includes embedded derivatives which are bifurcated from the host contract, when they meet the definition of a derivative on a standalone basis.

(A) Policy applicable from 1 January 2018

Derivatives may be embedded in another contractual arrangement (a host contract). The Company accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of HKFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship.

1 Significant accounting policies (continued)

(B) Policy applicable before 1 January 2018

Derivatives may be embedded in another contractual arrangement (a host contract). The Company accounts for an embedded derivative separately from the host contract when:

- the host contract was not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative were not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives were measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship.

(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 (see note 1(g)).

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

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.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. Both the useful life of an asset and its residual value, if any are reviewed annually.

1 Significant accounting policies (continued)

(f) Credit losses and impairment of financial assets

(A) Policy applicable from 1 January 2018

The Company recognises loss allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at FVTPL:

- loan and advances;
- investment securities; and
- loan commitments issued.

Derivative financial assets measured at fair value, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flow due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

For undrawn commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Company if the holder of the undrawn commitment draws down on the loan and (ii) the cash flows that the Company expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- undrawn commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

In measuring ECLs, the Company takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

1 Significant accounting policies (continued)

The Company measures impairment allowances for 12-month or lifetime ECLs using a 3-stage approach as follows:

Stage	Description	Impairment Loss
1	Credit risk on the financial instrument has not increased significantly since initial recognition	12-month ECL
2	Credit risk on the financial instrument has increased significantly since initial recognition	Lifetime ECL
3	Financial instruments that are considered as credit-impaired	Lifetime ECL

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date.
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Company recognises an impairment allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the impairment allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including an undrawn commitment) has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Company considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available); and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

1 Significant accounting policies (continued)

For undrawn commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Company becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of an undrawn commitment, the Company considers changes in the risk of default occurring on the loans and advances to which the undrawn commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are company based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through an impairment allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income recognised in accordance with note 1(k) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired (referred to as "Stage 3 financial assets"), in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less impairment allowance) of the financial asset.

At each reporting date, the Company assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer

1 Significant accounting policies (continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) *Policy applicable before 1 January 2018*

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 individual 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.

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

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.

Fee and commission income

Fee and commission income that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate calculation as noted above.

Other fee and commission income is recognised in the income statement when the corresponding service is provided. Origination or commitment fees received 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. If it is uncertain that a loan commitment will result in draw-down of a loan, then the related loan commitment fee is recognised as revenue on a straight-line basis over the commitment period.

Net trading 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.

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

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.

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.

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.

1 Significant accounting policies (continued)

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 include 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 asset 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. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company.

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 statement of financial position date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each statement of financial position date 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.

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).

1 Significant accounting policies (continued)

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.

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.

1 Significant accounting policies (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into United States dollar 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.

(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 a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Company. Of these, the following developments are relevant to the Company's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

(i) HKFRS 9, *Financial instruments*, including the amendments to HKFRS 9, *Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Company has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Company has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information is not restated and continued to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018:

	Impact of application of HKFRS 9
Retained earnings	
Closing balance under HKAS 39 (31 December 2017)	$ 26,570,568
Net reversal of expected credit losses under HKFRS 9	956,563
Related tax	(157,833)
Opening balance under HKFRS 9 (1 January 2018)	$ 27,369,298
Fair value reserve	
Closing balance under HKAS 39 (31 December 2017)	$ (404,366)
Recognition of expected credit losses under HKFRS 9 for debt financial assets at FVOCI	60,733
Opening balance under HKFRS 9 (1 January 2018)	$ (343,633)

2 Changes in accounting policies (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

A. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories in accordance with HKAS 39 and the new measurement categories under HKFRS 9 for the Company's financial assets as at 1 January 2018.

	At 1 January 2018			
	Classification		*Carrying amount*	
	HKAS 39	*HKFRS 9*	*HKAS 39*	*HKFRS 9*
Financial assets				
Investment securities	Held to maturity	Amortised cost	$ 4,790,985	$ 4,788,766
Investment securities	Available-for-sale	FVOCI	157,639,645	157,639,645
Loans and advances to customers	Loans and receivable	Amortised cost	194,048,523	194,858,312
Loans and advances to banks and other financial institutions	Loans and receivable	Amortised cost	29,126,507	29,336,234
Total financial assets			$ 385,605,660	$ 386,622,957

There were no changes to the classification and measurement for the Company's financial liabilities.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial adoption of HKFRS 9.

The Company did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

2 Changes in accounting policies (continued)

B. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Company applies the new ECL model to the following items:

- financial assets measured at amortised cost (including investments measured at amortised cost, loans and advances to banks and other financial institutions and loans and advances to customers);
- investments measured at fair value through other comprehensive income; and
- loan commitments issued, which are not measured at FVPL.

For further details on the Company's accounting policy for accounting for credit losses, see accounting policy note 1(f).

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018:

	31 December 2017 HKAS 39	*Reclassification*	*Remeasurement*	*1 January 2018 HKFRS 9*
Impairment allowances				
Investments at held-to-maturity under HKAS 39/investments at amortised cost under HKFRS 9	$ -	$ -	$ 2,219	$ 2,219
Investments at available-for-sale under HKAS 39/investments at FVOCI under HKFRS 9	-	-	60,733	60,733
Loans and advances to customers	1,252,231	-	(824,180)	428,051
Loans and advances to banks and other financial institutions	242,734	-	(209,727)	33,007
Loan commitments and financial guarantees issued	-	-	14,392	14,392
Total impairment allowances	$ 1,494,965	$ -	$ (956,563)	$ 538,402

2 Changes in accounting policies (continued)

C. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirement of HKFRS 9 and therefore is not comparable to the information presented in 2018 under HKFRS 9.
- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Company).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. The adoption of this standard does not have a material impact on the Company's financial statements.

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This Interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Company.

3 Interest income and interest expense

(a) Interest income

	2018	*2017* (Restated)
Investment securities at amortised cost or FVOCI (2017: held-to-maturity or available-for-sale)	$ 4,265,621	$ 3,490,405
Loans and advances to banks	719,270	499,993
Loans and advances to customers	8,163,665	5,610,926
	$ 13,148,556	$ 9,601,324

(b) Interest expense

	2018	*2017*
Deposits from banks and other financial institutions	$ 4,782,650	$ 2,747,603
Borrowings	3,309,777	2,187,504
Subordinated liabilities	601,179	469,348
	$ 8,693,606	$ 5,404,455

Note: *The 2017 comparative figures have been restated to conform to current period's presentation of Statement of Profit or Loss and Other Comprehensive Income.*

4 Fee and commission income and expenses

(a) Fee and commission income

	2018	*2017* (Restated)
Arrangement and management fee	$ 407,315	$ 160,000

(b) Fee and commission expenses

	2018	*2017*
Foreign exchange transaction fees	$ 10,766	$ 10,847

5 Net trading gain

	2018	*2017*
Gains less losses from derivatives	$ 285,722	$ 491,846

6 Net hedging expense

	2018	*2017*
Fair value hedges		
– Net loss on hedged items attributable to the hedged risk	$ -	$ (130,134)
– Net loss on hedging instruments	-	(11,821)
	$ -	$ (141,955)

7 Operating expenses

	2018	*2017*
(a) Staff costs		
Salaries and other benefits (of which operating lease charges in respect of accommodation provided to staff were $348,034 (2017: $281,114))	$ 1,523,529	$ 1,162,791
Contributions to Mandatory Provident Fund	10,816	9,593
	$ 1,534,345	$ 1,172,384
(b) Depreciation	$ 8,518	$ 2,818
(c) Other operating expenses		
Rent and rates	$ 316,993	$ 315,601
Auditor's remuneration	101,203	95,435
Others	429,175	377,990
	$ 847,371	$ 789,026
	$ 2,390,234	$ 1,964,228

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:

	2018	2017
Directors' fees	$ 42,704	$ -
Salaries, allowances and benefits in kind	474,146	382,440
Retirement scheme contributions	-	-
	$ 516,850	$ 382,440

9 Net charge/(release) of impairment allowances

	2018	2017
Loans and advances to banks and other financial institutions	$ 27,661	$ 54,999
Loans and advances to customers	171,948	(381,547)
Investment securities	5,292	-
Loan commitments	(9,756)	-
Net charge/(release) of impairment allowances	$ 195,145	$ (326,548)

10 Net gain on disposal of investment securities

	2018	2017
Net gain on disposal of available-for-sale securities	$ -	$ 247,149
Net gain on disposal of debt investment securities measured at FVOCI	175,857	-
	$ 175,857	$ 247,149

11 Income tax

(a) *Taxation in the statement of profit or loss and other comprehensive income represents:*

	2018	2017
Current tax - Hong Kong Profits Tax		
Provision for the year	$ 475,408	$ 431,933
Over-provision in respect of prior year	(1,242)	(4,389)
	$ 474,166	$ 427,544
Deferred tax		
Origination and reversal of temporary differences	(26,906)	107,668
	$ 447,260	$ 535,212

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year.

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

	2018	2017
Profit before taxation	$ 2,718,194	$ 3,270,495
Notional tax on profit before taxation, calculated at the standard rate of 16.5% (2017: 16.5%)	$ 448,502	$ 539,632
Over-provision in respect of prior year	(1,242)	(4,389)
Others	-	(31)
Actual tax expense	$ 447,260	$ 535,212

12 Other comprehensive income

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

	2018			2017		
	Before-tax amount	*Tax benefit*	*Net-of-tax amount*	*Before-tax amount*	*Tax benefit*	*Net-of-tax amount*
Debt investment securities measured at FVOCI: net movement in fair value reserve (recycling)	$ (2,020,872)	$ 334,317	$(1,686,555)	$ -	$ -	$ -
Available-for-sale financial assets: net movement in fair value reserve (recycling)	$ -	$ -	$ -	$ (986,482)	$ 162,770	$ (823,712)

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

	2018	*2017*
Financial assets at FVOCI:		
Changes in fair value recognised during the year	$ (1,869,912)	$ -
Recognition of expected credit loss on FVOCI investment	5,292	-
Income tax effect	334,317	-
Reclassification adjustments for amounts transferred to profit or loss		
- gains on disposal	(175,857)	-
- amortisation of previous revaluation losses on FVOCI reclassified as amortised cost, net of deferred tax	19,605	-
Net movement in the available-for-sale revaluation reserve during the year recognised in other comprehensive income	$ (1,686,555)	$ -

	2018	*2017*
Available-for-sale financial assets:		
Changes in fair value recognised during the year	$ -	$ (758,939)
Income tax effect	-	162,770
Reclassification adjustments for amounts transferred to profit or loss		
- gains on disposal	-	(247,149)
- amortisation of previous revaluation losses on available-for-sale reclassified as held-to-maturity, net of deferred tax	-	19,606
Net movement in the available-for-sale revaluation reserve during the year recognised in other comprehensive income	$ -	$ (823,712)

13 Loans and advances to customers

(a) Loans and advances less impairment

	2018	*2017*
Gross loans and advances to banks and other financial institutions	$ 30,925,776	$ 29,369,241
Less: Impairment allowances		
- Stage 1	(60,669)	-
- Stage 2	-	-
- Stage 3	-	-
- Individually assessed	-	-
- Collectively assessed	-	(242,734)
	$ 30,865,107	$ 29,126,507

	2018	*2017*
Gross loans and advances to customers	$ 230,951,867	$ 195,300,754
Less: Impairment allowances		
- Stage 1	(599,998)	-
- Stage 2	-	-
- Stage 3	-	-
- Individually assessed	-	-
- Collectively assessed	-	(1,252,231)
	$ 230,351,869	$ 194,048,523

	2018	*2017*
Net loans and advances to:		
- banks and other financial institutions	$ 30,865,107	$ 29,126,507
- customers	230,351,869	194,048,523
	$ 261,216,976	$ 223,175,030

13 Loans and advances to customers (continued)

(b) Movement in impairment allowances

	2018			
	12-month ECL (Stage 1)	*Lifetime ECL not credit-impaired (Stage 2)*	*Lifetime ECL credit-impaired (Stage 3)*	*Total*
At 1 January 2018	$ 461,058	$ -	$ -	$ 461,058
Charged to income statement	199,609	-	-	199,609
At 31 December 2018	$ 660,667	$ -	$ -	$ 660,667

Comparative information under HKAS 39:

	2017		
	Individually assessed	*Collectively assessed*	*Total*
At 1 January 2017	$ 530,009	$ 1,603,670	$ 2,133,679
Net impairment losses released to statement of profit or loss	-	(108,705)	(108,705)
Recovery	(217,843)	-	(217,843)
Written-off	(312,166)	-	(312,166)
At 31 December 2017	$ -	$ 1,494,965	$ 1,494,965

14 Investment securities

	2018		
	Debt securities at fair value through other comprehensive income	*Debt securities at amortised cost*	*Total*
Analysed by type of issuer:			
Banks and other financial institutions	$ 94,776,811	$ -	$ 94,776,811
Corporate entities	44,095,081	4,814,998	48,910,079
	$ 138,871,892	$ 4,814,998	$ 143,686,890
Debt securities:			
– Listed in Hong Kong	$ 33,267,266	$ -	$ 33,267,266
– Listed outside Hong Kong	103,602,786	4,814,998	108,417,784
	$ 136,870,052	$ 4,814,998	$ 141,685,050
- Unlisted	$ 2,001,840	$ -	$ 2,001,840
	$ 138,871,892	$ 4,814,998	$ 143,686,890
Less: Impairment allowances			
– Stage 1		$ (2,219)	$ (2,219)
– Stage 2		-	-
– Stage 3		-	-
		$ (2,219)	$ (2,219)
Total debt securities	$ 138,871,892	$ 4,812,779	$ 143,684,671

Note: The impairment allowances for debt securities at FVOCI contains only stage 1 of USD 66,025 as at 31 December 2018.

14 Investment securities (continued)

	2017		
	Available-for-sale debt securities	*Held-to-maturity debt securities*	*Total*
Analysed by type of issuer:			
Banks and other financial institutions	$ 100,862,020	$ -	$ 100,862,020
Corporate entities	56,777,625	4,790,985	61,568,610
	$ 157,639,645	$ 4,790,985	$ 162,430,630
Debt securities:			
- Listed in Hong Kong	$ 7,006,530	$ -	$ 7,006,530
- Listed outside Hong Kong	148,627,315	4,790,985	153,418,300
	$ 155,633,845	$ 4,790,985	$ 160,424,830
- Unlisted	$ 2,005,800	$ -	$ 2,005,800
Total debt securities	$ 157,639,645	$ 4,790,985	$ 162,430,630

15 Property, plant and equipment

	Leasehold improvements	Computer equipment	Furniture, fittings and office equipment	Motor vehicles	Total
Cost:					
At 1 January 2018	$ 157,732	$ 351,544	$ 33,295	$ 66,368	$ 608,939
Additions	-	33,789	-	-	33,789
At 31 December 2018	$ 157,732	$ 385,333	$ 33,295	$ 66,368	$ 642,728
Accumulated depreciation:					
At 1 January 2018	$ 157,732	$ 341,014	$ 32,910	$ 66,368	$ 598,024
Charge for the year	-	8,325	193	-	8,518
At 31 December 2018	$ 157,732	$ 349,339	$ 33,103	$ 66,368	$ 606,542
Net book value:					
At 31 December 2018	$ -	$ 35,994	$ 192	$ -	$ 36,186

	Leasehold improvements	Computer equipment	Furniture, fittings and office equipment	Motor vehicles	Total
Cost:					
At 1 January 2017	$ 157,732	$ 341,689	$ 33,295	$ 66,368	$ 599,084
Additions	-	9,855	-	-	9,855
At 31 December 2017	$ 157,732	$ 351,544	$ 33,295	$ 66,368	$ 608,939
Accumulated depreciation:					
At 1 January 2017	$ 157,732	$ 338,646	$ 32,460	$ 66,368	$ 595,206
Charge for the year	-	2,368	450	-	2,818
At 31 December 2017	$ 157,732	$ 341,014	$ 32,910	$ 66,368	$ 598,024
Net book value:					
At 31 December 2017	$ -	$ 10,530	$ 385	$ -	$ 10,915

16 Taxation in the statement of financial position

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

		2018		*2017*
Provision for Hong Kong Profits Tax for the year	$	(475,408)	$	(431,933)
Provisional Profits Tax paid		408,107		455,826
	$	(67,301)	$	23,893

(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 allowance*		*Fair value adjustment for financial assets at FVOCI (2017: Fair value adjustments for available-for-sale investments)*		*Total*
At 1 January 2018	$	19,371	$	246,668	$	79,906	$	345,945
Impact on initial application of HKFRS 9		-		(157,833)		-		(157,833)
At 1 January 2018	$	19,371	$	88,835	$	79,906	$	188,112
(Charged)/credited to profit or loss		(5,293)		32,199		-		26,906
Credit to reserves		-		-		334,317		334,317
At 31 December 2018	$	14,078	$	121,034	$	414,223	$	549,335
At 1 January 2017	$	21,651	$	352,056	$	(82,864)	$	290,843
Charged to profit or loss		(2,280)		(105,388)		-		(107,668)
Credit to reserves		-		-		162,770		162,770
At 31 December 2017	$	19,371	$	246,668	$	79,906	$	345,945

Note: Upon the initial application of HKFRS 9, the Company has derecognised deferred tax assets of USD157,833 on the release of impairment allowances recognised under the ECL model (see note 1(f)).

17 Other assets

		2018		*2017*
Accrued interest receivable	$	2,053,037	$	1,581,307
Positive fair values of hedging derivatives (note 28(c))		-		58,254
Others		379,778		387,005
	$	2,432,815	$	2,026,566

18 Derivative financial liabilities

		2018		*2017*
Negative fair value of non-hedging derivatives	$	-	$	66

19 Borrowings from the ultimate holding company

The analysis of the carrying amount of borrowings from the ultimate holding company is as follows:

	2018	*2017*
Borrowings from the ultimate holding company		
- short-term borrowing	$ 91,000,000	$ 22,036,456
- long-term borrowing	22,210,011	76,000,000
	$ 113,210,011	$ 98,036,456

At 31 December 2018, the short-term borrowings from the ultimate holding company bear interest at 3-month LIBOR plus a spread of 0.35% to 0.38% and are repayable on 26 June 2019 (2017: the short-term borrowings from the ultimate holding company bear interest at 3-month LIBOR plus a spread of 0.39% and are repayable on 21 September 2018).

At 31 December 2018, the long-term borrowings from the ultimate holding company bear interest at 3-month LIBOR plus a spread of 0.39% and are repayable on 6 April 2020 (2017: the long-term borrowings from the ultimate holding company bear interest at 3-month LIBOR plus a spread ranging from 0.39% to 0.40% and are repayable on 26 June 2019).

20 Borrowings from other financial institutions

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

	2018	*2017*
Borrowings from other financial institutions		
- short-term borrowing	$ 49,941,925	$ 40,000,000
- long-term borrowing	-	29,851,724
	$ 49,941,925	$ 69,851,724

At 31 December 2018, the short-term borrowing from other financial institutions comprise USD 20 million bearing interest at LIBOR plus a spread of 0.5% repayable on 25 February 2019, USD 30 million bearing interest at 3 month LIBOR plus a spread of 0.5% repayable on 23 August 2019.

At 31 December 2017, the short-term borrowings from other financial institutions comprise USD10 million bearing interest at 6-month LIBOR plus a spread of 0.50% repayable on 31 January 2018, USD10 million bearing interest at 6-month LIBOR plus a spread of 0.50% repayable on 26 February 2018 and USD20 million bearing interest at 6-month LIBOR plus a spread of 0.50% repayable on 3 April 2018 (2016: bore interest at 3.5% and are repayable on 28 February 2017).

At 31 December 2017, the long-term borrowings from other financial institutions bore interest at 3-month LIBOR plus a spread of 0.50% and were repayable on 23 August 2019.

21 Subordinated liabilities

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

	2018	*2017*
Borrowings from the ultimate holding company		
- Subordinated floating rate at 3-month LIBOR plus 1.6% thereafter until 27 September 2028 (2017: 1.90%)	$ 14,977,057	$ 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 27 September 2023, by giving not less than 30 days prior notice to the ultimate holding company.

22 Other liabilities

	2018	*2017*
Accrued interest payable	$ 1,414,656	$ 958,877
Others	279,742	247,599
	$ 1,694,398	$ 1,206,476

23 Share capital

	2018 No. of shares	2018 Amount	2017 No. of shares	2017 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

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

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.

24 Reserves

	Retained profits	*Fair value reserve*	*Total*
At 1 January 2018	$ 26,570,568	$ (404,366)	$ 26,166,202
Impact on transition to HKFRS 9	798,730	60,733	859,463
At 1 January 2018	$ 27,369,298	$ (343,633)	$ 27,025,665
Dividends approved in respect of the previous year	(273,528)	-	(273,528)
- Profit for the year	2,270,934	-	2,270,934
- Change in fair value and impairment loss, net of deferred tax	-	(1,530,303)	(1,530,303)
- Gains on disposal	-	(175,857)	(175,857)
- Amortisation of previous revaluation losses on investments measured at FVOCI reclassified as investments measured at amortised cost, net of deferred tax	-	19,605	19,605
At 31 December 2018	$ 29,366,704	$ (2,030,188)	$ 27,336,516

24 Reserves (continued)

	Retained profits	Fair value reserve	Total
At 1 January 2017	$ 23,953,215	$ 419,346	$ 24,372,561
Dividends approved in respect of the previous year	(117,930)	-	(117,930)
Total comprehensive income of the year			
- Profit for the year	2,735,283	-	2,735,283
- Available-for-sale investments			
- Change in fair value, net of deferred tax	-	(596,169)	(596,169)
Reclassification adjustments for the amounts transferred to profit or loss			
- Gains on disposal	-	(247,149)	(247,149)
- Amortisation of previous revaluation losses on available-for-sale investments reclassified as held-to-maturity investments, net of deferred tax	-	19,606	19,606
At 31 December 2017	$ 26,570,568	$ (404,366)	$ 26,166,202

Nature and purpose of reserves

(i) Fair value reserve

This reserve comprises the cumulative net change in the fair value of debt securities measured at fair value through other comprehensive income (2017: available-for-sale securities) and the respective impairment allowances until the securities are derecognised and is dealt with in accordance with the accounting policies in notes 1(c) and 1(f).

(ii) Regulatory reserve

As at 31 December 2018, the Company has earmarked $1,955,052 (2017: $899,387) 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.

25 Dividends payable to equity shareholders attributable to the year

	2018	*2017*
Final dividend in respect of the current financial year proposed after the end of the reporting period of \$0.0038 per ordinary share (2017: \$0.0091 per ordinary share)	\$ 113,547	\$ 273,528

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

	2018	*2017*
Final dividend in respect of the previous financial year, approved and paid during the year, of \$0.0091per ordinary share (2017: \$0.0039 per ordinary share)	\$ 273,528	\$ 117,930

26 Assets pledged as security

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

	2018	*2017*
Secured liabilities (included in deposits and balances from banks and other financial institutions and accrued interest payable)	\$ 78,263,754	\$ 74,044,249
Assets pledged:		
- Investments	\$ 82,570,051	\$ 77,962,034

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

27 Contingent liabilities and commitment

(a) *Contingent liabilities and commitments*

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

	2018	*2017*
Loan commitments		
- with an original maturity of under one year	$ 4,853,000	$ 18,000,000
- with an original maturity of one year and over	5,000,000	6,314,190
	$ 9,853,000	$ 24,314,190
Credit risk weighted amount	$ 3,470,600	$ 6,757,095

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 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018	*2017*
Within 1 year	$ 671,679	$ 557,221
After 1 year but within 5 years	868,019	65,463
	$ 1,539,698	$ 622,684

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.

28 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.

	2018		
	Qualifying for hedge accounting	*Held for trading*	*Total*
Interest rate swaps	$ -	$ -	$ -

	2017		
	Qualifying for hedge accounting	*Held for trading*	*Total*
Interest rate swaps	$ 16,500,000	$ 3,000,000	$ 19,500,000

28 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.

	2018			*2017*		
	Fair value		*Credit risk weighted*	*Fair value*		*Credit risk weighted*
	Assets	*Liabilities*	*amount*	*Assets*	*Liabilities*	*amount*
Interest rate swaps	$ -	$ -	$ -	$ -	$ 66	$ 680

(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:

	2018		*2017*	
	Assets	*Liabilities*	*Assets*	*Liabilities*
Interest rate contracts	$ -	$ -	$ 58,254	$ -
	(note 17)	(note 22)	(note 17)	(note 22)

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.

28 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.

	2018			
	Total	*1 year or less*	*Over 1 year to 5 years*	*Over 5 years*
Interest rate derivatives	$ -	$ -	$ -	$ -

	2017			
	Total	*1 year or less*	*Over 1 year to 5 years*	*Over 5 years*
Interest rate derivatives	$ 19,500,000	$ 14,500,000	$ 5,000,000	$ -

29 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: risk of loss resulting from the decline in credit quality (or downgrade risk) or failure of a borrower, counterparty, third party or issuer to honor its financial or contractual obligations.
- 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.

29 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.

29 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:

	2018	*2017*
Cash and balances with banks and other financial institutions	$ 7,173,048	$ 6,048,775
Loans and advances to banks and other financial institutions	30,865,107	29,126,507
Loans and advances to customers	230,351,869	194,048,523
Investment securities	143,686,890	162,430,630
Loan commitments and other credit related commitments	9,853,000	24,314,190
	$ 421,929,914	$ 415,968,625

29 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 2018 and 2017, no loans and advances to banks and other financial institutions are impaired.

The following table sets out information about the credit quality of loans and advances. The amounts in the table represent net carrying amount.

	2018				*2017*
Loans and advances to banks and other financial at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*Total*	*Total*
Pass	$ 30,925,776	$ -	$ -	$ 30,925,776	$ 29,369,241
Special Mention	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Loss allowance	(60,669)	-	-	(60,669)	(242,734)
Carrying amount	$ 30,865,107	$ -	$ -	$ 30,865,107	$ 29,126,507

	2018				*2017*
Loans and advances to customers at amortised cost	*Stage 1*	*Stage 2*	*Stage 3*	*Total*	*Total*
Pass	$ 230,951,867	$ -	$ -	$ 230,951,867	$ 195,300,754
Special Mention	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Loss allowance	(599,998)	-	-	(599,998)	(1,252,231)
Carrying amount	$ 230,351,869	$ -	$ -	$ 230,351,869	$ 194,048,523

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

As at 31 December 2018, there were no overdue or impaired loans and advances (2017: Nil).

29 Financial risk management (continued)

(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.

	2018				*2017*
Debt investments at amortised cost (2017: Held-to-maturity debt investments)	*Stage 1*	*Stage 2*	*Stage 3*	*Total*	*Total*
AA+ to AA-	$ 4,814,998	$ -	$ -	$ 4,814,998	$ 4,790,985
A+ to A-	-	-	-	-	-
BBB+ to BBB-	-	-	-	-	-
Unrated	-	-	-	-	-
Loss allowance	(2,219)	-	-	(2,219)	-
Carrying amount	$ 4,812,779	$ -	$ -	$ 4,812,779	$ 4,790,985

	2018				*2017*
Debt investments at FVOCI (2017: Available-for-sale debt investments)	*Stage 1*	*Stage 2*	*Stage 3*	*Total*	*Total*
AA+ to AA-	$ 29,563,170	$ -	$ -	$ 29,563,170	$ 50,552,065
A+ to A-	77,099,741	-	-	77,099,741	86,184,353
BBB+ to BBB-	30,207,141	-	-	30,207,141	18,897,427
Unrated	2,001,840	-	-	2,001,840	2,005,800
Carrying amount	$ 138,871,892	$ -	$ -	$ 138,871,892	$ 157,639,645

As at 31 December 2018, there were no overdue or impaired debt investments (2017: Nil).

29 Financial risk management (continued)

(iv) Collateral and other credit enhancements

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:

	2018	*2017*
Fair value of collateral and other credit enhancements held against financial assets that are:		
- neither past due nor impaired	$ -	$ -
- impaired	-	-
	$ -	$ -

(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.

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.

29 Financial risk management (continued)

(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.

(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.

29 Financial risk management (continued)

The following table indicates the effective interest rates for the relevant periods and the expected next dates (or maturity dates whichever are earlier) for interest-bearing assets and liabilities at the balance sheet date.

	2018						
	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		$ 7,173,048	$ -	$ -	$ -	$ -	$ 7,173,048
Loans and advances to customers	4.12%	230,351,869	214,194,226	13,897,577	2,260,066	-	-
Loans and advances to banks and other financial institutions	2.96%	30,865,107	27,465,828	3,399,279	-	-	-
Investment securities	3.21%	143,684,671	85,241,227	13,454,025	40,176,640	4,812,779	-
Non-interest bearing assets		3,018,336	-	-	-	-	3,018,336
Total assets		$ 415,093,031	$ 326,901,281	$ 30,750,881	$ 42,436,706	$ 4,812,779	$ 10,191,384
Liabilities							
Deposits and balances from banks and other financial institutions	3.03%	$ 177,865,823	$ 127,865,823	$ 50,000,000	$ -	$ -	$ -
Derivative financial liabilities		-	-	-	-	-	-
Subordinated liabilities	4.43%	14,977,057	14,977,057	-	-	-	-
Borrowings from the ultimate holding company	2.45%	113,210,011	113,210,011	-	-	-	-
Borrowings from other financial institutions	3.12%	49,941,925	49,941,925	-	-	-	-
Non-interest bearing liabilities		1,761,699	-	-	-	-	1,761,699
Total liabilities		$ 357,756,515	$ 305,994,816	$ 50,000,000	$ -	$ -	$ 1,761,699
Asset-liabilities gap			$ 20,906,465	$ (19,249,119)	$ 42,436,706	$ 4,812,779	
Derivatives (floating)			$ -	$ -	$ -	$ -	
Derivatives (fixed)			-	-	-	-	
Derivatives net long/(short) position			-	-	-	-	
Interest rate sensitivity gap			$ 20,906,465	$ (19,249,119)	$ 42,436,706	$ 4,812,779	

29 Financial risk management (continued)

	2017						
	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		$ 6,048,775	$ -	$ -	$ -	$ -	$ 6,048,775
Loans and advances to banks and other financial institutions	2.33%	29,126,507	29,126,507	-	-	-	-
Loans and advances to customers	3.27%	194,048,523	173,897,354	15,976,010	4,175,159	-	-
Available-for-sale investments	2.36%	157,639,645	55,591,660	56,237,835	45,810,150	-	-
Held-to-maturity investments	2.65%	4,790,985	-	-	-	4,790,985	-
Non-interest bearing assets		2,407,319	-	-	-	-	2,407,319
Total assets		$ 394,061,754	$ 258,615,521	$ 72,213,845	$ 49,985,309	$ 4,790,985	$ 8,456,094
Liabilities							
Deposits and balances from banks and other financial institutions	1.95%	$ 153,800,830	$ 82,606,709	$ 71,194,121	$ -	$ -	$ -
Derivative financial liabilities		66	-	-	-	-	66
Borrowings	1.62%	167,888,180	147,888,180	20,000,000	-	-	-
Subordinated liabilities	1.85%	15,000,000	15,000,000	-	-	-	-
Non-interest bearing liabilities		1,206,476	-	-	-	-	1,206,476
Total liabilities		$ 337,895,552	$ 245,494,889	$ 91,194,121	$ -	$ -	$ 1,206,542
Asset-liabilities gap			$ 13,120,632	$ (18,980,276)	$ 49,985,309	$ 4,790,985	
Derivatives net long/(short) position (notional amount)			$ -	$ -	$ -	$ -	
Interest rate sensitivity gap			$ 13,120,632	$ (18,980,276)	$ 49,985,309	$ 4,790,985	

29 Financial risk management (continued)

(iii) Sensitivity analysis

At 31 December 2018, it is estimated that a general increase/decrease of 100 (2017: 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 $1,003,227 and $1,003,227 respectively (2017: $581,242 and $581,242 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 (2017: 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. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Company at the end of the reporting period, the impact on the Company's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(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.

29 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 balance sheet date to the contractual maturity date.

	2018							
	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	$ 7,173,048	$ 7,173,048	$ -	$ -	$ -	$ -	$ -	$ -
Loans and advances to customers	230,351,869	-	4,996,358	7,960,655	119,123,347	93,870,612	4,400,897	-
Loans and advances to banks and other financial institutions	30,865,107	-	-	-	4,069,175	26,795,932	-	-
Investment securities	143,684,671	-	3,999,160	-	15,455,865	104,075,247	20,154,399	-
Other assets	3,018,336	-	775,470	1,035,944	793,458	155,995	221,283	36,186
Total assets	$ 415,093,031	$ 7,173,048	$ 9,770,988	$ 8,996,599	$ 139,441,845	$ 224,897,786	$ 24,776,579	$ 36,186
Liabilities								
Deposits and balances from banks and other financial institutions	$ 177,865,823	$ -	$ 66,228,709	$ 61,637,114	$ 50,000,000	$ -	$ -	$ -
Derivative financial liabilities	-	-	-	-	-	-	-	-
Subordinated liabilities	14,977,057	-	-	-	-	-	14,977,057	-
Borrowings from the ultimate holding company	113,210,011	-	-	-	91,000,000	22,210,011	-	-
Borrowings from other financial institutions	49,941,925	-	-	20,000,000	29,941,925	-	-	-
Other liabilities	1,761,699	-	846,424	573,881	256,560	84,834	-	-
Total liabilities	$ 357,756,515	$ -	$ 67,075,133	$ 82,210,995	$ 171,198,485	$ 22,294,845	$ 14,977,057	$ -
Asset-liabilities gap		$ 7,173,048	$ (57,304,145)	$ (73,214,396)	$ (31,756,640)	$ 202,602,941	$ 9,799,522	

29 Financial risk management (continued)

	2017							
	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	$ 6,048,775	$ 6,048,775	$ -	$ -	$ -	$ -	$ -	$ -
Loans and advances to banks and other financial institutions	29,126,507	-	-	6,483,454	4,315,979	18,327,074	-	-
Loans and advances to customers	194,048,523	-	4,970,000	17,407,025	88,050,791	78,963,012	4,657,695	-
Available-for-sale investments	157,639,645	-	4,999,900	4,997,500	61,727,010	85,915,235	-	-
Held-to-maturity investments	4,790,985	-	-	-	-	-	4,790,985	-
Other assets	2,407,319	-	549,451	604,877	884,075	136,205	221,796	10,915
Total assets	$ 394,061,754	$ 6,048,775	$ 10,519,351	$ 29,492,856	$ 154,977,855	$ 183,341,526	$ 9,670,476	$ 10,915
Liabilities								
Deposits and balances from banks and other financial institutions	$ 153,800,830	$ -	$ 14,416,837	$ 68,189,871	$ 71,194,122	$ -	$ -	$ -
Derivative financial liabilities	66	-	-	-	-	-	-	66
Borrowings	167,888,180	-	10,000,000	10,000,000	42,036,456	105,851,724	-	-
Subordinated liabilities	15,000,000	-	-	-	-	15,000,000	-	-
Other liabilities	1,206,476	-	372,572	446,794	288,366	-	-	98,744
Total liabilities	$ 337,895,552	$ -	$ 24,789,409	$ 78,636,665	$ 113,518,944	$ 120,851,724	$ -	$ 98,810
Asset-liability gap		$ 6,048,775	$ (14,270,058)	$ (49,143,809)	$ 41,458,911	$ 62,489,802	$ 9,670,476	

29 Financial risk management (continued)

(ii) Analysis of liabilities by remaining maturity:

The following maturity profile is based on gross undiscounted cash flows for the remaining period at the balance sheet date to the contractual maturity date.

	2018							
	Gross nominal 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	$ 179,328,096	$ -	$ 66,776,825	$ 62,144,094	$ 50,407,177	$ -	$ -	$ -
Derivative financial liabilities	-	-	-	-	-	-	-	-
Borrowings from the ultimate holding company	114,622,685	-	4,353	693,278	91,706,337	22,218,717	-	-
Borrowings from other financial institutions	50,873,007	-	-	20,447,379	30,425,628	-	-	-
Subordinated liabilities	21,443,691	-	-	165,811	497,433	2,630,035	18,150,412	-
Other liabilities	1,761,699	-	846,424	573,881	256,560	84,834	-	-
	$ 368,029,178	$ -	$ 67,627,602	$ 84,024,443	$ 173,293,135	$ 24,933,586	$ 18,150,412	$ -
Unrecognised loan commitments	$ 9,853,000	$ -	$ 4,853,000	$ -	$ -	$ 5,000,000	$ -	$ -

	2017							
	Gross nominal 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	$ 155,629,942	$ -	$ 14,520,386	$ 68,650,528	$ 72,459,028	$ -	$ -	$ -
Derivative financial liabilities	11,638	-	-	11,186	452	-	-	-
Borrowings	171,717,768	-	46,246	10,615,518	53,855,529	107,200,475	-	-
Subordinated liabilities	17,577,045	-	-	128,852	386,557	17,061,636	-	-
Other liabilities	1,162,369	-	392,738	446,795	292,172	30,664	-	-
	$ 346,098,762	$ -	$ 14,959,370	$ 79,852,879	$ 126,993,738	$ 124,292,775	$ -	$ -
Unrecognised loan commitments	$ 24,314,190	$ -	$ 18,000,000	$ -	$ -	$ 6,000,000	$ 314,190	$ -

29 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.

29 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 2018 and 2017 and is well above the minimum required ratio set by the HKMA.

30 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.

30 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.

30 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 2018 and 31 December 2017 except as follows:

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment measured at amortised cost (2017: Held-to-maturity investments)	$ 4,814,998	$ 4,763,550	$ 4,790,985	$ 4,517,750

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 30(a).

	2018			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets designated at fair value through other comprehensive income				
– Debt securities	$136,870,052	$ 2,001,840	$ -	$138,871,892
Other assets				
– Positive fair values of hedging derivatives	-	-	-	-
	$136,870,052	$ 2,001,840	$ -	$138,871,892
Liabilities				
Derivative financial liabilities	$ -	$ -	$ -	$ -
Other liabilities				
– Negative fair values of hedging derivatives	-	-	-	-
	$ -	$ -	$ -	$ -

30 Fair values of financial instruments (continued)

	2017			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets				
Available-for-sale financial assets				
– Debt securities	$155,633,845	$ 2,005,800	$ -	$157,639,645
Other assets				
– Positive fair values of hedging derivatives	-	58,254	-	58,254
	$155,633,845	$ 2,064,054	$ -	$157,697,899
Liabilities				
Derivative financial liabilities	$ -	$ 66	$ -	$ 66
Other liabilities				
– Negative fair values of hedging derivatives	-	-	-	-
	$ -	$ 66	$ -	$ 66

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 (2017: $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.

31 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*	
	2018	*2017*	*2018*	*2017*
Interest expense	$ (3,033,375)	$ (2,059,661)	$ -	$ -
Operating incomes	6,298	-	-	-
Operating expenses	-	(22,683)	(631)	(275)
For the year ended 31 December	$ (3,027,077)	$ (2,082,344)	$ (631)	$ (275)

	Ultimate holding company		*Ultimate holding company*	
	2018	*2017*	*2018*	*2017*
Acceptance of deposits				
At 1 January	$ -	$ 3,000,000	$ -	$ -
Acceptance during the year	62,433,797	51,000,000	-	-
Repayment during the year	(62,433,797)	(54,000,000)	-	-
At 31 December	$ -	$ -	$ -	$ -

31 Material related party transactions (continued)

	Ultimate holding company	
	2018	*2017*
Borrowings		
At 1 January	$ 98,036,456	$ 97,154,020
Additional loans during the year	187,916,540	225,131,452
Repayment during the year	(172,742,985)	(224,249,016)
At 31 December	$ 113,210,011	$ 98,036,456
Subordinated liabilities		
At 1 January	$ 15,000,000	$ 15,000,000
Additional loans during the year	14,977,057	-
Repayment during the year	(15,000,000)	-
At 31 December	$ 14,977,057	$ 15,000,000

During the year, The Export-Import Bank of Korea acted as a guarantor for loan facilities of $6,000,000 (2017: $17,000,000). The year end balance was $6,023,880 for 2018 (2017: $17,014,640), with an accrued interest of $2,509 (2017: $3,514).

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:*

	2018	*2017*
Short-term employee benefits	$ 516,850	$ 382,440

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

There were no loans to directors of the Company, including loans to bodies controlled by them, 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.

32 Immediate parent and ultimate controlling party

At 31 December 2018 and 2017, 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.

33 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:

(i) Impairment losses

Applicable to 2018 only

Note 1(f)(A): Impairment of financial instruments involves determining inputs into the ECL measurement model, including incorporation of forward-looking information.

Applicable to 2017 only

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.

Available-for-sale financial assets and held-to-maturity investments

The Company determines that available-for-sale financial assets and held-to-maturity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of when a decline in fair value below its cost is not recoverable within a reasonable time period is judgmental by nature, so profit and loss could be affected by differences in this judgement.

33 Accounting estimates and judgements (continued)

(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.

(i) Classification of financial assets – Applicable to 2018 only

Note 1(c)(ii)(A): Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

(ii) Measurement of ECL – Applicable to 2018 only

Note 1(f)(A): Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection of models used to measure ECL.

(iii) Held-to-maturity investments – Applicable to 2017 only

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.

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.

34 Comparative figures

Certain 2017 comparative figures have been restated to conform to current year's presentation. Please refer to Statement of Profit or Loss and Other Comprehensive Income, Cash Flow Statement and Note 3(a) for the effect of restatement.

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 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
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

The Company is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Company has identified some aspects of HKFRS 16 which may have a significant impact on the financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of the standard may differ as the assessment completed to date is based on the information currently available to the Company, and further impacts may be identified before the standard is initially applied in the Company's financial statements for the year ended 31 December 2019.

HKFRS 16, *Leases*

As disclosed in note 1(l), currently the Company classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease.

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018 (continued)

Once HKFRS 16 is adopted, the Company will no longer distinguish between finance leases and operating leases when it is the lessee under the lease. Instead, subject to practical expedients, the lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise a corresponding "right-of-use" assets. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognizing rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to lease of low-value assets, in which case the rental expenses would continue to be recognized on a systematic basis over the lease term.

The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss and other comprehensive income over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Company plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Company will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Company plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Company plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 27(b), at 31 December 2018 the Company's future minimum lease payments under non-cancellable operating leases amount to $1,539,698. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to $1,110,966 and $1,105,852 respectively, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Company expects that the transition adjustment to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Company's financial statement from 2019 onwards.

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.

	2018	*2017*
Capital ratio:		
Common Equity Tier 1 ("CET1") Capital Ratio	14.64%	16.57%
Tier 1 Capital Ratio	14.64%	16.57%
Total Capital Ratio	19.37%	21.77%

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

	2018	*2017*
CET1 Capital:		
CET1 Capital instruments	$ 30,000,000	$ 30,000,000
Retained earnings	29,366,705	26,570,568
Disclosed reserves	(2,510,436)	(484,272)
CET1 Capital before deductions	$ 56,856,269	$ 56,086,296
Regulatory deductions to CET1 capital:		
Regulatory reserve for general banking risks	(1,955,052)	(899,387)
Net deferred tax assets	(135,113)	(266,039)
Total CET1 Capital	$ 54,766,104	$ 54,920,870
Additional Tier 1 ("AT1") Capital	-	-
Total Tier 1 ("T1") Capital	$ 54,766,104	$ 54,920,870

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(a) Capital and capital adequacy (continued)

	2018	*2017*
Tier 2 ("T2") Capital		
Qualifying Tier 2 capital instruments plus any related share premium	$ 15,000,000	$ 14,827,492
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	2,688,599	2,394,352
Total T2 Capital	$ 17,688,599	$ 17,221,844
Total Capital	$ 72,454,703	$ 72,142,714

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 (2017: $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.

Expected Credit Loss 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.

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/basic board/list?boardtypeid=362&menuid=016001005.

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(b) Countercyclical capital buffer ratio

	2018	*2017*
Countercyclical Capital Buffer Ratio	0.029%	0.006%

The relevant disclosures pursuant to section 16FG of the Banking (Disclosure) Rules for this period can be found on our website accessible through the "Regulatory Disclosures - December 2018" link on the home page of our website at https://www.koreaexim.go.kr/site/program/board/basicboard/list?boardtypeid=362&menuid=016001005.

(c) Liquidity maintenance ratio ("LMR")

	2018	*2017*
Average LMR for the year	147.25%	720.61%

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

	31 December 2018	*31 December 2017*
Leverage ratio	12.92%	13.64%

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/basic board/list?boardtypeid=362&menuid=016001005.

(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:

	2018	*2017*
Securities business	$ 1,815,729	$ 1,907,798
Commercial banking	3,487,844	2,971,071
	$ 5,303,573	$ 4,878,869
Operating assets:		
Securities business	$ 144,457,535	$ 163,228,198
Commercial banking	263,254,168	223,894,927
Unallocated	7,381,328	6,938,629
	$ 415,093,031	$ 394,061,754

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)

(e) Segmental information by class of business (continued)

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:

	2018			
	Gross loans and advances	*% of gross loans and advances covered by collateral*	*Collectively – assessed impairment allowances*	*Individually – assessed impairment allowances*
Loans for use in Hong Kong				
Industrial, commercial and financial:				
– Recreational activities	$ 5,000,000	-	$ 28,504	-
– Wholesale and retail trade	-	-	-	-
Loans for use in Hong Kong	$ 5,000,000	-	$ 28,504	-
Loans for use outside Hong Kong	225,951,867	-	571,494	-
Gross advances to customers	$230,951,867	-	$ 599,998	-

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(e) Segmental information by class of business (continued)

Advances to customers (continued)

	2017			
	Gross loans and advances	*% of gross loans and advances covered by collateral*	*Collectively – assessed impairment allowances*	*Individually – assessed impairment allowances*
Loans for use in Hong Kong				
Industrial, commercial and financial:				
– Recreational activities	$ 5,000,000	-	$ 30,000	-
– Wholesale and retail trade	-	-	-	-
Loans for use in Hong Kong	$ 5,000,000	-	$ 30,000	-
Loans for use outside Hong Kong	190,300,754	-	1,222,231	-
Gross advances to customers	$195,300,754	-	$ 1,252,231	-

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(e) Segmental information by class of business (continued)

Advances to customers (continued)

(ii) By geographical areas

	2018		
	Gross loans and advances	*Collectively - assessed impairment allowances*	*Individually - assessed impairment allowances*
Korea	$ 212,693,747	$ (556,655)	$ -
Developing Asia and Pacific	13,596,653	(30,364)	-
Developing Latin America and Caribbean	4,411,467	(10,570)	-
Developing Europe	250,000	(2,409)	-
Offshore countries	-	-	-
	$ 230,951,867	$ (599,998)	$ -

	2017		
	Gross loans and advances	*Collectively - assessed impairment allowances*	*Individually - assessed impairment allowances*
Korea	$ 180,701,355	$ (1,132,709)	$ -
Developing Asia and Pacific	9,163,589	(85,022)	-
Developing Latin America and Caribbean	4,685,810	(30,000)	-
Developing Europe	750,000	(4,500)	-
Offshore countries	-	-	-
	$ 195,300,754	$ (1,252,231)	$ -

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)

(e) Segmental information by class of business (continued)

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:

	2018			2017		
	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	$ 30,925,776	0%	$ 60,669	$ 29,369,241	0%	$ 242,734

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(e) Segmental information by class of business (continued)

Advances to banks and financial institutions (continued)

(ii) By geographical areas

2018	Gross loans and advances	Collectively - assessed impairment allowances
- Korea	$ 5,000,000	$ (6,552)
- Developing Asia and Pacific	5,661,285	(3,196)
- Developing countries	-	-
- Offshore countries	4,994,381	(6,388)
- Developing Europe	3,431,912	(32,634)
- Developing Africa and Middle East	11,838,198	(11,899)
	$ 30,925,776	$ (60,669)

2017	Gross loans and advances	Collectively - assessed impairment allowances
- Korea	$ 2,999,212	$ (18,000)
- Developing Asia and Pacific	2,071,956	(78,504)
- Developing countries	-	-
- Offshore countries	4,991,882	(30,000)
- Developing Europe	7,176,558	(43,115)
- Developing Africa and Middle East	12,129,633	(73,115)
	$ 29,369,241	$ (242,734)

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) Overdue and rescheduled advances to customers

	2018	*% of total loans*	*2017*	*% of total loans*
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:				
– 6 months or less but over 3 months	$ -	-	$ -	-
Current market value of collateral held against the covered portion of overdue loans and advances	$ -		$ -	
Covered portion of overdue loans and advances	$ -		$ -	
Uncovered portion of overdue loans and advances	-		-	
	$ -		$ -	
Individual impairment allowances made on overdue loans and advances	$ -		$ -	

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

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(g) 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:

	2018					
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	Total
Developed countries	$ 26,044,831	$ -	$ -	$ 23,211,238	$ -	$ 49,256,069
Offshore centres	5,551,507	-	-	4,801,214	-	10,352,721
Developing Europe	3,440,539	-	-	250,444	-	3,690,983
Developing Latin America and Caribbean	-	-	-	4,468,434	-	4,468,434
Developing Africa and Middle East	14,896,978	-	-	2,903,665	-	17,800,643
Developing Asia-Pacific	65,051,178	-	-	266,265,741	-	331,316,919
Of which:						
– China	28,079,157	-	-	24,051,150	-	52,130,307
– South Korea	26,978,991	-	-	233,579,782	-	260,558,773
Total	$114,985,033	$ -	$ -	$301,900,736	$ -	$416,885,769

	2017					
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	Total
Developed countries	$ 22,118,643	$ -	$ -	$ 9,071,774	$ -	$ 31,190,417
Offshore centres	5,002,050	-	-	841,998	-	5,844,048
Developing Europe	7,215,832	-	-	751,332	-	7,967,164
Developing Latin America and Caribbean	-	-	-	4,710,763	-	4,710,763
Developing Africa and Middle East	20,216,928	-	-	2,939,485	-	23,156,413
Developing Asia-Pacific	70,349,275	-	-	252,766,744	-	323,116,019
Of which:						
– China	-	-	-	-	-	-
– South Korea	42,851,796	-	-	238,507,589	-	281,359,385
Total	$124,902,728	$ -	$ -	$271,082,096	$ -	$395,984,824

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(h) 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)	*2018* United States Dollars	*Euro*	*Renminbi*	*Total*
Spot assets	$ 3,086	$ 172	$ -	$ 3,258
Spot liabilities	(3,091)	(171)	-	(3,262)
Forward purchases	-	-	-	-
Forward sales	-	-	-	-
Net short position	$ (5)	$ 1	$ -	$ (4)
Net structural position	-	-	-	-

(Expressed in millions of Hong Kong dollars)	*2017* United States Dollars	*Euro*	*Renminbi*	*Total*
Spot assets	$ 2,922	$ 172	$ -	$ 3,094
Spot liabilities	(2,924)	(173)	-	(3,097)
Forward purchases	-	-	-	-
Forward sales	-	-	-	-
Net short position	$ (2)	$ (1)	$ -	$ (3)
Net structural position	-	-	-	-

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(i) 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".

	2018		
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	50,760	4,853	55,613
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)

(i) Non-bank Mainland China exposure (continued)

	2018		
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	50,760	4,853	55,613
Total assets after provision	415,793		
On-balance sheet exposures as percentage of total assets	12.21%		

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(i) Non-bank Mainland China exposure (continued)

	2017		
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	48,213	-	48,213
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)

(i) Non-bank Mainland China exposure (continued)

	2017		
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	48,213	-	48,213
Total assets after provision	394,965		
On-balance sheet exposures as percentage of total assets	12.21%		

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(j) 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:

	2018	*2017*
Sovereign	$ 335,582	$ 650,334
Bank	3,171,907	3,228,706
Corporate	23,788,933	21,309,615
Other exposure which are not past due	65,926	68,599
Past due	-	-
Total capital requirements for on-balance sheet exposures	$ 27,362,348	$ 25,257,254
Other commitments	$ 277,648	$ 540,568
Interest rate contracts	-	1,332
Exchange rate contracts	-	-
Default risk exposures	1,559,773	-
CVA under standardized method	-	6,660
Total capital requirements for off-balance sheet exposures	$ 1,837,421	$ 548,560
	$ 29,199,769	$ 25,805,814

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:

	2018	*2017*
Capital charge for operational risk	$ 725,233	$ 710,759

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(j) Additional disclosures on credit risk management (continued)

(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 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) of Banking (Capital) Rules from the calculation of market risk under section 17 of Banking (Capital) Rules.

(k) 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)

(k) Corporate governance (continued)

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)

(I) 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 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 2018, the Company does not have any staff considered as Key Personnel.

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(I) Senior management compensation and benefits (continued)

(2) Aggregate quantitative information on remuneration for senior management and Key Personnel for the year ended 31 December 2018 are as follows:

(i) Amount of remuneration for the financial years 2018 and 2017 are all fixed remuneration:

		2018			2017	
		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	$	516,850	6	$	382,440	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 2018 (2017: $Nil);

(iii) There was no deferred remuneration awarded during 2018 being paid out and reduced through performance adjustment (2017: $Nil);

(iv) There was no guaranteed bonuses awarded during the financial year 2018 (2017: $Nil); and

Unaudited supplementary information (continued)

(Expressed in United States dollars unless otherwise indicated)

(l) Senior management compensation and benefits (continued)

(2) Aggregate quantitative information on remuneration for senior management and Key Personnel for the year ended 31 December 2018 are as follows (continued):

(v) No senior management or key personnel has been awarded with new sign-on or severance payment during the financial year 2018 (2017: $Nil).

(m) Pillar 3 Regulatory Disclosures

The Pillar 3 regulatory disclosures for this year which are prepared in accordance with the Banking (Disclosure) Rules and disclosure templates issued by the HKMA can be found on the Company's website accessible through the "Regulatory Disclosure_2018" link on the home page of the Company's website at https://www.koreaexim.go.kr/site/program/board/basicboard/list?boardtypeid=362&menuid=016001005.