



Nippon Wealth Limited

Interim Financial Disclosure Statements

30 June 2019

The Directors of Nippon Wealth Limited (the "Company") are pleased to present the unaudited interim results of the Company for the six months ended 30 June 2019. The interim results are prepared under the Banking (Disclosure) Rules (the "BDR") made pursuant to section 60A of the Hong Kong Banking Ordinance (the "Ordinance").

General information

The Company is a Restricted Licence Bank under the Hong Kong Banking Ordinance incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Units 1101-02 & 13B, 11/F., One Harbourfront, 18 Tai Fung Street, Hum Hom, Kowloon, Hong Kong.

The principal activities of the Company are the provision of wealth management services, dealing in securities and advising on securities.

The Company was granted by Hong Kong Monetary Authority (the "HKMA") with a restricted banking licence on 02 April 2015, and was registered with the Securities and Futures Commission (the "SFC") to conduct the regulated activities of "dealing in securities" (Type 1) and "advising on securities" (Type 4) on 25 September 2015.

The Company has executed an agency agreement with YF Life Limited dated 26 May 2014 and registered as an insurance agent of YF Life Limited. Also, the Company has been registered with the Insurance Agents Registration Board established by the Hong Kong Federation of Insurers as an insurance agent on 17 June 2014.

The Company has commenced the restricted licence banking business and insurance agency business on 11 May 2015.

Financial review

For the six months ended 30 June 2019, the Company recorded a pre-tax loss of HK\$34.6 million, representing an increase of loss of HK\$5.2 million or 17.7% as compared with the same period of last year. Operating expenses for salaries and other benefits was increased significantly in first half of 2019 because of business expansion and system enhancement for new product to be launched in early 2020.

As at 30 June 2019, the Company's total assets amounted to HK\$249.0 million, representing a decrease of HK\$70.6 million or 22.1% over the last financial year end as at 31 December 2018.

Nippon Wealth Limited
Statement of Profit or Loss and
Other Comprehensive Income
For the six months ended 30 June 2019

	Notes	30 Jun 2019 HK\$ (Unaudited)	30 Jun 2018 HK\$ (Unaudited)
Interest income	1(a)	941,988	788,796
Interest expense	1(b)	(114,606)	(8,800)
Net interest income		827,382	779,996
Fees and commission income	2	5,736,469	5,920,603
Other income	3	176,069	199,464
Operating income		5,912,538	6,120,067
Operating expenses	4	(41,353,466)	(36,316,494)
Loss before taxation		(34,613,546)	(29,416,431)
Taxation	5	(6,369)	(7,021)
Loss and total comprehensive expense for the period		(34,619,915)	(29,423,452)

Nippon Wealth Limited

Statement of Financial Position

As at 30 June 2019

	Notes	30 Jun 2019 HK\$ (Unaudited)	31 Dec 2018 HK\$ (Audited)
ASSETS			
Cash and balances with banks	6	97,447,794	157,337,278
Placements with banks and authorized institutions	6	91,380,667	111,905,173
Property and equipment	7	4,038,677	5,210,667
Intangible assets	8	43,184,874	38,972,666
Right-of-use assets	9	4,518,197	-
Contract assets	10	1,512,148	1,262,110
Other assets	11	6,938,611	4,957,561
TOTAL ASSETS		249,020,968	319,645,455
EQUITY AND LIABILITIES			
Liabilities			
Deposits from customers	12	80,531,792	118,944,611
Obligation under a finance lease	9	4,562,938	370,605
Other liabilities	13	6,008,523	7,840,626
Total liabilities		91,103,253	127,155,842
Shareholder's equity			
Share capital	14	440,000,000	440,000,000
Reserve for share-based compensation	15	3,559,970	3,511,953
Accumulated losses		(285,642,255)	(251,022,340)
Total equity		157,917,715	192,489,613
TOTAL EQUITY AND LIABILITIES		249,020,968	319,645,455

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1 Net interest income

(a) Interest income

	30 Jun 2019	30 Jun 2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Interest income on deposits to banks and other financial institutions	941,988	788,796
	941,988	788,796

The interest income represents interest income on financial assets that are not at fair value through profit or loss.

No interest income was recognized on impaired financial assets for the six months ended 30 June 2019 and 30 June 2018.

(b) Interest expense

	30 Jun 2019	30 Jun 2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Interest expense on deposits from customers	3,879	3,912
Finance costs	110,727	4,888
	114,606	8,800

The interest expense represents interest expense on financial liabilities that are not at fair value through profit or loss.

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2 Fees and commission income

	30 Jun 2019 HK\$ (Unaudited)	30 Jun 2018 HK\$ (Unaudited)
Mutual fund related fees and commission income	2,266,307	3,280,008
Bond trading related fees and commission income	1,397,436	689,555
Insurance agency related fees and commission income	1,807,217	1,719,067
Others	265,509	231,973
	<u>5,736,469</u>	<u>5,920,603</u>

No fees and commission income and expense have arisen from financial assets or financial liabilities which are not measured at fair value through profit or loss for the six month ended 30 June 2019 and 30 June 2018.

No fees and commission income and expense have arisen from trust and other fiduciary activities where the Company holds or invests of assets on behalf of its customers for the six month ended 30 June 2019 and 30 June 2018.

3 Other income

	30 Jun 2019 HK\$ (Unaudited)	30 Jun 2018 HK\$ (Unaudited)
Net gain from foreign exchange trades	139,210	199,464
Others	36,859	-
	<u>176,069</u>	<u>199,464</u>

Income arising from foreign exchange trades ("FX") is mainly for assets and liabilities position accounts revaluation, spot FX profit or loss revaluation and spot FX market exchange.

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4 Operating expenses

	30 Jun 2019 HK\$ (Unaudited)	30 Jun 2018 HK\$ (Unaudited)
Staff costs	21,741,437	14,261,552
- Salaries and other benefits	19,654,007	13,765,641
- Contributions to the Mandatory Provident Funds	453,580	279,224
- Share-based payment expenses	48,017	33,714
- Other staff costs	1,585,833	182,973
Depreciation	3,878,459	912,143
Amortization	3,050,968	2,687,066
Premises and equipment expenses	5,706,861	5,435,101
- Property rental	-	1,199,468
- Other premises and equipment expenses	5,706,861	4,235,633
Advertising expenses	1,157,633	929,393
Other sales promotion expenses	986,343	1,334,262
Other legal and professional fees	3,166,122	8,728,631
License fee	235,760	219,596
Travelling expenses	234,674	292,477
Entertainment expenses	21,868	14,051
Bank transaction charges	722,726	795,459
Other general and administrative expenses	450,615	706,763
	41,353,466	36,316,494

Operating expenses for salaries and other benefits was increased significantly in first half of 2019 because of business expansion and system enhancement for new product to be launched in early 2020.

5 Taxation

Income tax and deferred tax expenses in the income statement represent :

No provision for Hong Kong Profits Tax has been made as the income neither arises in, nor is derived from Hong Kong.

	30 Jun 2019 HK\$ (Unaudited)	30 Jun 2018 HK\$ (Unaudited)
Current tax		
- Hong Kong	-	-
- Japan	6,369	7,021
	<u>6,369</u>	<u>7,021</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year. Japanese Withholding Tax is calculated at 10% of the interest income derived in Japan.

No deferred tax asset has been recognized due to the unpredictability of future profit streams.

6 Placements with banks and authorized institutions

	30 Jun 2019 HK\$ (Unaudited)	31 Dec 2018 HK\$ (Audited)
Cash and balances with banks	97,447,794	157,337,278
Placements with banks and authorized institutions	91,380,667	111,905,173
	<u>188,828,461</u>	<u>269,242,451</u>

	30 Jun 2019 HK\$ (Unaudited)	31 Dec 2018 HK\$ (Audited)
Placements with banks and authorized institutions with remaining maturity of		
- Within one month	152,568,068	217,880,233
- More than one month but not more than twelve months	36,127,656	51,034,172
Interest receivable from placements with banks	132,737	328,046
	<u>188,828,461</u>	<u>269,242,451</u>

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7 Property and equipment

	Leasehold improvements HK\$ (Unaudited)	Office furniture and fittings HK\$ (Unaudited)	System hardware HK\$ (Unaudited)	Equipment under a finance lease HK\$ (Unaudited)	Total HK\$ (Unaudited)
Cost					
Balance at 1 January 2019	4,359,465	662,846	5,993,927	2,404,335	13,420,573
Additions	1,114,032	14,800	83,030	-	1,211,862
Disposal	-	-	-	(2,404,335)	(2,404,335)
Balance at 30 June 2019	<u>5,473,497</u>	<u>677,646</u>	<u>6,076,957</u>	<u>-</u>	<u>12,228,100</u>
Accumulated depreciation					
Balance at 1 January 2019	1,048,713	437,926	4,679,583	2,043,685	8,209,907
Depreciation expense	1,376,099	44,321	602,781	160,289	2,183,490
Disposal	-	-	-	(2,203,974)	(2,203,974)
Balance at 30 June 2019	<u>2,424,812</u>	<u>482,247</u>	<u>5,282,364</u>	<u>-</u>	<u>8,189,423</u>
Carrying amounts					
Balance at 30 June 2019	<u>3,048,685</u>	<u>195,399</u>	<u>794,593</u>	<u>-</u>	<u>4,038,677</u>

	Leasehold improvements HK\$ (Audited)	Office furniture and fittings HK\$ (Audited)	System hardware HK\$ (Audited)	Equipment under a finance lease HK\$ (Audited)	Total HK\$ (Audited)
Cost					
Balance at 1 January 2018	2,072,176	399,703	5,633,222	2,404,335	10,509,436
Additions	2,287,290	263,143	360,705	-	2,911,138
Disposal	-	-	-	-	-
Balance at 31 December 2018	<u>4,359,466</u>	<u>662,846</u>	<u>5,993,927</u>	<u>2,404,335</u>	<u>13,420,574</u>
Accumulated depreciation					
Balance at 1 January 2018	355,767	399,703	3,531,815	1,562,818	5,850,103
Depreciation expense	692,947	38,223	1,147,767	480,867	2,359,804
Disposal	-	-	-	-	-
Balance at 31 December 2018	<u>1,048,714</u>	<u>437,926</u>	<u>4,679,582</u>	<u>2,043,685</u>	<u>8,209,907</u>
Carrying amounts					
Balance at 31 December 2018	<u>3,310,752</u>	<u>224,920</u>	<u>1,314,345</u>	<u>360,650</u>	<u>5,210,667</u>

The above property and equipment items are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements 33 $\frac{1}{3}$ %

Office furniture and fittings 33 $\frac{1}{3}$ %

System hardware 20%

Equipment under a finance lease 20%

8 Intangible assets

	Software HK\$ (Unaudited)
Cost	
Balance at 1 January 2019	57,969,678
Additions	8,252,376
Balance at 30 June 2019	66,222,054
Accumulated amortization	
Balance at 1 January 2019	19,986,212
Amortization expense	3,050,968
Balance at 30 June 2019	23,037,180
Carrying amounts	
Balance at 30 June 2019	43,184,874
	Software HK\$ (Audited)
Cost	
Balance at 1 January 2018	26,870,657
Additions	32,088,221
Balance at 31 December 2018	58,958,878
Accumulated amortization	
Balance at 1 January 2018	14,331,017
Amortization expense	5,655,195
Balance at 31 December 2018	19,986,212
Carrying amounts	
Balance at 31 December 2018	38,972,666

Amortization is calculated to write off the cost of software on a straight-line basis over its estimated useful life at 20% per annum.

There are no disposal of intangible assets as at 30 June 2019.

9 Leases

As adopting the modified retrospective approach of HKFRS16 Leases, the company recognized a right-to-use assets and a lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKFRS17 Leases. HKFRS16 Leases contains an exception for 'operating leases' for lease agreements not recognized in the balance sheet in accordance with HKFRS17 Leases. The prerequisites for using this exemption was:

- Leases with a lease term of 12 months or less (i.e. short-term leases)

These liabilities were measured at the present value of the remaining lease payments, discounted using the best lending rate of 5.125% as of 01 January 2019.

As at 01 January 2019, the company recognized additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

RIGHT-OF-USE ASSESTS

	Right-of-use assets HK\$ (Unaudited)
Right-of-use assets relating to operating leases recognized upon application of HKFRS16	4,090,563
Right-of-use assets as at 01 January 2019	<u>4,090,563</u>

	Right-of-use assets HK\$ (Unaudited)
By class	
Properties	<u>4,090,563</u>
	<u>4,090,563</u>

	Properties	Total
Right-of-use assets as at 01 January 2019	4,090,563	4,090,563
Additions	2,122,603	2,122,603
Depreciation charge for the year	(1,694,969)	(1,694,969)
Right-of-use assets as at 30 June 2019	<u>4,518,197</u>	<u>4,518,197</u>

LEASE LIABILITIES

	At 01 Jan 2019 HK\$ (Unaudited)
Operating lease commitments disclosed as at 31 December 2018	4,355,761
Lease liabilities discounted at relevant incremental borrowing rates	4,204,963
Less : Recognition exemption - short-term leases	(114,400)
Lease liabilities as at 01 January 2019	4,090,563

	Lease liabilities HK\$ (Unaudited)
Analyzed as	
Current	3,060,910
Non-current	1,029,653
Total	4,090,563

	Total
Lease liabilities as at 01 January 2019	4,090,563
Additions	2,122,603
Finance costs	115,371
Lease payments	(1,765,599)
Lease liabilities as at 30 June 2019	4,562,938

Lease liabilities included in the financial statement	Total
Current	3,094,895
Non-current	1,468,043
Lease liabilities as at 30 June 2019	4,562,938

Maturity analysis – contractual undiscounted cash flows	Total
Less than one year	3,291,550
One to five years	1,658,953
More than five years	-
Undiscounted lease liabilities at 30 June 2019	4,950,503

10 Contract assets

The contract assets primarily relates to the Company's rights to the consideration for the work completed but not yet billed in relation to insurance agent related with YF Life. The work is related to the introduction of the business, including individual group life assurance and retirement benefits and other business. The contract assets will be transferred to receivables when the rights become unconditional.

11 Other assets

	30 Jun 2019 HK\$ (Unaudited)	31 Dec 2018 HK\$ (Audited)
Prepayments	4,510,736	2,260,653
Rental and other deposits	1,519,189	1,575,324
Accounts receivable	903,733	1,121,584
Others	4,953	-
	<u>6,938,611</u>	<u>4,957,561</u>

12 Deposits from customers

	30 Jun 2019 HK\$ (Unaudited)	31 Dec 2018 HK\$ (Audited)
Overnight deposits from customers	3,927,311	3,934,712
Time deposits from customers	76,600,750	115,005,964
Interest payable to deposits from customers	3,731	3,935
	<u>80,531,792</u>	<u>118,944,611</u>

13 Other liabilities

	30 Jun 2019 HK\$ (Unaudited)	31 Dec 2018 HK\$ (Audited)
Credits and accruals	3,903,015	3,819,136
Settlement in-transit	2,045,768	3,907,393
Others	59,740	114,097
	<u>6,008,523</u>	<u>7,840,626</u>

14 Share capital

	Number of shares		Share capital	
	30 Jun 2019 HK\$ (Unaudited)	31 Dec 2018 HK\$ (Audited)	30 Jun 2019 HK\$ (Unaudited)	31 Dec 2018 HK\$ (Audited)
Issued and fully paid				
- At beginning and end of the period	<u>440,000,000</u>	<u>440,000,000</u>	<u>440,000,000</u>	<u>440,000,000</u>

15 Reserve for share-based compensation

Equity-settled share option scheme of the Company

The Company's share option scheme ("the Scheme"), was adopted pursuant to resolutions of the immediate holding company, OJBC Co. Ltd ("OJBC"), passed on 4 September 2014 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 27 April 2025, 24 May 2026 and 29 April 2028. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including its subsidiaries, directors and manager of the Company, to subscribe for shares in OJBC.

At 30 June 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,895,920 (31 Dec 2018: 1,859,920), representing 3.35% (31 Dec 2018: 3.35%) of the shares of OJBC in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of OJBC in issue at any point in time, without prior approval from the OJBC's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of OJBC in issue at any point in time, without prior approval from the OJBC's shareholders.

No consideration is payable on the grant of an option. Options may be exercised at any time from 24 months from the date of grant of the share option to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company.

<u>Year</u>	<u>Date of grant</u>	<u>Vesting period</u>	<u>Exercise period</u>	<u>Exercise price</u>
2015	28 Apr 2015	28 Apr 2015 – 27 Apr 2017	28 Apr 2017 – 27 Apr 2025	US\$1.10
2016	25 May 2016	25 May 2016 – 24 May 2018	25 May 2018 – 24 May 2026	US\$1.10
2018	30 Apr 2018	30 Apr 2018 – 29 Apr 2020	30 Apr 2020 – 29 Apr 2028	US\$1.10

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The following table discloses movements of the Company's share options held by employee during the half year ended 30 June 2019:

<u>Option Type</u>	<u>Outstanding at 01.01.2019</u>	<u>Granted during the period</u>	<u>Exercised during the period</u>	<u>Forfeited during the period</u>	<u>Expired during the period</u>	<u>Outstanding at 30.06.2019</u>
Year 2015	1,713,620	-	-	-	-	1,713,620
Year 2016	72,920	-	-	-	-	72,920
Year 2018	109,380	-	-	-	-	109,380
Year 2019	-	-	-	-	-	-
	<u>1,895,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,895,920</u>
Exercisable at the end of the period						<u>1,786,540</u>
Weighted average exercise price	US\$1.10	US\$1.10	-	US\$1.10	-	US\$1.10

The following table discloses movements of the Company's share options held by employee during the prior year ended 31 December 2018:

<u>Option Type</u>	<u>Outstanding at 01.01.2018</u>	<u>Granted during the period</u>	<u>Exercised during the period</u>	<u>Forfeited during the period</u>	<u>Expired during the period</u>	<u>Outstanding at 31.12.2018</u>
Year 2015	1,786,540	-	-	(72,920)	-	1,713,620
Year 2016	72,920	-	-	-	-	72,920
Year 2018	-	109,380	-	-	-	109,380
	<u>1,859,460</u>	<u>109,380</u>	<u>-</u>	<u>(72,920)</u>	<u>-</u>	<u>1,895,920</u>
Exercisable at the end of the period						<u>1,786,540</u>
Weighted average exercise price	US\$1.10	US\$1.10	-	US\$1.10	-	US\$1.10

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

<u>Option Type</u>	<u>Year 2018</u>	<u>Year 2016</u>	<u>Year 2015</u>
Spot price	US\$0.74	US\$0.58	US\$0.84
Exercise price	US\$1.10	US\$1.10	US\$1.10
Expected volatility	27.45%	45%	35%
Expected dividend yield	0%	0%	0%
Early exercise multiple	1.64	1.80	1.96
Post-vesting exit rate	0%	10%	6.12%
Risk-free interest rate	2.95%	1.87%	2%

Expected volatility was determined with reference to the historical volatility of some small- or medium sized listed comparable companies in Hong Kong in similar industry. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Company recognized an expense of HK\$48,017 (31 December 2018: HK\$81,730), recorded nil forfeiture of expense (31 December 2018: HK\$143,103) and the equity reserve recognised for share based compensation as at 30 Jun 2019 was HK\$3,559,970 (31 December 2018: HK\$3,511,953) in relation to its granted share options.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

16 Loans and advances to customers

There are no loans and advances to customers as at 30 June 2019 and 31 December 2018.

17 Impairment of financial assets

There are no impaired assets, overdue or rescheduled assets or repossessed assets as at 30 June 2019 and 31 December 2018.

18 Individual and collective provisions

There are no impairment losses, individual provisions and collective provisions for the six months ended 30 June 2019 and 30 June 2018.

19 International claims

International claim means the international claim as described in the return of international banking statistics required to be submitted by an authorized institution to the HKMA under section 63(2) of the Ordinance, which is the sum of cross border claims in all currencies and local claims in foreign currencies. Cross-border claims refer to positions where the country in which the counterparty located is different from that where the Company that grants or extends the claim is located.

	30 Jun 2019		
	Banks HK\$million (Unaudited)	Others HK\$million (Unaudited)	Total HK\$million (Unaudited)
Developed countries			
Of which Switzerland	-	2	2
Of which Japan	6	-	6
Offshore centers			
Of which Hong Kong	76	3	79
Total	82	5	87

	31 Dec 2018		
	Banks HK\$million (Unaudited)	Others HK\$million (Unaudited)	Total HK\$million (Unaudited)
Developed countries			
Of which Switzerland	-	1	1
Of which Japan	11	-	11
Offshore centers			
Of which Hong Kong	116	1	117
Total	127	2	129

20 Currency risk

The Company has transactional currency exposures which arise from foreign exchange transactions. All foreign currency positions are managed by the treasury department within limits approved by the Board.

The Company seeks to match closely its foreign currency denominated assets with corresponding liabilities in the same currencies. Currency risk exposures are measured and monitored against the established limits independently by risk management department on a daily basis.

The net positions in foreign currencies are disclosed when each currency constitutes 10% or more of the respective total net position in all foreign currencies.

	30 Jun 2019 HK\$ Equivalents			
	US Dollars HK\$million (Unaudited)	Japanese Yen HK\$million (Unaudited)	Others HK\$million (Unaudited)	Total HK\$million (Unaudited)
Spot assets	63	10	5	78
Spot liabilities	(64)	(10)	(5)	(79)
Forward purchases	1	1	-	2
Forward sales	(1)	(1)	-	(2)
Net options position	-	-	-	-
Net long (short) position	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>

	31 Dec 2018 HK\$ Equivalents			
	US Dollars HK\$million (Unaudited)	Japanese Yen HK\$million (Unaudited)	Others HK\$million (Unaudited)	Total HK\$million (Unaudited)
Spot assets	87	21	10	118
Spot liabilities	(86)	(21)	(10)	(117)
Forward purchases	-	-	-	-
Forward sales	-	-	-	-
Net options position	-	-	-	-
Net long (short) position	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>

The Company does not have any net structural position in foreign currencies as at 30 June 2019 and 31 December 2018.

21 Other off-balance sheet exposures

The notional principal amounts of outstanding non-trading foreign exchange contracts and their fair values as at 30 June 2019 were as follows:

HK\$'000	<u>Contract / Notional amount</u>	Fair value	
		<u>Assets</u>	<u>Liabilities</u>
a) <i>Foreign exchange derivatives</i>			
Spot contracts	1,555	0	0

22 Non-bank mainland exposures

There are no non-bank mainland exposures as at 30 June 2019 and 31 December 2018.

23 Segmental analysis

(i) By geographical area

The Company's operations are entirely located in Hong Kong.

(ii) By class of business

The Company's classes of business are wealth management business and other miscellaneous business.

24 Liquidity maintenance ratio ("LMR")

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalize on opportunities for business expansion. For effective governance and management of liquidity risk, the Board has delegated authority to ALCO and senior management to oversee and monitor liquidity management respectively, but the Board retains the ultimate responsibility for liquidity risk of the Company.

In order to ensure compliance with statutory liquidity requirements, the Company measures liquidity through liquidity maintenance ratio and maturity mismatch within its portfolio. Both treasury department and risk management department closely monitor the liquidity of the Company on a daily basis to confirm that the liquidity structure of Company's assets and liabilities can meet its funding needs. Therefore, the statutory liquidity maintenance ratio is always complied with; and the Company's average liquidity maintenance ratio for first half of the year was well above the statutory minimum requirement of 25%.

The Company will perform cash flow projection under normal business conditions and regular stress tests based on severe but plausible scenarios which are suitable for the business model of the Company in order to identify potential sources of liquidity strain under stressed business conditions. The cash flow projection is to evaluate the normal cash flow projection and stress-testing results for formulating the appropriate funding strategy to ensure that sufficient and contingent funding instruments should be readily available at normal and stressed circumstances.

For stress-testing purpose, the Company analyses the behavioral characteristics of assets and liabilities as well as off-balance sheet commitments and other contingent liabilities that are contractual and non-contractual in nature. The future cash flows projection is also to assess net funding gaps of a maturity profile and identify potential mismatches for better funding arrangement and taking immediate remedial actions. Therefore, both internal limits of liquidity management ratio and maturity mismatches are properly documented in the established NWB Liquidity Risk Control Manual (“the manual”) which are regularly reviewed by the management and the Board in ALCO meeting for the suitability of such limits; and the size and composition of liquidity cushion. The manual is expected to cover new requirements and to be clearly articulated and communicated to parties concerned.

	30 Jun 2019	31 Mar 2019
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Average LMR for the current financial period	160.00%	160.00%

The LMR for the financial period is the arithmetic mean of each calendar month's average liquidity maintenance ratio as reported in the return relating to the liquidity position submitted by the Company to the HKMA pursuant to section 63 of the Ordinance and section 30(B) of Part 3 of BDR.

25 Countercyclical capital buffer ratio

Pursuant to section 24B of the BDR and section 3P and section 3Q of the Banking (Capital) Rules (the “BCR”), the countercyclical capital buffer ratio for current period is calculated at JCCyB% for Hong Kong and outside Hong Kong as below:

Applicable Year	JCCyB% for Hong Kong	JCCyB% for United Kingdom
2016	0.625%	0.000%
2017	1.250%	0.000%
2018	1.875%	0.000%
2019	2.500%	1.000%
2020 onwards	2.500%	1.000%

The countercyclical capital buffer ratio is calculated according to section 3O of the BCR.

26 Specific disclosures

In line with Part 2A of Banking (Disclosure) Rules, specific disclosures are made for semi-annually reporting.

Part I : Key Prudential Ratios, Overview of Risk Management and RWA

Template KM1 : Key Prudential Ratios

In HK\$'000

		(a)	(b)	(c)	(d)	(d)
		30 Jun 2019 (Unaudited)	31 Mar 2019 (Unaudited)	31 Dec 2018 (Unaudited)	30 Sep 2018 (Unaudited)	30 Jun 2018 (Unaudited)
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	114,733	135,293	153,517	121,435	135,932
2	Tier 1	114,733	135,293	153,517	121,435	135,932
3	Total capital	114,733	135,293	153,517	121,435	135,932
RWA (amount)						
4	Total RWA	83,043	89,877	86,619	107,248	88,339
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	138.1618%	150.5313%	171.3006%	113.2282%	153.8754%
6	Tier 1 ratio (%)	138.1618%	150.5313%	171.3006%	113.2282%	153.8754%
7	Total capital ratio (%)	138.1618%	150.5313%	171.3006%	113.2282%	153.8754%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.500%	2.500%	1.875%	1.875%	1.875%
9	Countercyclical capital buffer requirement (%)	1.958%	0.608%	0.259%	0.330%	0.348%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	4.458%	3.108%	2.134%	2.205%	2.223%
12	CET1 available after meeting the AI's minimum capital requirements (%)	125.2658%	138.9853%	160.7286%	102.5852%	143.2144%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	207,604	262,941	282,090	254,435	226,110
14	LR (%)	55.27%	51.45%	54.42%	47.73%	60.12%
Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)						
Applicable to category 1 institution only :						
15	Total high quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflows	N/A	N/A	N/A	N/A	N/A
17	LCR (%)	N/A	N/A	N/A	N/A	N/A
Applicable to category 2 institution only :						
17a	LMR (%)	160.00%	160.00%	160.00%	151.94%	142.60%
Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)						
Applicable to category 1 institution only :						
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR (%)	N/A	N/A	N/A	N/A	N/A
Applicable to category 2A institution only :						
20a	CFR (%)	N/A	N/A	N/A	N/A	N/A

The liquidity maintenance ratio is calculated as the arithmetic mean of each calendar month's average value on a Hong Kong office basis in accordance with rule 10(1)(a) of the Banking (Liquidity) Rules.

Part I : Key Prudential Ratios, Overview of Risk Management and RWA - continued

Template OV1 : Overview of RWA

The following table sets out the Risk-Weighted Assets (“RWA”) by risk type and its corresponding minimum capital requirements (i.e. 8% of RWA) as required by Hong Kong Monetary Authority (“HKMA”).

As the Company had been exempted by HKMA in writing for the calculation of market risk exposure since the reporting position of 31 March 2017, the Company calculated its market risk exposure annually in Part IV of Capital Adequacy Ratio return that was not reflected in Division A of Part I - Summary Certificate on Capital Adequacy Ratios to calculate its Capital Adequacy Ratio as at 30 June 2019.

		In HK\$'000		
		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 Jun 2019 (Unaudited)	31 Mar 2019 (Unaudited)	30 Jun 2019 (Unaudited)
1	Credit risk for non-securitization exposures	56,530	66,602	4,522
2	Of which STC approach	56,530	66,602	4,522
2a	Of which BSC approach	-	-	-
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	-	-	-
7	Of which SA - CCR*	-	-	-
7a	Of which CEM	-	-	-
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	-	-	-
11	Equity positions in banking book under the simple risk - Weight method and internal models method	-	-	-
12	Collective investment scheme (“CIS”) exposures - LTA*	-	-	-
13	CIS exposures - MBA*	-	-	-
14	CIS exposures - FBA*	-	-	-
14a	CIS exposures - Combination of approaches*	-	-	-
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC - IRBA	-	-	-
18	Of which SEC - ERBA	-	-	-
19	Of which SEC - SA	-	-	-
19a	Of which SEC - FBA	-	-	-
20	Market risk	-	-	-
21	Of which STM approach	-	-	-
22	Of which IMM approach	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*	-	-	-

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		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 Jun 2019 (Unaudited)	31 Mar 2019 (Unaudited)	30 Jun 2019 (Unaudited)
24	Operational risk	26,513	23,275	2,121
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	-	-	-
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	-	-
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
27	Total	83,043	89,877	6,643
<p><i>Point to note : Items marked with an asterisk (*) will be applicable only after their respective policy frameworks take effect. Until then, "Not applicable" should be reported in the rows.</i></p>				

Part IIA : Composition of Regulatory Capital

Template CC1 : Composition of Regulatory Capital

In HK\$'000

	(a)	(b)
	Amount	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
CET1 capital : instruments and reserves		
1	440,000	[e] (1)
2	(285,642)	(2)
3	3,560	(3)
4	N/A	N/A
5	-	
6	157,918	
CET1 capital : regulatory deductions		
7	-	
8	-	[a] - [c]
9	43,185	[b] - [d] (4)
10	-	
11	-	
12	-	
13	-	
14	-	
15	-	
16	-	
17	-	
18	-	
19	-	
20	N/A	N/A
21	N/A	N/A
22	N/A	N/A
23	N/A	N/A
24	N/A	N/A
25	N/A	N/A
26	-	

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		(a)	(b)
		Amount	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-	
26b	Regulatory reserve for general banking risks	-	
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	Total regulatory deductions to CET1 capital	43,185	
29	CET1 capital	114,733	
AT1 capital : instruments			
30	Qualifying AT1 capital instruments plus any related share premium	-	[f]
31	of which : classified as equity under applicable accounting standards	-	
32	of which : classified as liabilities under applicable accounting standards	-	
33	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	<i>of which : AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
36	AT1 capital before regulatory deductions	-	
AT1 capital : regulatory deductions			
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	Total regulatory deductions to AT1 capital	-	
44	AT1 capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	114,733	
Tier 2 capital : instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	<i>of which : capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	

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		(a)	(b)
		Amount	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	-	
51	Tier 2 capital before regulatory deductions	-	
	Tier 2 capital : regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	-	
59	Total regulatory capital (TC = T1 + T2)	114,733	
60	Total RWA	83,043	
	Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	138.1618%	
62	Tier 1 capital ratio	138.1618%	
63	Total capital ratio	138.1618%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	12.896%	
65	of which : capital conservation buffer requirement	2.5%	
66	of which : bank specific countercyclical capital buffer requirement	1.958%	
67	of which : higher loss absorbency requirement	-	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	125.2658%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	N/A	N/A
70	National Tier 1 minimum ratio	N/A	N/A
71	National Total capital minimum ratio	N/A	N/A
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant capital investments in CET1, AT1 and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	N/A	N/A
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	N/A	N/A
	Applicable caps on the inclusion of provisions in Tier 2 capital		

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		(a)	(b)
		Amount	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	-	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	-	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	<i>Current cap on CET1 capital instruments subject to phase-out arrangements</i>	N/A	N/A
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	N/A	N/A
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	-	-
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	-	-
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	-	-
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	-	-

Points to note :

- (i) *Rows with item titles in italics are rows that will be deleted after all the ineligible capital instruments have been fully phased out (i.e. from 1 January 2022 onwards).*
- (ii) *Shaded rows with borders indicate the following:*
- *a row shaded dark grey introduces a new section which provides details of a certain component of regulatory capital;*
 - *a row shaded light grey, with no thick border, represents the sum of cells in the relevant section above it;*
 - *a row shaded light grey, with a thick border, indicates a key component of regulatory capital and the regulatory capital ratios;*
 - *a row shaded yellow represents an item that is not applicable to Hong Kong.*
- (iii) *The reconciliation requirements included in Template CC2 result in the decomposition of certain regulatory adjustments. For example, the disclosure template above includes the adjustment "Goodwill net of associated deferred tax liabilities". The reconciliation requirements will lead to the disclosure of both the goodwill component and the related tax liability component of this regulatory adjustment.*
- (iv) *Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards are disclosed below in Notes to the Template.*

Part IIA : Composition of Regulatory Capital - continued

Template CC1 : Composition of Regulatory Capital - continued

Notes to the Template

	Description	Hong Kong basis	Basel III basis
	Other intangible assets (net of associated deferred tax liabilities)	43,185	43,185
9	<p><u>Explanation</u></p> <p>As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.</p>		

Abbreviations :

CET1 : Common Equity Tier 1

AT1 : Additional Tier 1

Part IIA : Composition of Regulatory Capital - continued

Template CC2 : Reconciliation of Regulatory Capital to Balance Sheet

In HK\$'000

(Unaudited)

	(a)	(b)	(c)
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
Assets			
Cash and balances	97,448	97,448	
Items in the course of collection from other banks	-	-	
Trading portfolio assets	-	-	
Financial assets designated at fair value	-	-	
Derivative financial instruments	-	-	
Loans and advances to banks	91,381	91,381	
Loans and advances to customers	-	-	
Reverse repurchase agreements and other similar secured lending	-	-	
Financial investments measured at fair value through other comprehensive income	-	-	
Current and deferred tax assets	-	-	
Prepayments, accrued income and other assets	8,450	10,219	
Investments in associates and joint ventures	-	-	
Goodwill and intangible assets	-	-	
Of which : goodwill	-	-	[a]
Of which : other intangibles assets	43,185	43,185	[b] (4)
Property, plant and equipment	8,557	8,557	
Total assets	249,021	250,790	
Liabilities			
Deposits from banks	-	-	
Items in the course of collection due to other banks	-	-	
Customer accounts	80,532	80,532	
Repurchase agreements and other similar secured borrowing	-	-	
Trading portfolio liabilities	-	-	
Financial liabilities designated at fair value	-	-	
Derivative financial instruments	-	-	
Debt securities in issue	-	-	
Accruals, deferred income and other liabilities	10,571	12,340	
Current and deferred tax liabilities	-	-	
Of which : DTLs related to goodwill	-	-	[c]
Of which : DTLs related to intangible assets	-	-	[d]
Subordinated liabilities	-	-	
Provisions	-	-	
Retirement benefit liabilities	-	-	
Total liabilities	91,103	92,872	
Shareholders' equity			
Paid-in share capital	440,000	440,000	(1)
Of which : amount eligible for CET1	440,000	440,000	[e] (1)
Of which : amount eligible for AT1	-	-	[f]

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	(a)	(b)	(c)
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
Retained earnings / (accumulated losses)	(285,642)	(285,642)	(2)
Reserve for share-based compensation	3,560	3,560	(3)
Accumulated other comprehensive income	-	-	
Total shareholders' equity	157,918	157,918	

Part IIA : Composition of Regulatory Capital - continued

Template CCA : Main Features of Regulatory Capital Instruments

		(a)
		Quantitative / qualitative information (as at 30 Jun 2019)
1	Issuer	Nippon Wealth Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong Companies Ordinance
<i>Regulatory treatment</i>		
4	Transitional Basel III rules ¹	N/A
5	Post-transitional Basel III rules ²	Common Equity Tier 1
6	Eligible at solo* / group / solo and group	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinance Shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	HK\$440 million
9	Par value of instrument	N/A
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	(Note 1)
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
<i>Coupons / dividends</i>		
17	Fixed or floating dividend / coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	N/A

¹ Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR.

² Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

* Included solo-consolidated

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		(a)
		Quantitative / qualitative information (as at 30 Jun 2019)
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
<p><i>Points to note :</i></p> <p>(i) <i>An AI should report the main features of each outstanding regulatory capital instrument. For any item that is not applicable for a particular capital instrument, "NA" should be entered.</i></p> <p>(ii) <i>In order to provide a "main features report" that summarises all of the regulatory capital instruments of the banking group, an AI should report each instrument, including ordinary shares, in a separate column of this template (by adding column (b), column (c) and so on).</i></p> <p>(iii) <i>An AI should select one of the standard options in the list as the input for a particular cell, where relevant. The following table provides a more detailed explanation of reporting requirements for each of the cells, and, where relevant, the list of standard options from which the AI should select as the input for a particular cell.</i></p>		

(Note 1)

Number of Shares	Original Date of Issuance
7,000,000	05 August 2013
23,000,000	15 November 2013
135,000,000	27 December 2013
121,000,000	05 September 2014
77,000,000	04 October 2017
77,000,000	31 October 2018

Part IIB : Macro-prudential Supervisory Measures

Template CCyB1 : Geographical Distribution of Credit Exposures Used in Countercyclical Capital Buffer (“CCyB”)

In HK\$'000

(Unaudited)

		(a)	(c)	(d)	(e)
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect (%)	RWA used in computation of CCyB ratio	AI-specific CCyB ratio (%)	CCyB amount
1	Hong Kong SAR	2.500%	1,739		
2	United Kingdom	1.000%	40		
N+1	Sum		1,779		
N+2	Total		2,196	1.958%	43

Point to note :

(i) No disclosure is required for items shaded in dark grey (i.e. column (d) and (e) in rows 3 to N+1, cells N+1/a and N+2/a).

Part IIC : Leverage Ratio

Template LR1 : Summary Comparison of Accounting Assets against Leverage Ratio (“LR”) Exposure

Measure

		In HK\$'000 (Unaudited)
		(a)
	Item	Value under the LR framework
1	Total consolidated assets as per published financial statements	250,790
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting	-
4	Adjustments for derivative contracts	-
5	Adjustment for SFTs (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet (“OBS”) items (i.e. conversion to credit equivalent amounts of OBS)	-
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	-
7	Other adjustments	(43,186)
8	Leverage ratio exposure measure	207,604

Template LR2 : Leverage Ratio (“LR”)

		(a)	(b)
		In HK\$'000	
		30 Jun 2019 (Unaudited)	31 Mar 2019 (Unaudited)
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	207,604	262,941
2	Less : Asset amounts deducted in determining Tier 1 capital	-	-
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	207,604	262,941
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	-
5	Add-on amounts for PFE associated with all derivative contracts	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less : Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8	Less : Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivative contracts	-	-
10	Less : Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11	Total exposures arising from derivative contracts	-	-
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting	-	-
13	Less : Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	-

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For the six months ended 30 June 2019

		(a)	(b)
		In HK\$'000	
		30 Jun 2019 (Unaudited)	31 Mar 2019 (Unaudited)
15	Agent transaction exposures	-	-
16	Total exposures arising from SFTs	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	-	-
18	Less : Adjustments for conversion to credit equivalent amounts	-	-
19	Off-balance sheet items	-	-
Capital and total exposures			
20	Tier 1 capital	114,733	135,293
20a	Total exposures before adjustments for specific and collective provisions	207,604	262,941
20b	Adjustments for specific and collective provisions	-	-
21	Total exposures after adjustments for specific and collective provisions	207,604	262,941
Leverage ratio			
22	Leverage ratio	55.27%	51.45%

Net FX position is included in item 1 total assets.

Part IID : Liquidity

Template LIQ1 : Liquidity Coverage Ratio – for category 1 institution

Template LIQ2 : Net Stable Funding Ratio – for category 1 institution

As HKMA classified the Company as category II authorized institution, templates LIQ1 and LIQ2 are not applicable to it for financial disclosures as at 30 Jun 2019.

Part III : Credit Risk for Non-securitization Exposures

Template CR1 : Credit quality of exposures

In HK\$'000

(Unaudited)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net value
	Defaulted exposures	Non- defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loans	-	188,833	-			188,833
2	Debt securities	-	-	-			-
3	Off-balance sheet exposures	-	-	-			-
4	Total	-	188,833	-			188,833

This table is to provide an overview of the credit quality of on- and off-balance sheet exposures. The Company reported balances with banks and related accrued interest receivables only because it had no loans and advances business, holding of debt securities and incurring in guarantee and irrevocable loan commitment as at 30 Jun 2019.

Template CR2 : Changes in defaulted loans and debt securities

In HK\$'000

(Unaudited)

	(a)	
	Amount	
1	Defaulted loans and debt securities at end of the previous reporting period	N/A
2	Loans and debt securities that have defaulted since the last reporting period	N/A
3	Returned to non-defaulted status	N/A
4	Amounts written off	N/A
5	Other changes	N/A
6	Defaulted loans and debt securities at end of the current reporting period	N/A

The Company reported N/A in template CR2 because it had no defaulted loans and debt securities at 30 Jun 2019.

Part III : Credit Risk for Non-securitization Exposures - continued

Template CR3 : Overview of recognized credit risk mitigation

In HK\$'000

(Unaudited)

		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured : carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans	188,833	-	-	-	-
2	Debt securities	-	-	-	-	-
3	Total	188,833	-	-	-	-
4	Of which defaulted	-	-	-	-	-

The Company reported balances with banks and related accrued interest receivables in template CR3 only because it had no loans and advances business and debt securities holding at 30 Jun 2019.

Part III : Credit Risk for Non-securitization Exposures - continued

Template CR4 : Credit risk exposures and effects of recognized credit risk mitigation – for STC approach or BSC approach

In HK\$'000

(Unaudited)

<u>Version for AIs using STC approach ("STC version")</u>		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures						
2	PSE exposures						
2a	Of which : domestic PSEs						
2b	Of which : foreign PSEs						
3	Multilateral development bank exposures						
4	Bank exposures	188,833	0	188,833	0	37,767	20.00%
5	Securities firm exposures						
6	Corporate exposures	2,204	0	2,204	0	2,196	99.64%
7	CIS exposures						
8	Cash items						
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis						
10	Regulatory retail exposures						
11	Residential mortgage loans						
12	Other exposures which are not past due	16,567	0	16,567	0	16,567	100.00%
13	Past due exposures						
14	Significant exposures to commercial entities						
15	Total	207,604	0	207,604	0	56,530	27.23%

This table is to illustrate the effect of any recognised credit risk mitigation ("CRM"), including recognised collateral under both comprehensive and simple approaches, on the calculation of capital requirements; where the risk-weighted asset ("RWA") density provides a synthetic metric on riskiness of each portfolio.

The BSC approach is not applicable to the Company for calculating its credit risk exposures and effects of any recognized credit risk mitigation.

Part III : Credit Risk for Non-securitization Exposures - continued

Template CR5 : Credit risk exposures by asset classes and by risk weights – for STC approach or BSC approach

In HK\$'000

(Unaudited)

Version for AIs using STC		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(ha)	(i)	(j)
	Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
	Exposure class											
1	Sovereign exposures											
2	PSE exposures											
2a	Of which : domestic PSEs											
2b	Of which : foreign PSEs											
3	Multilateral development bank exposures											
4	Bank exposures			188,833								188,833
5	Securities firm exposures											
6	Corporate exposures					16		2,188				2,204
7	CIS exposures											
8	Cash items											
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis											
10	Regulatory retail exposures											
11	Residential mortgage loans											
12	Other exposures which are not past due exposures							16,567				16,567
13	Past due exposures											
14	Significant exposures to commercial entities											
15	Total			188,833		16		18,755				207,604

The BSC approach is not applicable to the Company for calculating its credit risk exposures by asset classes and by risk weights.

Part III : Credit Risk for Non-securitization Exposures - continued

Template CR6 : Credit risk exposures by portfolio and PD ranges - for IRB approach

Template CR7 : Effects on RWA of recognized credit derivative contracts used as recognized credit risk mitigation - for IRB approach

Template CR8 : RWA flow statements of credit risk exposures under IRB approach

Template CR10 : Specialized lending under supervisory slotting criteria approach and equities under simple risk-weight method - for IRB approach

The IRB approach is not applicable to the Company for calculating its credit risk exposures by using the above templates.

Part IV : Counterparty Credit Risk

The Company does not incur a counterparty credit risk capital under Part 6A of the BCR, including the CVA capital charges and charges applied to exposures to CCPs as at 30 June 2019, all disclosure tables/templates (CCRA, CCR1, CCR2, CCR3, CCR4, CCR5, CCR6, CCR7 and CCR8) under this Part IV are not applicable to the Company.

Part V : Securitization Exposures

The Company does not incur securities exposures arising from securitization transactions to satisfy the risk transference criteria set out in Schedule 9 (for traditional securitization transactions) or in Schedule 10 (for synthetic securitization transactions) of the BCR as at 30 June 2019, all disclosure tables/templates (SECA, SEC1, SEC2, SEC3 and SEC4) under this Part V are not applicable to the Company.

Part VI : Market risk

The Company uses STM approach for calculating its market risk exposures. Zero is reported in the template MR1 because HKMA issued an exempt letter to the Company and changed its market risk reporting frequency from quarterly basis to annually basis with effect from the reporting position of 31 Mar 2017.

Template MR1 : Market risk under STM approach

		In HK\$'000 (Unaudited)
		(a)
		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	-
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	-
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	Total	-

Template MR2 : RWA flow statements of market risk exposures under IMM approach

Template MR3 : IMM approach values for market risk exposures

Template MR4 : Comparison of VaR estimates with gains or losses

The above IMM table and templates are not applicable to the Company because its market risk exposures are compiled by STM approach yearly.