

Report of the Directors and Audited Financial Statements

VIETNAM FINANCE COMPANY LIMITED
越南財務有限公司

For the year ended 31 December 2023

VIETNAM FINANCE COMPANY LIMITED
越南財務有限公司

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REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2023.

Principal activities

The principal activities of Vietnam Finance Company Limited (the "Company") comprise money remittance, credit, trade finance, deposit taking, and placement. There were no significant changes in the nature of the Company's principal activities during the year.

Results and appropriateness

The Company's profit for the year ended 31 December 2023 and the Company's financial position as at that date are set out in the financial statements on pages 6 to 35.

An interim dividend of HK\$0.918033 (2022: HK\$0.161351) per ordinary share totaling HK\$963,935 (2022: HK\$169,419) was paid on 1 August 2023. The directors do not recommend the payment of final dividend (2022: Nil) in respect of year.

Shares capital

Details of the Company's share capital during the year are set out in note 15(a) to the financial statement. There were no movements in the Company's share capital during the year.

Directors

The directors of the Company during the year and up to the date of this report were:

Joint Stock Commercial Bank for Foreign Trade of Vietnam

Mr. Nguyen Ngoc Ban

Ms. Phung Nguyen Hai Yen

Ms. Truong Dieu Linh

Ms. Nguyen Thu Ha

In accordance with article 9 of the Company's Articles of Association, all directors retire and, being eligible, offer themselves for re-election.

Directors' interests

At no time during the year was the Company, or its holding company or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, nor were any such rights exercised by them.

Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or the Company's holding company or fellow subsidiaries was a party during the year.

Business review

No business review is presented for the year ended 31 December 2023 as the Company has been able to claim an exemption under section 388(3) of the Hong Kong Companies Ordinance since it is a wholly-owned subsidiary of Joint Stock Commercial Bank for Foreign Trade of Vietnam.

VIETNAM FINANCE COMPANY LIMITED
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REPORT OF THE DIRECTORS (continued)

Compliance with the Banking (Disclosure) Rules

The Hong Kong Monetary Authority has granted exemption to the Company from the application of the provisions specified in section 3(1)(a), (b), (c), (d), 3(2)(a) and (b) of the Banking (Disclosure) Rules (Cap. 155M) with the effect from its letter dated 12 May 2017.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



.....
Nguyen Ngoc Ban
Chief Executive & Director

Hong Kong



Ernst & Young
27/F, One Taikoo Place
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Quarry Bay, Hong Kong

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Independent auditor's report
To the members of Vietnam Finance Company Limited

越南財務有限公司

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Vietnam Finance Company Limited (the "Company") set out on pages 6 to 35, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 ("HKSA") 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 the information included in the report of the directors.

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 (continued)
To the members of Vietnam Finance Company Limited
越南財務有限公司
(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 of the Company 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. Our 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 not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



Independent auditor's report (continued)
To the members of Vietnam Finance Company Limited
越南財務有限公司
(Incorporated in Hong Kong with limited liability)

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

- 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 board of 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
Hong Kong

28 MAR 2024

VIETNAM FINANCE COMPANY LIMITED
越南財務有限公司

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 HK\$	2022 HK\$
REVENUE	4	27,695,767	16,184,623
Interest expenses	5	<u>(17,922,595)</u>	<u>(7,727,759)</u>
		9,773,172	8,456,864
Other income	6	-	96,000
Exchange differences		14,406	70,741
Staff costs	6	(3,962,492)	(3,496,548)
Depreciation on property, plant and equipment	12	(90,712)	(94,150)
Amortisation on prepaid land lease payments	13	(676,254)	(717,699)
Operating expenses		(3,114,882)	(3,144,910)
Impairment losses on loans and advances to customers	10	<u>(7,719)</u>	<u>(4,162)</u>
		<u>(7,837,653)</u>	<u>(7,290,728)</u>
PROFIT BEFORE TAX	6	1,935,519	1,166,136
Tax expense	8	<u>(264,576)</u>	<u>(176,550)</u>
PROFIT FOR THE YEAR		<u>1,670,943</u>	<u>989,586</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Loss on revaluation of leasehold land and buildings	12, 13	(1,413,330)	(2,072,497)
Income tax effect	14	<u>233,287</u>	<u>341,962</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>490,370</u>	<u>(740,949)</u>

VIETNAM FINANCE COMPANY LIMITED
越南財務有限公司

STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK\$	2022 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	12	293,702	384,528
Prepaid land lease payments	13	<u>41,770,000</u>	<u>43,860,000</u>
Total non-current assets		<u>42,063,702</u>	<u>44,244,528</u>
CURRENT ASSETS			
Cash and short-term funds	16	29,008,448	56,177,572
Time deposits with banks	16	215,986,623	124,726,695
Advances to the ultimate holding company	17	267,068,803	287,884,510
Loans and advances to customers	10	4,922,047	3,248,182
Interest receivable	11	8,203,577	3,900,293
Utility and other deposits		48,450	48,450
Prepayments		<u>32,992</u>	<u>24,961</u>
Total current assets		<u>525,270,940</u>	<u>476,010,663</u>
CURRENT LIABILITIES			
Due to the ultimate holding company	17	409,026,614	365,229,026
Customers deposits		312,336	311,997
Accounts payable and accruals		7,038,065	3,065,635
Tax payables		<u>138,472</u>	<u>107,852</u>
Total current liabilities		<u>416,515,487</u>	<u>368,714,510</u>
NET CURRENT ASSETS		<u>108,755,453</u>	<u>107,296,153</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>150,819,155</u>	<u>151,540,681</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14	<u>7,157,138</u>	<u>7,405,099</u>
NET ASSETS		<u>143,662,017</u>	<u>144,135,582</u>

VIETNAM FINANCE COMPANY LIMITED
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STATEMENT OF FINANCIAL POSITION

31 December 2023

	Note	2023 HK\$	2022 HK\$
EQUITY			
Share capital	15	105,000,000	105,000,000
Reserves		<u>38,662,017</u>	<u>39,135,582</u>
TOTAL EQUITY		<u>143,662,017</u>	<u>144,135,582</u>



.....
Nguyen Ngoc Ban
Director



.....
Phung Nguyen Hai Yen
Director

VIETNAM FINANCE COMPANY LIMITED
越南財務有限公司

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Share capital HK\$	Regulatory reserve HK\$	Assets revaluation reserve HK\$	Retained profits HK\$	Total equity HK\$
At 1 January 2022	105,000,000	5,141	39,871,390	169,419	145,045,950
Profit for the year	-	-	-	989,586	989,586
Transfer from retained profits	-	25,651	-	(25,651)	-
Other comprehensive income for the year:					
Revaluation loss	-	-	(2,072,497)	-	(2,072,497)
Income tax effect	-	-	341,962	-	341,962
Interim dividend	-	-	-	(169,419)	(169,419)
At 31 December 2022	<u>105,000,000</u>	<u>30,792</u>	<u>38,140,855</u>	<u>963,935</u>	<u>144,135,582</u>
At 1 January 2023	105,000,000	30,792	38,140,855	963,935	144,135,582
Profit for the year	-	-	-	1,670,943	1,670,943
Transfer from retained profits	-	13,301	-	(13,301)	-
Other comprehensive income for the year:					
Revaluation loss	-	-	(1,413,860)	-	(1,413,860)
Income tax effect	-	-	233,287	-	233,287
Interim dividend	-	-	-	(963,935)	(963,935)
At 31 December 2023	<u>105,000,000</u>	<u>44,093</u>	<u>36,960,282</u>	<u>1,657,642</u>	<u>143,662,017</u>

VIETNAM FINANCE COMPANY LIMITED
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STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 HK\$	2022 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,935,519	1,166,136
Adjustments for:			
Depreciation expense of property, plant and equipment	12	90,712	94,150
Amortisation expense of prepaid land lease payments	13	676,254	717,699
Impairment losses on loans and advances to customers	10	7,719	4,162
Interest income	4	(24,869,642)	(13,303,276)
Interest expenses	5	<u>17,922,595</u>	<u>7,727,759</u>
Operating cash flows before changes in working capital		(4,236,843)	(3,593,370)
Changes in working capital:			
Increase in loans and advances to customers		(1,681,584)	(1,201,806)
Decrease in advance to the ultimate holding company		20,815,707	320,553,671
Increase in prepayments		(8,031)	(215)
Increase/(decrease) in amount due to the ultimate holding company		43,797,588	(396,972,029)
Increase in customers deposits		339	605
Increase/(decrease) in accounts payables and accruals		181,000	(65,955)
Interest received		20,566,359	10,451,773
Interest paid		<u>(14,131,165)</u>	<u>(5,210,659)</u>
Cash generated from/(used) in operations		65,303,369	(76,037,985)
Hong Kong profits tax paid		<u>(248,630)</u>	<u>-</u>
Net cash generated from/(used) in operating activities		<u>65,054,739</u>	<u>(76,037,985)</u>
CASH FLOWS FROM INVESTING ACTIVITY			
Payment for purchase of property, plant and equipment	12	<u>-</u>	<u>(7,000)</u>
Net cash used in investing activity		<u>-</u>	<u>(7,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	9	<u>(963,935)</u>	<u>(169,149)</u>
Net cash used in financing activities		<u>(963,935)</u>	<u>(169,419)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		<u>180,904,267</u>	<u>257,118,671</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>244,995,071</u>	<u>180,904,267</u>

VIETNAM FINANCE COMPANY LIMITED
越南財務有限公司

STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2023

	Notes	2023 HK\$	2022 HK\$
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and short-term funds	16	29,008,448	56,177,572
Time deposits with banks with original maturity within one month	16	<u>215,986,623</u>	<u>124,726,695</u>
		<u>244,995,071</u>	<u>180,904,267</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE INFORMATION

Vietnam Finance Company Limited (the “Company”) is a financial institution incorporated in Hong Kong. Its registered office is located at 16/F, Golden Star Building, 20 Lockhart Road, Wanchai, Hong Kong. The principal activities of the Company are the operation of a financial institution which includes money remittance, credit, trade finance, deposit taking, and placement.

The ultimate and immediate holding company is Joint Stock Commercial Bank for Foreign Trade of Vietnam, a company incorporated in the Socialist Republic of Vietnam.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all 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 Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except for prepaid land lease payments and leasehold buildings classified as property, plant and equipment, which have been measured at fair value. These financial statements are presented in Hong Kong dollars.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Company has adopted the following revised HKFRSs for the first time in the current year’s financial statements, which are applicable to the Company.

Amendment to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8 Amendments to HKAS 12	<i>Definition of Accounting Estimates Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and the impact of the revised HKFRSs that are relevant to the preparation of the Company’s financial statements are described below.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Company has disclosed the material accounting policy information in note 2.5 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any item in the Company’s financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Amendments to HKAS 8 Definition of Accounting Estimates

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Company's approach and policy align with the amendments, the amendments had no impact on the Company's financial statements.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments had no impact on the Company's financial statements.

Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules

Amendments to HKAS 12 introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Company has applied the amendments retrospectively. Since the Company did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Company.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not early applied any of the new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2023 in these financial statements. Among the new and revised HKFRSs, the following are expected to be relevant to the Company's financial statements upon becoming effective:

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> ^{1, 2}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2024

² As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the Company is described below.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Company is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Company's financial statements.

2.5 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Company measures its leasehold buildings and leasehold land at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and 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 of a parent of the Company;

or

- (b) the party is an entity where any of the following conditions applies
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company 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); and
 - (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 parent of the Company.

Property, plant and equipment and depreciation

Property, plant and equipment, are stated at historical cost or valuation less accumulated depreciation and any impairment loss (of which leasehold improvements, furniture, fixtures and equipment are stated at cost whilst leasehold buildings are stated at valuation).

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit or loss in the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit or loss in the statement of comprehensive income. Any subsequent revaluation surplus is credited to the profit or loss in the statement of comprehensive income to the extent of the deficit previously charged.

An item of property, plant and equipment including any significant part initially recognized is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss on derecognition of the asset, calculated on the difference between the net disposal proceeds and the carrying amount of the item, is included in the profit or loss in the statement of comprehensive income in the period the item is derecognised.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold buildings	Over the shorter of terms of the relevant leases or useful lives
Furniture, fixtures and equipment	15% straight line basis
Leasehold improvements	15% straight line basis

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Any asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Prepaid land lease payments

Prepaid land lease payments are lump sum upfront payments to acquire long-term interest in lessee-occupied properties. Prepaid land lease payments for land relating to buildings of the Company are stated at revaluation amount. Any accumulated amortisation at the date of the revaluation is eliminated against the gross carrying amount of the prepaid land lease payments and the net amount restated to the revalued amount of the asset.

Financial assets

(a) *Classification and measurement*

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

Debt instruments are measured at fair value through other comprehensive income if the assets' contractual cash flows represent solely payments of principal and interest and the assets are held for collection of contractual cash flows and for selling the financial assets. Such financial assets are subsequently measured at fair value with any gains or losses from changes in fair value recognised in other comprehensive income, except for impairment losses and reversal, foreign exchange gains and losses and interest calculated using the effective interest rate method which are recognised in the statement of profit or loss. The cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to the statement of profit or loss when the financial asset is derecognised.

Debt instruments that do not meet the criteria for amortised cost or as financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. Interest income for these financial assets is included in finance income.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets (continued)

(b) *Impairment*

The Company applies the expected credit loss model on all the financial assets that are subject to impairment, financial guarantee contracts, lease receivables under HKFRS 16. For trade receivables and contract assets without a significant financial component, the Company applies the simplified approach which requires impairment allowances to be measured at lifetime expected credit losses.

For other financial assets, impairment allowances are recognised under the general approach where expected credit losses ("ECL") are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Company is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

The Company considers a default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more appropriate default criterion should be applied.

(c) *Derecognition of financial assets*

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Company has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

Financial liabilities include amount due to ultimate holding company, customer deposits and accounts payable and accruals. They are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

Off-statement of financial position instruments

Off-statement of financial position financial instruments referred to commitments which existed in the form of undrawn loan facilities. These are loan facilities granted to borrowers for customers but are not yet utilized as at year end.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits with banks and other financial institutions, and short term time deposits that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including short-term time deposits.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. When the contract contains a financing component which provides the Company a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Employee benefits

Salaries, annual bonuses and other staff costs are accrued in the period in which the associated services are rendered by employees of the company. Where payment or settlement is deferred, and the effect would be material, provisions are made for the estimated liability as a result of services rendered by employees up to the end of the reporting period.

The Company joined a Mandatory Provident Fund ("MPF") scheme for its employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Company in independently administered funds. Under the rules of the MPF scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. Contributions to the defined contribution pension scheme are recognized as an expense in the profit or loss as incurred.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Dividends

Interim dividends are recognised directly as a liability when they are proposed and declared by the directors.

Final dividends are recognised as a liability when they are approved by the shareholders.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Measurement of the expected credit loss allowance

The measurement of ECL under HKFRS 9 across all categories of financial assets to which ECL measurements requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These judgements and estimates are driven by a number of factors, changes in which can result in different levels of allowances. At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Fair value of prepaid land lease payments and leasehold buildings

Prepaid land lease payments and leasehold buildings are carried in the statement of financial position at their fair value. The fair value is based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve making assumptions on certain market conditions. Favorable or unfavorable changes to these assumptions would result in changes in the fair value of the Company's prepaid land lease payments and leasehold buildings.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

4. REVENUE

The principal activities of the Company are disclosed in note 1. Revenue is analysed as follows:

	2023 HK\$	2022 HK\$
<i>Revenue from contracts with customers</i>		
Bank charges income	2,808,306	2,874,965
Cable charges income	1,600	800
Handling charges income	<u>16,219</u>	<u>5,582</u>
	<u>2,826,125</u>	<u>2,881,347</u>

The revenue from contracts with customers is recognised at a point in time.

	2023 HK\$	2022 HK\$
<i>Revenue from other sources</i>		
Interest income:		
Time deposits with banks	10,725,470	3,494,225
Loans and advances	<u>14,144,172</u>	<u>9,809,051</u>
	<u>24,869,642</u>	<u>13,303,276</u>
Total revenue	<u>27,695,767</u>	<u>16,184,623</u>

5. INTEREST EXPENSES

	2023 HK\$	2022 HK\$
Due to the ultimate holding company	17,922,279	7,727,444
Customers deposits	<u>316</u>	<u>315</u>
	<u>17,922,595</u>	<u>7,727,759</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2023

6. PROFIT BEFORE TAX

Profit before tax is arrived at after (crediting)/charging the following:

	Notes	2023 HK\$	2022 HK\$
(a) Staff costs:			
Salaries & allowance		3,589,701	3,159,479
Provident fund		<u>372,792</u>	<u>337,069</u>
		<u>3,962,492</u>	<u>3,496,548</u>
(b) Other items:			
Auditor's remuneration		399,700	368,400
Bank charges		501,831	536,400
Rent related expenses		265,288	234,328
Depreciation expense of property, plant and equipment 12		90,711	94,150
Amortisation expense of prepaid land lease payments 13		676,254	717,699
Other income (Note (i))		<u>-</u>	<u>(96,000)</u>

Note:

- (i) The other income represented the amount of an approved financial support granted by the Government of the Hong Kong Special Administrative Region for the employment support scheme which the Company enrolled in 2022.

7. BENEFITS AND INTERESTS OF DIRECTORS

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

	2023 HK\$	2022 HK\$
Fees	-	-
Other emoluments:		
Salaries, allowances and benefits in kind	857,169	746,013
Pension scheme contributions	<u>105,176</u>	<u>96,922</u>
	<u>962,345</u>	<u>842,935</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2023

8. TAX EXPENSE

Hong Kong profits tax has been calculated at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2023 HK\$	2022 HK\$
Current tax		
Provision for the year	<u>279,250</u>	<u>107,852</u>
Deferred tax		
Origination and reversal of temporary differences (note 14)	<u>(14,674)</u>	<u>68,698</u>
Income tax charged for the year	<u>264,576</u>	<u>176,550</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense is as follow:

	2023 HK\$	2022 HK\$
Profit before tax	<u>1,935,519</u>	<u>1,166,136</u>
Notional tax on profit before tax, calculated at 16.5% (2022: 16.5%)	319,361	192,413
Tax effect of non-deductible expenses	128,154	203,653
Tax effect of non-taxable income	<u>(182,939)</u>	<u>(219,516)</u>
Tax expense	<u>264,576</u>	<u>176,550</u>

9. DIVIDENDS

	2023 HK\$	2022 HK\$
Interim – HK\$0.918033 (2022: HK\$0.161351) per ordinary share	<u>963,935</u>	<u>169,419</u>

The directors do not recommend the payment of final dividend (2022: Nil) in respect of the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

10. LOANS AND ADVANCES TO CUSTOMERS

	2023 HK\$	2022 HK\$
Loan and advances to customers	4,939,700	3,258,116
Less: Impairment allowances (stage 1)	<u>(17,653)</u>	<u>(9,934)</u>
	<u>4,922,047</u>	<u>3,248,182</u>

Movements in the impairment allowance are as follows:

	2023 HK\$	2022 HK\$
At 1 January	9,934	5,772
Impairment allowances	<u>7,719</u>	<u>4,162</u>
At 31 December	<u>17,653</u>	<u>9,934</u>

11. INTEREST RECEIVABLE

	2023 HK\$	2022 HK\$
Interest receivable		
Time deposits with banks	535,235	148,668
Loans and advances	<u>7,668,342</u>	<u>3,751,625</u>
	<u>8,203,577</u>	<u>3,900,293</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2023

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$	Leasehold improvements HK\$	Furniture, fixtures and equipment HK\$	Total HK\$
Cost or Valuation:				
At 1 January 2022	150,000	785,276	1,630,985	2,566,261
Additions	-	-	7,000	7,000
Loss on revaluation	(196)	-	-	(196)
Elimination of accumulated depreciation	<u>(9,804)</u>	<u>-</u>	<u>-</u>	<u>(9,804)</u>
At 31 December 2022 and at 1 January 2023	140,000	785,276	1,637,985	2,563,261
Loss on revaluation	(114)	-	-	(114)
Elimination of accumulated depreciation	<u>(9,886)</u>	<u>-</u>	<u>-</u>	<u>(9,886)</u>
At 31 December 2023	<u>130,000</u>	<u>785,276</u>	<u>1,637,985</u>	<u>2,553,261</u>
Accumulated depreciation:				
At 1 January 2022	-	785,276	1,309,111	2,094,387
Charge for the year	9,804	-	84,346	94,150
Elimination of accumulated depreciation	<u>(9,804)</u>	<u>-</u>	<u>-</u>	<u>(9,804)</u>
At 31 December 2022 and at 1 January 2023	-	785,276	1,393,457	2,178,733
Charge for the year	9,886	-	80,826	90,712
Elimination of accumulated depreciation	<u>(9,886)</u>	<u>-</u>	<u>-</u>	<u>(9,886)</u>
At 31 December 2023	<u>-</u>	<u>785,276</u>	<u>1,474,283</u>	<u>2,259,559</u>
Net carrying value:				
At 31 December 2023	<u>130,000</u>	<u>-</u>	<u>163,702</u>	<u>293,702</u>
At 31 December 2022	<u>140,000</u>	<u>-</u>	<u>244,528</u>	<u>384,528</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2023

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK\$	Leasehold improvements HK\$	Furniture, fixtures and equipment HK\$	Total HK\$
Analysis of cost or valuation:				
At 31 December 2023				
At cost	-	-	163,702	163,702
At valuation	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>130,000</u>
	<u>130,000</u>	<u>-</u>	<u>163,702</u>	<u>293,702</u>
At 31 December 2022				
At cost	-	-	244,528	244,528
At valuation	<u>140,000</u>	<u>-</u>	<u>-</u>	<u>140,000</u>
	<u>140,000</u>	<u>-</u>	<u>244,528</u>	<u>384,528</u>

Buildings of the Company were revalued as at 31 December 2023 and 31 December 2022 based on valuations performed by an independent professionally qualified surveyor, Goldrich Planners & Surveyors Ltd.

All buildings were classified under Level 2 in the fair value hierarchy. During the year, there was no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3. The fair values of buildings in Hong Kong are determined using market approach by taking reference to the recent sales price of comparable properties on a price per square foot basis.

If these buildings had been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK\$133,033 (2022: HK\$140,033).

Leasehold improvements, furniture, fixtures and equipment are stated at cost less accumulated depreciation and any impairment loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

13. PREPAID LAND LEASE PAYMENTS

	2023 HK\$	2022 HK\$
Valuation:		
At 1 January	43,860,000	46,650,000
Loss on revaluation	(1,413,746)	(2,072,301)
Elimination of accumulated amortisation	<u>(676,254)</u>	<u>(717,699)</u>
At 31 December	<u>41,770,000</u>	<u>43,860,000</u>
Accumulated amortisation:		
At 1 January	-	-
Charge for the year	676,254	717,699
Elimination of accumulated amortisation	<u>(676,254)</u>	<u>(717,699)</u>
At 31 December	<u>-</u>	<u>-</u>
Net carrying value:		
At 31 December	<u>41,770,000</u>	<u>43,860,000</u>

The leasehold lands are held in Hong Kong under long term leases. All leasehold lands of the Company were revalued as at 31 December 2023 and 31 December 2022 based on valuations performed by an independent professionally qualified surveyor, Goldrich Planners & Surveyors Ltd.

The carrying amounts of the Company's interests in leasehold land and land use rights are analysed as follows:

	2023 HK\$	2022 HK\$
Held in Hong Kong:		
- Leases of over 50 years	<u>41,770,000</u>	<u>43,860,000</u>

All leasehold lands were classified under Level 2 in the fair value hierarchy. During the year, there was no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3. The fair values of leasehold lands in Hong Kong are determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis.

If these leasehold lands had been carried at historical cost less accumulated amortisation, their carrying amounts would have been approximately HK\$4,799,827 (2022: HK\$4,901,971).

NOTES TO FINANCIAL STATEMENTS

31 December 2023

14. DEFERRED TAX

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

Deferred tax liabilities

	Accelerated tax depreciation HK\$	2023 Revaluation of properties HK\$	Total HK\$
At 1 January 2023	54,682	7,352,056	7,406,738
Credited to profit or loss (note 8)	(13,400)	-	(13,400)
Credited to other comprehensive income	-	(233,287)	(233,287)
	<u>41,282</u>	<u>7,118,769</u>	<u>7,160,051</u>
Gross deferred tax liabilities at 31 December 2023	<u>41,282</u>	<u>7,118,769</u>	<u>7,160,051</u>

Deferred tax assets

	Provision HK\$	2023 Tax loss HK\$	Total HK\$
At 1 January 2023	1,639	-	1,639
Credited to profit or loss (note 8)	1,274	-	1,274
	<u>2,913</u>	<u>-</u>	<u>2,913</u>
Gross deferred tax assets at 31 December 2023	<u>2,913</u>	<u>-</u>	<u>2,913</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2023

14. DEFERRED TAX LIABILITIES (continued)

Deferred tax liabilities

	Accelerated tax depreciation HK\$	2022 Revaluation of properties HK\$	Total HK\$
At 1 January 2022	63,629	7,694,018	7,757,647
Credited to profit or loss (note 8)	(8,947)	-	(8,947)
Charged to other comprehensive income	-	(341,962)	(341,962)
	<u>54,682</u>	<u>7,352,056</u>	<u>7,406,738</u>
Gross deferred tax liabilities at 31 December 2022			

Deferred tax assets

	Provision HK\$	2022 Tax loss HK\$	Total HK\$
At 1 January 2022	952	78,332	79,284
Credit/(charged) to profit or loss (note 8)	687	(78,332)	(77,645)
	<u>1,639</u>	<u>-</u>	<u>1,639</u>
Gross deferred tax assets at 31 December 2022			

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	2023 HK\$	2022 HK\$
<u>Net deferred tax liabilities</u>	<u>7,157,138</u>	<u>7,405,099</u>

15. SHARE CAPITAL AND RESERVES

(a) Share capital

	2023		2022	
	Number of shares in issue	HK\$	Number of shares in issue	HK\$
Ordinary shares, issued and fully paid	<u>1,050,000</u>	<u>105,000,000</u>	<u>1,050,000</u>	<u>105,000,000</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2023

15. SHARE CAPITAL AND RESERVES (continued)

(a) Share capital (continued)

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 commensurately with the level of risk and by securing access to finance at a reasonable cost.

(b) Statutory surplus reserve fund

The regulatory reserve is maintained to satisfy the provisions of the Banking Ordinance for prudential supervision purposes.

(c) Assets revaluation reserve

The assets revaluation reserve comprises all the revaluation gains or losses from leasehold buildings and leasehold lands.

(d) Capital management

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

16. CASH AND CASH EQUIVALENTS

	2023 HK\$	2022 HK\$
Cash and short-term funds	29,008,448	56,177,572
Time deposits with banks with original maturity - within one month	<u>215,986,623</u>	<u>124,726,695</u>
Total	<u><u>244,995,071</u></u>	<u><u>180,904,267</u></u>

Cash and short-term funds earn interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one month and four months depending on the immediate cash requirements of the Company and earn interest at the respective time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

17. RELATED PARTY TRANSACTIONS

	2023 HK\$	2022 HK\$
Due to the ultimate holding company (Note(a))	409,026,614	365,229,026
Advances to the ultimate holding company (Note(b))	267,068,803	287,884,510
Deposit with the ultimate holding company (Note(c))	<u>1,561,866</u>	<u>1,562,040</u>

Notes:

- (a) It represents the amount of deposit from the ultimate holding company, which is unsecured, bears interest rate at 0% - 5.90% (2022: 0% - 3.85%) and repayable on demand. The interest paid in respect of these deposits for the year amounted to HK\$17,922,279 (2022: HK\$7,727,444). The accrued interest payable in respect of these deposits amounted to HK\$6,397,167 (2022: HK\$2,605,713) which has been included in accounts payable and accruals.
- (b) During the year, the Company has acted as a reimbursement bank to provide trade finance to letter of credit negotiating bank or beneficiary bank, under the authenticated instruction from its ultimate holding company. The amount due from ultimate holding company is secured, bears interest rate at 5.57% - 6.34% (2022: 1.80% - 6.42%) and repayable on demand. The interest income in respect of the trade finance for the year amounted to HK\$13,903,811 (2022:HK\$9,755,680), of which HK\$7,642,237 (2022:HK\$3,736,564) has been accrued and included in interest receivable as at 31 December 2023.
- (c) During the year, the Company has placed a deposit to its ultimate holding company which was carried out in the normal course of business. At the end of the reporting period, it amounted to HK\$1,561,866 (2022: HK\$1,562,040). This deposit bears interest rate at 0% (2022: 0%).

18. LOAN COMMITMENTS

	2023 HK\$	2022 HK\$
Undrawn loan facilities	<u>3,034,196</u>	<u>4,726,823</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments are cash and short-term funds, time deposits with banks, advances to the ultimate holding company, loans and advances to customers, interest receivable, amount due to the ultimate holding company, customers deposits and accounts payable and accruals. The main purpose of these financial instruments is to raise finance for the Company's operations, which arise directly from its operations.

The Company's exposure to market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's amount due to the ultimate holding company.

If the interest rates on borrowings had been 100 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the year ended 31 December 2023 would have increased/decreased by HK\$1,420,390 while the profit before tax for the year ended 31 December 2022 would have decreased/increased by HK\$1,023,800 as a result of higher/lower interest expenses on borrowings.

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred at the balance sheet date and had been applied to the Company's exposure to interest rate risk for financial instruments in existence at that date, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in interest rates over the period until the end of the next reporting period.

Foreign currency risk

The Company has transactional currency exposures. The Company is exposed to foreign currency risks through certain revenue and expenses that are denominated in United States dollars ("US\$"). As US\$ is pegged to Hong Kong dollars ("HK\$"), the Company does not expect any significant movements in the US\$/HK\$ exchange rate. The Company's exposure to foreign currency risk in respect of financial instruments denominated in US\$ is considered to be minimal.

Credit risk

The Company's credit risk is primarily attributable to cash and short-term funds, time deposits with banks, advances to the ultimate holding company, loans and advances to customers and interest receivable. Such risk arises from the possibility that a customer or counterparty in a transaction may default.

All the Company's cash and short-term funds and time deposits are held in reputable financial institutions, which management believes are of high credit quality. The directors of the Company consider the credit risk for such is minimal.

There was no history of default from the ultimate holding company and the advances to the ultimate holding company is repayable on demand. Amounts due from group companies are regularly reviewed and settled regularly unless the amounts are specifically intended to be long-term in nature and the directors of the Company consider the credit risk for such is minimal.

The interest receivables are derived from the advances to the ultimate holding company and loans and advances to customers. The directors of the Company consider the credit risk for such is minimal.

NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The Company has 5 types of financial assets that are subject to the expected credit loss model:

- Cash and short-term funds;
- Time deposits with banks;
- Interest receivable
- Advances to the ultimate holding company; and
- Loans and advances to customers

While cash and short-term funds, time deposits with banks, interest receivable and advances to the ultimate holding company are also subject to the impairment requirements of HKFRS 9, the identified impairment losses were immaterial.

In terms of the loans and advances to customers, the Company assess the credit quality of the customers, taking into account the financial positions and past experiences. The Company reviews and revises the terms and customer profiles on a continual basis according to the performance of respective portfolios and market practices.

The Company considered the credit risk exposure of the Company is insignificant. None of the financial assets of the Company are past due or impaired. The Company has a credit policy in place and the exposure to this risk is monitored on an ongoing basis, with a maximum exposure equal to the carrying amounts of these instruments.

Maximum exposure and year-end staging

As at 31 December 2023 and 2022, the Company's credit risk exposure of Loans and advances to customers for which an ECL allowance is recognised are set out as below.

As at 31 December 2023

	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Total HK\$
Loans and advances to customers	<u>4,939,700</u>	<u>-</u>	<u>-</u>	<u>4,939,700</u>

As at 31 December 2022

	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Total HK\$
Loans and advances to customers	<u>3,258,116</u>	<u>-</u>	<u>-</u>	<u>3,258,116</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2023

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Company has laid down liquidity and capital policy which is reviewed regularly by the directors. This policy requires the Company to maintain a conservative level of liquid funds on a daily basis to ensure the availability of adequate liquid funds to meet all obligations and ratio requirements.

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2023

	On demand HK\$	Up to 3 months HK\$	3 months to 1 year HK\$	Total HK\$
<u>Liabilities</u>				
Due to the ultimate holding company	186,816,494	114,432,120	107,778,000	409,026,614
Customers deposits	-	312,336	-	312,336
Accounts payable and accruals	-	3,987,182	3,050,883	7,038,065
Total financial liabilities	<u>186,816,494</u>	<u>118,731,638</u>	<u>110,828,883</u>	<u>416,377,015</u>

As at 31 December 2022

	On demand HK\$	Up to 3 months HK\$	3 months to 1 year HK\$	Total HK\$
<u>Liabilities</u>				
Due to the ultimate holding company	157,404,926	207,824,100	-	365,229,026
Customers deposits	-	311,997	-	311,997
Accounts payable and accruals	-	3,065,635	-	3,065,635
Total financial liabilities	<u>157,404,926</u>	<u>211,201,732</u>	<u>-</u>	<u>368,606,658</u>

20. SUBSEQUENT EVENT

There have been no events after the reporting period that require adjustments to the financial statements.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

