

Report of the Directors and Audited Financial Statements

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

31 December 2023

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

REPORTS AND AUDITED FINANCIAL STATEMENTS

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REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Allied Banking Corporation (Hong Kong) Limited (the "Company") and its subsidiary, ACR Nominees Limited (collectively referred to as the "Group") for the year ended 31 December 2023.

Principal activities

The principal activity of the Company is commercial banking business, predominantly in Hong Kong, which includes deposit-taking, lending and trade financing, documentary credits, money market and foreign exchange operations. The principal activities of the subsidiary are to provide management and general corporate services. There were no significant changes in the nature of the Group's principal activities during the year.

Business review

A resolution had been passed by the shareholders on 17 June 2016, the Company is not to prepare the Business Review required by the Schedule 5 of the Company Ordinance for the financial year ended on 31 December 2016 and every subsequent financial year until revoked by a subsequent Special Resolution to take effect.

Results and dividends

The Group's profit for the year ended 31 December 2023 and the Group's financial position at that date are set out in the financial statements on pages 5 to 61.

Preference shares dividend of HK\$1,035,000 (2022: HK\$1,035,000) has been paid in 2023.

The directors do not recommend the payment of any dividend to ordinary shareholders in respect of current year.

Share capital

There was no movement in the Company's issued capital during the year.

Directors

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

Lucio Chua TAN (Chairman)
KWAN Kie Yip
Lourdes A. SALAZAR
Michael Gonzales TAN

Independent non-executive director
CHONG Kim Chan Kenneth
Patrick Lim GO

In accordance with article 10A of the Company's articles of association, all remaining directors shall retire from office at every annual general meeting and shall be eligible for re-election.

The persons who were directors of the subsidiary of the Company during the year and up to the date of this report (not including those directors listed above) were as follows:

Allied Banking Corporation (Hong Kong) Limited
KO Wai Chun, Andy

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

REPORT OF THE DIRECTORS (continued)

Directors' interests in transactions, arrangements or contracts

No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or the Company's subsidiary or fellow subsidiaries was a party during the year.

Directors' rights to acquire shares and debentures

At no time during the year were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, its subsidiary or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Compliance with the Banking (Disclosure) Rules

The Company has fully complied with the applicable disclosure requirements of the Banking (Disclosure) Rules.

Auditors

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

On behalf of the Board



Lourdes A. SALAZAR
Hong Kong
26 April 2024



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

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Independent auditor's report

To the members of Allied Banking Corporation (Hong Kong) Limited

新聯銀行(香港)有限公司

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Allied Banking Corporation (Hong Kong) Limited (the "Company") and its subsidiary (the "Group") set out on pages 5 to 61 which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and consolidated 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 consolidated financial statements* section of our report. We are independent of the Group 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 consolidated financial statements and auditor's report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the report of the directors and unaudited supplementary financial information.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

Responsibilities of the directors and the Audit Committee for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group'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.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.



Independent auditor's report (continued)

To the members of Allied Banking Corporation (Hong Kong) Limited

新聯銀行(香港)有限公司

(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 is not a guarantee that an audit conducted in accordance with HKSA's 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee 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

26 April 2024

ALLIED BANKING CORPORATION (HONG KONG) LIMITED

新聯銀行(香港)有限公司

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK\$	2022 HK\$
INTEREST INCOME ON			
Loans and receivables		58,375,807	51,204,391
Deposits with other banks		17,955,584	5,883,891
		<u>76,331,391</u>	<u>57,088,282</u>
INTEREST EXPENSE ON DEPOSIT LIABILITIES		<u>(19,669,890)</u>	<u>(5,433,954)</u>
NET INTEREST INCOME		<u>56,661,501</u>	<u>51,654,328</u>
OTHER OPERATING INCOME	7	<u>10,352,832</u>	<u>9,065,890</u>
OPERATING INCOME		67,014,333	60,720,218
OPERATING EXPENSES	8	<u>(41,522,957)</u>	<u>(36,031,817)</u>
OPERATING PROFIT BEFORE IMPAIRMENT LOSSES		25,491,376	24,688,401
NET WRITEBACK OF IMPAIRMENT PROVISION	15	<u>75,263</u>	<u>109,755</u>
PROFIT BEFORE TAX		25,566,639	24,798,156
INCOME TAX	10	<u>(4,747,623)</u>	<u>(3,876,751)</u>
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>20,819,016</u></u>	<u><u>20,921,405</u></u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS		<u><u>20,819,016</u></u>	<u><u>20,921,405</u></u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

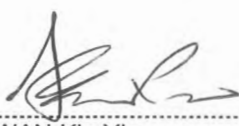
31 DECEMBER 2023

	Notes	2023 HK\$	2022 HK\$
ASSETS			
Cash and cash equivalents	12	325,590,959	453,845,520
Placements with banks and other financial institutions maturing between one and twelve months	13	147,151,738	131,211,432
Derivative financial instruments	14	703,429	296,828
Advances and other accounts	16	1,133,702,253	930,818,353
Investment property	17	70,000,000	75,000,000
Property and equipment	19	22,762,400	23,782,464
Total assets		1,699,910,779	1,614,954,597
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits and balances of banks and other financial institutions		14,264,829	15,562,058
Deposits from customers	22	1,049,813,918	984,564,481
Other accounts and payables		18,847,754	17,961,867
Current tax liabilities		1,528,369	1,262,011
Deferred tax liabilities	20	1,735,510	1,667,797
Total liabilities		1,086,190,380	1,021,018,214
EQUITY			
Share capital	23	185,700,000	185,700,000
Reserves		428,020,399	408,236,383
Total equity		613,720,399	593,936,383
Total liabilities and equity		1,699,910,779	1,614,954,597

The consolidated financial statements on pages 5 to 62 were approved and authorised for issue by the Board of Directors on 26 April 2024 and are signed on its behalf by:



 Lourdes A. SALAZAR



 KWAN Kie Yip

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2023

	Notes	Share capital HK\$ (Note 23)	Reserves				Total reserves HK\$
			General reserve HK\$	Impairment reserve HK\$	Retained profits HK\$	Total reserves HK\$	
At 1 January 2022		185,700,000	7,000,000	5,498,602	375,851,376	388,349,978	574,049,978
Profit for the year		-	-	-	20,921,405	20,921,405	20,921,405
Total comprehensive income for the year		-	-	-	20,921,405	20,921,405	20,921,405
2022 preference shares dividend	11	-	-	-	(1,035,000)	(1,035,000)	(1,035,000)
At 31 December 2022 and 1 January 2023		185,700,000	7,000,000	5,498,602	395,737,781	408,236,383	593,936,383
Profit for the year		-	-	-	20,819,016	20,819,016	20,819,016
Total comprehensive income for the year		-	-	-	20,819,016	20,819,016	20,819,016
2023 preference shares dividend	11	-	-	-	(1,035,000)	(1,035,000)	(1,035,000)
At 31 December 2023		185,700,000	7,000,000	5,498,602	415,521,797	428,020,399	613,720,399

ALLIED BANKING CORPORATION (HONG KONG) LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK\$	2022 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		25,566,639	24,798,156
Adjustments for:			
Net writeback of impairment provision	15	(75,263)	(109,755)
Depreciation	8	1,026,063	1,076,780
Loss on disposal of property and equipment	8	1	3
Loss on change in fair value of an investment property	8,17	5,000,000	3,000,000
		<u>31,517,440</u>	<u>28,765,184</u>
Decrease / (Increase) in placements with banks and other financial institutions with maturity more than three months when acquired		12,438,292	(21,277,329)
(Increase) / Decrease in advances and other accounts		(202,805,563)	138,172,845
(Increase) / Decrease in derivative financial instruments		(406,601)	135,362
Decrease in deposits and balances of banks and other financial institutions		(1,297,229)	(7,362,188)
Increase / (Decrease) in deposits from customers		65,249,437	(37,152,203)
Increase in other accounts and payables		885,887	1,787,001
		<u>(94,418,337)</u>	<u>103,068,672</u>
Hong Kong profits tax paid		<u>(4,413,552)</u>	<u>(4,173,727)</u>
NET CASH FLOWS (USED IN) / GENERATED FROM OPERATING ACTIVITIES		(98,831,889)	98,894,945
CASH FLOWS FROM INVESTING ACTIVITY			
Purchase of items of property and equipment	19	<u>(6,000)</u>	<u>(23,040)</u>
NET CASH FLOWS USED IN INVESTING ACTIVITY		<u>(6,000)</u>	<u>(23,040)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to preference shareholders	11	<u>(1,035,000)</u>	<u>(1,035,000)</u>
NET CASH FLOWS USED IN FINANCING ACTIVITIES		<u>(1,035,000)</u>	<u>(1,035,000)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(99,872,889)	97,836,905
Cash and cash equivalents at beginning of year		<u>508,496,781</u>	<u>410,659,876</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>408,623,892</u>	<u>508,496,781</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	12	325,597,669	453,853,732
Placements with banks and other financial institutions repayable within three months when acquired		<u>83,026,223</u>	<u>54,643,049</u>
Cash and cash equivalents as stated in the consolidated statement of cash flows		<u>408,623,892</u>	<u>508,496,781</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2. CORPORATE INFORMATION

The Company is a private limited company incorporated in Hong Kong and is licensed as a restricted license bank under the Hong Kong Banking Ordinance. The address of the registered office and the principal place of business is 1402 World-Wide House, 19 Des Voeux Road Central, Hong Kong.

The Company engaged in commercial banking business during the year. In the opinion of the directors, the holding company and the ultimate holding company of the Company is Philippine National Bank (PNB) which is incorporated in the Republic of the Philippines.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which include all HKFRSs, 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. They have been prepared under the historical cost convention, except for investment property and derivative financial instruments, which have been measured at fair values. These financial statements are presented in Hong Kong dollars (HK\$) and all values are rounded to the nearest dollar except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiary are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intragroup transactions and dividends are eliminated on consolidation in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>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 are described below:

- (a) Amendments to HKAS 1 Disclosure of Accounting Policies 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 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.
- (b) 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. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements
- (c) 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 are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules 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 Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group 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 these HKFRSs, the following are expected to be relevant to the Group's financial statements upon becoming effective:

Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")^{1,4}</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")^{1,4}</i>
Amendment to HKFRS 16	<i>Leases Liability in a Sale and Leaseback²</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to HKAS 21	<i>Lack of Exchangeability²</i>

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

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, the effective date of the Amendments was deferred to annual periods beginning on or after 1 January 2024. 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

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to 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. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

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

that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is 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 Group's financial statements.

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 Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

3. MATERIAL ACCOUNTING POLICIES

Revenue Recognition

Revenue from contract with customers is recognised when control of goods or services is transferred to customers at an amount that reflects the consideration to which the Group 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 Group 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

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 Group and the customer at contract inception. When the contract contains a financing component which provides the Group with 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.

Revenue recognition - interest income and interest expense

Interest on financial instruments measured at amortised cost are recognised based on the effective interest method of accounting.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

The EIR is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the EIR, the Group estimates cash flows from the financial instrument (e.g., prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the EIR, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised thereafter using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Revenue recognition - fee and commission income

Fees earned for the provision of services over a period of time are accrued over that period, as the customer simultaneously receives and consumes the benefits provided by the Group.

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, handling fees, penalty fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment charge are recognised on a straight-line basis over the commitment period.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are provided.

Revenue recognition - rental income

Rental income arising on leased property is accounted for on a time-proportion and straight-line basis over the lease terms on ongoing lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Expense recognition

Expenses are recognised when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognised simultaneously.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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 consolidated statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group 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 Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group 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 Group 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 Group or an entity related to the Group;
 - (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 Group or to the parent of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment 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 items of property and equipment have been put into operation, such as repairs and maintenance, is charged to profit or loss in the period in which it is incurred.

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

Buildings	2.2% - 4%
Furniture and fixtures	20%
Office equipment	20% - 33%
Motor vehicles	20% - 25%
Leasehold land under finance lease	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 20%

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss on disposal or retirement is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in profit or loss in the year of the retirement and disposal and is recognised.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use (ROU) assets

The Group recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised adjusted by lease payments made at or before the commencement date and lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the depreciable assets. The depreciation expense is presented under 'Operating expenses' in the statement of income.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

As of 31 December 2023, the Group does not have ROU assets as it has not entered into a contract as a lessee.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

As of 31 December 2023, the Group does not have lease liabilities as it has not entered into a contract as a lessee.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset is classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Investment property

Investment properties are interests in land and building held to earn rental income and/or for capital appreciation. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of an investment property are included in the profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year of the retirement or disposal.

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Date of recognition

Purchases or sales of financial assets, except for derivatives, that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognised on the settlement date. Derivative financial instruments are recognised on a trade date basis. Deposits, money market placements and loans and receivables are recognised when cash is received by the Group or advanced to the borrowers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Initial recognition and subsequent measurement

All financial assets are initially measured at fair value. Except for financial assets or liabilities valued at fair value through profit or loss (“FVPL”), the initial measurement of financial instruments includes transaction costs.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (“FVOCI”), and FVPL. The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the solely payments of principal and interest test and is performed at an instrument level.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses and losses in profit or loss. These net fair value changes do not include any interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” above.

Derivative financial instruments are the only Group’s financial assets at FVPL.

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the EIR method, less allowance for expected credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in ‘Interest income’ in the consolidated statement of profit or loss and other comprehensive income. The expected credit losses are recognised in the consolidated statement of profit or loss and other comprehensive income under “Credit loss expenses/net write back of impairment provision”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Financial assets (continued)

Financial assets at amortised cost (continued)

The Group's financial assets at amortised cost includes cash and cash equivalents, placements with banks and financial institutions, advances and other accounts and trade bills.

Financial assets at FVOCI

The Group measures debt instruments at FVOCI if both of the following conditions are met:

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

For debt and equity instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. As at 31 December 2023, the Group did not have any financial assets at FVOCI.

For debt and equity instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. As at 31 December 2023, the Group did not have any financial assets at FVOCI.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include deposits and balances of banks and other financial institutions, deposits from customers, derivative financial instruments and other accounts and payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(ii) *Financial liabilities (continued)*
Subsequent measurement (continued)

Financial liabilities at FVPL (continued)

The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKFRS 9 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the acquisition or issuance of the guarantee, except when such contract is recognised at FVPL. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of the amortised premium and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee at the end of the reporting period.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at FVPL. ECL represent credit losses that reflect an unbiased and probability-weighted measure of expected cash shortfalls, discounted at an approximation to the EIR which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial assets which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial assets that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial asset.

For non-credit-impaired assets:

- Stage 1 consists of all non-impaired financial assets which have not experienced a SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial assets.
- Stage 2 consists of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial assets:

Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

the estimated future cash flows of a financial assets. The ECL model requires that lifetime ECL be recognised for impaired financial assets.

The Group considers a financial asset to be in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower is more than 90 days past due on any material credit obligation to the Group or the borrower is unlikely to pay its credit obligations to the Group in full. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a financial asset as in default when (a) as result of one or more loss events, there is objective evidence that its recoverable value is less than its carrying amount; (b) it is downgraded below special mention; (c) there is delinquency in contractual payments of principal or interest; (d) significant cash flow difficulties experienced by the borrower; (e) there is breach of loan covenants or conditions; and/or (f) initiation of bankruptcy proceedings. The definition of default is largely consistent with the loan classification system required to be adopted for reporting to the HKMA for loans and advances.

The criteria for determining whether credit risk has increased include quantitative changes in probabilities of default and qualitative factors such as downgrade in the credit assessment of the borrowers and a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses and if contractual payments are more than a specified days past due threshold (i.e. 30 days), the credit risk is deemed to have increased significantly since initial recognition. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

Measurement of ECLs

ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

These parameters will be derived from market-based approach models using internal and external data.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default within either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on available market data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology. PD estimates will be based on external data mapping with our current portfolios of exposure in order to identify the corresponding grading of the exposures.

LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. The Group will estimate LGD parameter based on recovery rates of claims against defaulted counterparties after netting off the value of collaterals. LGD estimates will be calibrated for different factors (our estimated cost and period of time from recovery) / scenarios, to reflect possible changes in collateral values. They will be calculated on a discounted cash flow basis using the effective interest rate as the discounting factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. EAD represents the loan outstanding, accrued interest receivable and contingent liabilities (not include loan commitment) in the event of a default. Since loan commitment to the borrower can be unconditionally cancellable, loan commitment is not considered as the component of EAD for calculation of ECL. The EAD of a financial asset will be the gross carrying amount at default.

Impairment allowances are recognised for losses that have incorporated forward-looking information into its measurement of expected credit losses at the end of the reporting period based on objective evidence of impairment.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle, on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value measurement

The Group measures its investment properties and derivative financial instruments 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 Group. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

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 Group 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.

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 Group 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.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and in banks, including term deposits with maturity not exceeding one month, and assets similar in nature to cash, which are not restricted as to use.

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 the reporting period of the future expenditures expected to be required to settle the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

obligation. The increase in the discounted present value amount arising from the passage of time is included in consolidated statement of profit or loss and other comprehensive income.

Income tax

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

Current tax assets and liabilities for the current and prior periods 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 Group 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.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of 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 deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

3. MATERIAL ACCOUNTING POLICIES (continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Fiduciary assets

The assets of the staff provident funds and assets held in trust in a fiduciary capacity are not assets of the Group, and accordingly are not reported in the financial statements.

Repossessed assets

Repossessed collateral assets are accounted as "Assets held for sale" and reported in "Other assets" and the relevant loans are derecognised. The repossessed collateral assets are measured at lower of carrying amount and fair value less costs to sell.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation) difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Reserves

The reserves recorded in equity of the Group's consolidated statement of financial position include:

- General reserve – General reserve is maintained for general contingencies.
- Impairment reserve – Impairment reserve is the previous years excessive expected credit losses allowance transferred to reserve account.

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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.

Impairment allowances on cash, placements with banks and other financial institutions and loans and advances and receivables

The measurement of impairment losses under HKFRS 9 across all categories of financial assets 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 estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of market base approach models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading is based on external data mapping with our current portfolios of exposure in order to identify the corresponding grading of the exposures, which assigns probabilities of default to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposure.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as property / collateral values, and the effect on probabilities of default, exposures at default and losses given default
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
- Considerations of the impact of COVID-19 pandemic on current portfolios of loan exposure, probability of default (PD) and loss given default (LGD).

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

31 December 2023

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Fair value of investment property

Investment property is carried in the consolidated statement of financial position at their fair value. The fair value was based on a valuation on the property conducted by an independent firm of professional valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment property.

5. FINANCIAL RISK MANAGEMENT

The Board of Directors (the "Board") has the overall responsibility for the management of all types of risk exposures. In the delivery of its responsibility, the Board has established specialised committees to identify, measure, monitor and control different types of risks. The Board or the appropriate specialised committees review and approve policies and procedures for the identification, measurement, control and monitoring of both financial and non-financial risks. Such policies and procedures are reviewed by the relevant committees or senior management on a regular basis.

The most important types of risk are credit risk, market risk and liquidity risk. Market risk includes currency risk and interest rate risk.

The Group's total operating income, profit before taxation, total assets, total liabilities and contingent liabilities and commitments are derived predominantly from Hong Kong.

5.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. Impairment allowances are made for losses that have been incurred at the end of the reporting period. Significant changes in the economy, or in the health of a particular industry segment, could result in losses that are different from those provided for at the end of the reporting period. Management therefore carefully manages its exposure to credit risk.

5.1.1. Management of credit risk

The Group's lending policies have been formulated based on its own experience, the Banking Ordinance, the Hong Kong Monetary Authority guidelines and other statutory requirements.

The Group's primary credit approval bodies are the Credit Risk Management Committee. The Credit Risk Management Committee is responsible for evaluating and monitoring lending-related activities, reviewing existing credit limits and industry limits and managing the lending portfolio and overall credit risk of the Group. It comprises one non-executive directors, the Chief Executive, two Alternate Chief Executives, who are also Head of Treasury and Head of Operation, and the Senior Managers of Credit.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are typically monitored on a

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.1. Management of credit risk (continued)

revolving basis and are subject to periodic reviews. Limits on the level of credit risk by product, industry sector and by country are approved annually by the Board.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular reviews of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

5.1.2 Risk mitigation policies

Some specific control and mitigation measures are outlined below.

Collateral

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

In addition, in order to minimise credit losses, the Group will seek additional collaterals from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

Derivatives

The Group does not carry interest and foreign exchange rate positions on its trading book. The derivatives are used to manage the Group's own exposures to market risks as part of its asset and liability management process. The principal derivatives instruments used by the Group are foreign exchange rate related contracts, which are over-the-counter derivatives. Most of the Group's foreign exchange rate contracts have been entered into to meet customer demand and manage the Group's own risk.

The Group maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), in terms of amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e., assets where their fair values are positive), which is generally only a small fraction of the nominal value of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.2 Risk mitigation policies (continued)

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit - which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties - carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisation to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the amount of loss is likely to be less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Group monitors the term of maturity of credit commitments because longer-term commitment generally have a greater degree of credit risk than shorter-term commitments.

5.1.3 Impairment and provisioning policies

Impairment allowances are recognised for losses that have been incorporated forward-looking information into its measurement of expected credit losses at the end of the reporting period based on objective evidence of impairment.

The Group will consider that a financial institution lending (cash and money market placement) is with low credit risk if its international credit grading is equivalent to or higher than investment grading of the relevant credit rating agent such as S&P Global Ratings Inc. or Moody's Investor Service. The Group will consider that a non-financial institution lending is with low credit risk if (a) its account performance with the Group is normal; (b) stable business prospect; (c) acceptable financial strength and (d) sound management.

The rating tool assists management to determine whether objective evidence of impairment exists under HKFRS 9, based on the criteria of "significant increase of credit risk" set out by the Group. The Group will allocate each exposure to an internal credit risk grade (5-grade loan classification) that is determined to be predictive of the risk of default. Each exposure will be allocated to an internal credit risk grade on

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.3 Impairment and provisioning policies (continued)

initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade when the risk of asset changes. The Group will primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing the credit risk grade at the reporting date with the credit risk grade at the initial recognition of the exposure.

The Group will presumptively consider that a significantly increase in credit risk occurs no later than when an asset is past due more than 30 days due to (a) late payment or tight liquidity of the borrower's client, this may indicate the cash flow of the borrower may be affected which ultimately lead to expected loss of the Group; (b) consecutive decline in sales in 3 years and the net loss was booked for 3 years or more while the overall economy is not under down turn cycle; (c) deterioration of the borrower's competitive position; (d) downgrading below investment grade level; (e) deterioration in the value of collateral. It is applicable beginning 1 January 2018.

The Group will consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full or the borrower is more than 90 days past due on any material credit obligation to the Group. The definition of default is largely consistent with the loan classification system required to be adopted for reporting to the HKMA for loans and advances.

The Group assess whether financial asset carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes but not limited to the following observable data:

- Delinquency in contractual payments of principal or interest
- Significant cash flow difficulties experienced by the borrower
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Downgrading below special mention

HKFRS 9 also requires the Group to record impairment allowances for ECL for money market placements. The allowances are based on the ECLs associated with the probability of default in the next twelve months or lifetime using a 3-stage approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to on-balance sheet assets are as follows:

	2023 HK\$	2022 HK\$
ASSETS		
Cash and cash equivalents	325,590,959	453,845,520
Placements with banks and other financial institutions maturing between one and twelve months	147,151,795	131,211,432
Derivative financial instruments	703,429	296,828
Advances and other accounts	<u>1,133,702,253</u>	<u>930,818,353</u>
	<u><u>1,607,148,436</u></u>	<u><u>1,516,172,133</u></u>

Credit risk exposures relating to off-balance sheet items are as follows:

	2023 HK\$	2022 HK\$
Loan commitments	47,290,820	88,916,255
Guarantees, acceptance and other financial liabilities	<u>300,000</u>	<u>300,000</u>
	<u><u>47,590,820</u></u>	<u><u>89,216,255</u></u>

The value and type of collateral or credit enhancement required depends on an assessment of the credit risk of the counterparty. Policies and guidelines are in place to determine the eligibility of collateral for credit risk mitigation.

The Group takes collateral as a secondary recourse to the borrower. The collateral and credit enhancements include but not limited to residential properties, income-producing real estate properties, guarantees and cash deposits.

Periodic valuations of collateral are required. Loans and advances are typically collateralised to a substantial extent with top-up clauses incorporated in the underlying agreement. The current market value of the collateral is considered during the review of the adequacy of the allowance for credit losses, among others.

For the year ended 31 December 2023, the Company's net credit exposure arising from advances to customers after the financial effect of collateral and other credit enhancements amounted to HK\$3,836,043 (2022: HK\$504,274).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.5 Credit quality

Credit quality of loans and advances to customers are summarised as follows:

	2023 HK\$	2022 HK\$ (Restated)
Neither past due nor impaired	993,595,489	918,969,715
Past due but not impaired	124,837,521	2,469,734
Impaired	176	14,316
Gross loans and advances to customers	<u>1,118,433,186</u>	<u>921,453,765</u>
Less: Expected credit losses		
Stage 1	(19,036)	(7,137)
Stage 3	(175)	(453)
	<u><u>1,118,413,975</u></u>	<u><u>921,446,175</u></u>

Advances neither past due nor impaired

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group and are summarised as follows:

At 31 December 2023

	<u>Individual (retail customers)</u>			<u>Corporate entities</u>		Total loans and advances to customers HK\$
	<u>Overdrafts</u> HK\$	<u>Term loans</u> HK\$	<u>Mortgages</u> HK\$	<u>Large corporate customers</u> HK\$	<u>SMEs</u> HK\$	
GRADES:						
1. Pass	8,316,194	31,160,000	77,477,980	-	876,641,315	993,595,489
Total	<u>8,316,194</u>	<u>31,160,000</u>	<u>77,477,980</u>	<u>-</u>	<u>876,641,315</u>	<u>993,595,489</u>

At 31 December 2022

	<u>Individual (retail customers)</u>			<u>Corporate entities</u>		Total loans and advances to customers HK\$
	<u>Overdrafts</u> HK\$	<u>Term loans</u> HK\$	<u>Mortgages</u> HK\$	<u>Large corporate customers</u> HK\$	<u>SMEs</u> HK\$	
GRADES:						
1. Pass	8,122,670	72,051,293	81,568,485	-	757,227,267	918,969,715
Total	<u>8,122,670</u>	<u>72,051,293</u>	<u>81,568,485</u>	<u>-</u>	<u>757,227,267</u>	<u>918,969,715</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.5 Credit quality (continued)

Advances past due but not impaired

The distribution of loans and advances to customers that were past due but not impaired are summarised as follows:

At 31 December 2023

	<u>Individual (retail customers)</u>			<u>Corporate entities</u>		Total loans and advances to customers HK\$
	<u>Overdrafts</u> HK\$	<u>Term loans</u> HK\$	<u>Mortgages</u> HK\$	<u>Large corporate customers</u> HK\$	<u>SMEs</u> HK\$	
Past due up to						
30 days	24,186	-	-	-	13,000,000	13,024,186
31-60 days	-	-	-	-	156,113	156,113
61-90 days	-	-	-	-	-	-
Over 90 days	-	11,353,605	3,090,846	-	97,212,771	111,657,222
Total	<u>24,186</u>	<u>11,353,605</u>	<u>3,090,846</u>	<u>-</u>	<u>110,368,884</u>	<u>124,837,521</u>

Note: Total loans and advances to customer past due but not impaired of HK\$78,628,423 as of 31 December 2023 were subsequently classified as Stage 2 in 2024. No additional expected credit losses were subsequently provided since these loans and advances to customers were fully secured by collaterals.

At 31 December 2022

	<u>Individual (retail customers)</u>			<u>Corporate entities</u>		Total loans and advances to customers HK\$
	<u>Overdrafts</u> HK\$	<u>Term loans</u> HK\$	<u>Mortgages</u> HK\$	<u>Large corporate customers</u> HK\$	<u>SMEs</u> HK\$	
Past due up to						
30 days	-	-	33,923	-	64,484	98,407
31-60 days	-	-	-	-	74,205	74,205
61-90 days	-	-	-	-	-	-
Over 90 days	-	-	2,297,122	-	-	2,297,122
Total	<u>-</u>	<u>-</u>	<u>2,331,045</u>	<u>-</u>	<u>138,689</u>	<u>2,469,734</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.5 Credit quality (continued)

Impaired advances

Advances to customers

The breakdown of the gross impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

At 31 December 2023

	<u>Individual (retail customers)</u>			<u>Corporate entities</u>		Total loans and advances to customers HK\$
	<u>Overdrafts</u> HK\$	<u>Term loans</u> HK\$	<u>Mortgages</u> HK\$	<u>Large corporate customers</u> HK\$	<u>SMEs</u> HK\$	
Gross impaired advance loans to customers	-	-	23	-	153	176
Impairment allowance made in respect of such advances						
- Stage 3	-	-	23	-	152	175
Fair value of collateral	-	-	-	-	-	-

At 31 December 2022

	<u>Individual (retail customers)</u>			<u>Corporate entities</u>		Total loans and advances to customers HK\$
	<u>Overdrafts</u> HK\$	<u>Term loans</u> HK\$	<u>Mortgages</u> HK\$	<u>Large corporate customers</u> HK\$	<u>SMEs</u> HK\$	
Gross impaired advance loans to customers	-	-	14,163	-	153	14,316
Impairment allowance made in respect of such advances						
- Stage 3	-	-	-	-	453	453
Fair value of collateral	-	-	-	-	-	-

During the year, the Group has not taken possession of collateral held as security (2022: Nil).

Loans and advances to banks

There are no individually impaired loans and advances to banks as at 31 December 2023 and 2022.

Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, and modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to normal status and managed together with accounts of similar status. Restructuring policies and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

5. FINANCIAL RISK MANAGEMENT (continued)

5.1 Credit risk (continued)

5.1.5 Credit quality (continued)

Loans and advances renegotiated (continued)

practices are based on indicators or criteria which, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular customer finance loans.

They are retained in classified loans for as long as we do not have sufficiently good reasons to believe that the obligor will be able to sustainably meet the re-scheduled loan repayment terms.

There are no renegotiated loans that would otherwise be past due or impaired as at 31 December 2023 and 2022.

5.2 Market risk

The Group is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Market risk is managed by the Asset and Liability Management Committee ("ALCO"). ALCO directs the Group's overall acquisition, allocation and pricing of funds, within the established target/guidelines, while managing and monitoring the overall treasury risk exposure. It comprises one non-executive director, the Chief Executive, two Alternate Chief Executives, who are also the Head of Treasury and Head of Operation, the Senior Manager of Credit, the Head of Marketing and the Manager of Accounts.

5.2.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within the approved policy parameters by utilising forward foreign exchange contracts.

The Group does not have any significant foreign exchange risk as foreign exchange dealing is moderate. Day-to-day foreign exchange management is performed by the Treasury Management Department within the approved limits.

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. ALCO sets both overnight and intra-day positions limits and monitors the level of exposure by currencies and in total on a daily basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Market risk (continued)

5.2.1 Currency risk (continued)

The following table, presented in Hong Kong dollars, indicates the concentration of currency risk at the end of the reporting period.

	US\$	HK\$	Euro	GBP	Other	Total
<u>At 31 December 2023</u>						
ASSETS						
Cash and cash equivalents	260,658,621	59,543,694	-	92,298	5,296,346	325,590,959
Placements with banks and other financial institutions between one and twelve months	92,598,479	38,079,588	5,469,237	10,063,078	941,356	147,151,738
Derivative financial instruments	703,429	-	-	-	-	703,429
Financial assets included in advances and other accounts	3,932,904	1,124,899,066	93,888	311,687	218,203	1,129,455,748
Total assets	357,893,433	1,222,522,348	5,563,125	10,467,063	6,455,905	1,602,901,874
LIABILITIES						
Deposits and balances of banks and other financial institutions	3,788,679	10,473,348	-	-	2,802	14,264,829
Deposits from customers	724,950,279	303,851,623	5,876,885	9,678,945	5,456,186	1,049,813,918
Other accounts and payable	(371,389,885)	388,763,686	(312,924)	789,680	997,197	18,847,754
Total liabilities	357,349,073	703,088,657	5,563,961	10,468,625	6,456,185	1,082,926,501
Net on-balance sheet position	544,360	519,433,691	(836)	(1,562)	(280)	519,975,373
<u>At 31 December 2022</u>						
ASSETS						
Cash and cash equivalents	235,194,675	213,081,531	235,535	86,858	5,246,921	453,845,520
Placements with banks and other financial institutions between one and twelve months	40,821,576	80,277,540	-	9,233,579	878,737	131,211,432
Derivative financial instruments	296,828	-	-	-	-	296,828
Financial assets included in advances and other accounts	9,111,782	918,167,957	-	119,827	42,100	927,441,666
Total assets	285,424,861	1,211,527,028	235,535	9,440,264	6,167,758	1,512,795,446
LIABILITIES						
Deposits and balances of banks and other financial institutions	4,560,371	10,998,958	-	-	2,729	15,562,058
Deposits from customers	587,522,904	376,895,069	5,646,629	9,107,510	5,392,369	984,564,481
Other accounts and payable	(306,631,027)	328,896,925	(5,411,093)	334,140	772,922	17,961,867
Total liabilities	285,452,248	716,790,952	235,536	9,441,650	6,168,020	1,018,088,406
Net on-balance sheet position	(27,387)	494,736,076	(1)	(1,386)	(262)	494,707,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Market risk (continued)

5.2.1 Currency risk (continued)

Foreign currency sensitivity

The Group and the Company are mainly exposed to US dollars. The following shows the sensitivity analysis on the Group's profit before tax of reasonably possible movement in US dollars exchange rates (i.e., 1 percent depreciation/appreciation of US dollar against HK dollar).

	2023		2022	
	Change in percent		Change in percent	
	Depreciation of US dollar against HK dollar	Appreciation of US dollar against HK dollar	Depreciation of US dollar against HK dollar	Appreciation of US dollar against HK dollar
	HK\$	HK\$	HK\$	HK\$
Profit before tax	<u>5,444</u>	<u>(5,444)</u>	<u>274</u>	<u>(274)</u>

5.2.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Market risk (continued)

5.2.2 Interest rate risk (continued)

	Effective interest rate	Up to 1 month HK\$	1 - 3 months HK\$	4 - 12 months HK\$	1 - 5 years HK\$	Over 5 years HK\$	Non-interest bearing HK\$	Total HK\$
<u>At 31 December 2023</u>								
ASSETS								
Cash and cash equivalents	4.75%	249,869,355	-	-	-	-	75,721,604	325,590,959
Placements with banks and other financial institutions								
between one and twelve months	4.75%	-	119,207,091	27,944,647	-	-	-	147,151,738
Derivative financial instruments	0.00%	-	-	-	-	-	703,429	703,429
Financial assets included in advances and other accounts	0.00%	1,114,019,466	-	-	-	-	15,436,282	1,129,455,748
Total assets		<u>1,363,888,821</u>	<u>119,207,091</u>	<u>27,944,647</u>	<u>-</u>	<u>-</u>	<u>91,861,315</u>	<u>1,602,901,874</u>
LIABILITIES								
Deposits and balances of banks and other financial institutions	5.88%	10,393,549	-	-	-	-	3,871,280	14,264,829
Deposits from customers	1.99%	240,773,174	446,113,136	362,927,608	-	-	-	1,049,813,918
Other accounts and payables	0.00%	-	-	-	-	-	18,847,754	18,847,754
Total liabilities		<u>251,166,723</u>	<u>446,113,136</u>	<u>362,927,608</u>	<u>-</u>	<u>-</u>	<u>22,719,034</u>	<u>1,082,926,501</u>
Total interest sensitivity gap		<u>1,112,722,098</u>	<u>(326,906,045)</u>	<u>(334,982,961)</u>	<u>-</u>	<u>-</u>	<u>69,142,281</u>	<u>519,975,373</u>

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5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Market risk (continued)

5.2.2 Interest rate risk (continued)

At 31 December 2022

	Effective interest rate	Up to 1 month HK\$	1 - 3 months HK\$	4 - 12 months HK\$	1 - 5 years HK\$	Over 5 years HK\$	Non-interest bearing HK\$	Total HK\$
ASSETS								
Cash and cash equivalents	0.29%	246,750,303	-	-	-	-	207,095,217	453,845,520
Placements with banks and other financial institutions between one and twelve months	1.12%	-	90,655,103	40,556,329	-	-	-	131,211,432
Derivative financial instruments	0.00%	-	-	-	-	-	296,828	296,828
Financial assets included in advances and other accounts	5.41%	920,698,703	-	-	-	-	6,742,963	927,441,666
Total assets		<u>1,167,449,006</u>	<u>90,655,103</u>	<u>40,556,329</u>	<u>-</u>	<u>-</u>	<u>214,135,008</u>	<u>1,512,795,446</u>
LIABILITIES								
Deposits and balances of banks and other financial institutions	5.63%	15,562,058	-	-	-	-	-	15,562,058
Deposits from customers	1.76%	262,713,876	382,928,257	338,922,348	-	-	-	984,564,481
Other accounts and payables	0.00%	-	-	-	-	-	17,961,867	17,961,867
Total liabilities		<u>278,275,934</u>	<u>382,928,257</u>	<u>338,922,348</u>	<u>-</u>	<u>-</u>	<u>17,961,867</u>	<u>1,018,088,406</u>
Total interest sensitivity gap		<u>889,173,072</u>	<u>(292,273,154)</u>	<u>(298,366,019)</u>	<u>-</u>	<u>-</u>	<u>196,173,141</u>	<u>494,707,040</u>

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31 December 2023

5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Market risk (continued)

5.2.2 Interest rate risk (continued)

Interest rate sensitivity

The sensitivity analyses below are determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point change is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

	2023		2022	
	Change in basis points		Change in basis points	
	+100 HK\$	-100 HK\$	+100 HK\$	-100 HK\$
Profit before tax	<u>4,508,331</u>	<u>(4,508,331)</u>	<u>2,985,339</u>	<u>(2,985,339)</u>

5.3 Liquidity risk

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

5.3.1 Management of liquidity risk

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

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5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Liquidity risk (continued)

5.3.1 Management of liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative financial instruments. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities.

	Less than 1 month HK\$	1 - 3 months HK\$	4 - 12 months HK\$	1 - 5 years HK\$	Over 5 years HK\$	Undated HK\$	Total HK\$
At 31 December 2023							
Liabilities							
Deposits and balances of banks and other financial institutions	3,871,280	3,100,000	-	7,293,549	-	-	14,264,829
Deposits from customers	165,434,713	448,113,136	371,927,608	64,338,461	-	-	1,049,813,918
Other accounts and payables	8,854,296	2,985,559	4,237,934	2,128,047	-	641,918	18,847,754
	<u>178,160,289</u>	<u>454,198,695</u>	<u>376,165,542</u>	<u>73,760,057</u>	<u>-</u>	<u>641,918</u>	<u>1,082,926,501</u>
Derivative cash flow							
Derivative financial instruments settled on net basis	18,927	198,616	224,769	-	-	-	442,312
Total outflow	(62,487,793)	(93,561,464)	(77,908,631)	-	-	-	(233,957,888)
Total inflow	62,506,720	93,760,080	78,133,400	-	-	-	234,400,200
Derivative financial instruments settled on gross basis							
Total outflow	(70,328,600)	(62,460,800)	-	-	-	-	(132,789,400)
Total inflow	<u>70,320,060</u>	<u>62,506,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,826,780</u>
	Less than 1 month HK\$	1 - 3 months HK\$	4 - 12 months HK\$	1 - 5 years HK\$	Over 5 years HK\$	Undated HK\$	Total HK\$
At 31 December 2022							
Liabilities							
Deposits and balances of banks and other financial institutions	4,672,899	-	1,200,000	9,689,159	-	-	15,562,058
Deposits from customers	184,854,063	382,928,257	338,922,348	77,859,813	-	-	984,564,481
Other accounts and payables	8,333,392	4,946,983	356,550	2,318,646	14,115	1,992,181	17,961,867
	<u>197,860,354</u>	<u>387,875,240</u>	<u>340,478,898</u>	<u>89,867,618</u>	<u>14,115</u>	<u>1,992,181</u>	<u>1,018,088,406</u>
Derivative cash flow							
Derivative financial instruments settled on net basis	268,589	100,228	8,198	-	-	-	377,015
Total outflow	(67,843,392)	(62,481,588)	(93,580,238)	-	-	-	(223,905,218)
Total inflow	67,574,803	62,381,360	93,572,040	-	-	-	223,528,203
Derivative financial instruments settled on gross basis							
Total outflow	(15,687,600)	(62,736,500)	(15,616,000)	-	-	-	(94,040,100)
Total inflow	<u>15,595,340</u>	<u>62,381,360</u>	<u>15,595,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,572,040</u>

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5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Liquidity risk (continued)

5.3.2 Off-balance sheet items

The tables below summarised the Group's off-balance sheet financial instruments by maturity based on the remaining period at the end of the reporting period to the contractual maturity date.

	Within 30 days HK\$	31-90 days HK\$	91-360 days HK\$	Total HK\$
<u>At 31 December 2023</u>				
Loan commitments	14,710,032	4,264,616	28,316,172	47,290,820
Guarantee, acceptances and other financial facilities	-	-	300,000	300,000
Total	<u>14,710,032</u>	<u>4,264,616</u>	<u>28,616,172</u>	<u>47,590,820</u>

	Within 30 days HK\$	31-90 days HK\$	91-360 days HK\$	Total HK\$
<u>At 31 December 2022</u>				
Loan commitments	11,457,912	5,759,520	71,698,823	88,916,255
Guarantee, acceptances and other financial facilities	-	-	300,000	300,000
Total	<u>11,457,912</u>	<u>5,759,520</u>	<u>71,998,823</u>	<u>89,216,255</u>

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5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Liquidity risk (continued)

5.3.3 Analysis of assets and liabilities by remaining maturity

The maturity analysis based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the guideline issued by the Hong Kong Monetary Authority is shown below.

31 December 2023

	On Demand HK\$	Up to 1 month HK\$	1 - 3 months HK\$	4 - 12 months HK\$	1 - 5 years HK\$	Over 5 years HK\$	Indefinite Period HK\$	Total HK\$
ASSETS								
Cash and cash equivalents	75,721,604	249,869,355	-	-	-	-	-	325,590,959
Placements with banks and other financial-institutions between one and twelve months	-	-	119,207,091	27,944,647	-	-	-	147,151,738
Derivative financial instruments	-	15,233	358,590	329,606	-	-	-	703,429
Financial assets included in advances and other accounts	525,818	505,065,162	418,412,976	50,448,768	28,473,595	126,529,604	(175)	1,129,455,748
Total assets	76,247,422	754,949,750	537,978,657	78,723,021	28,473,595	126,529,604	(175)	1,602,901,874
LIABILITIES								
Deposits and balances of banks and other - financial institutions	3,871,280	-	3,100,000	-	7,293,549	-	-	14,264,829
Deposits from customers	-	165,434,713	448,113,136	371,927,608	64,338,461	-	-	1,049,813,918
Other accounts and payables	92	8,854,204	2,985,559	4,237,934	2,128,047	-	641,918	18,847,754
Total liabilities	3,871,372	174,288,917	454,198,695	376,165,842	73,760,057	-	641,918	1,082,926,501
Total liquidity gap	72,376,050	580,660,833	83,779,962	(297,442,521)	(45,286,462)	126,529,604	(642,093)	519,975,373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Liquidity risk (continued)

5.3.3 Analysis of assets and liabilities by remaining maturity (continued)

31 December 2022 (Restated)

	On Demand HK\$	Up to 1 month HK\$	1 - 3 months HK\$	4 - 12 months HK\$	1 - 5 years HK\$	Over 5 years HK\$	Indefinite Period HK\$	Total HK\$
ASSETS								
Cash and cash equivalents	207,095,217	246,750,303	-	-	-	-	-	453,845,520
Placements with banks and other financial institutions between one and twelve months	-	-	90,655,103	40,556,329	-	-	-	131,211,432
Derivative financial instruments	-	130,619	154,911	11,298	-	-	-	296,828
Financial assets included in advances and other accounts	-	382,439,757	324,116,454	37,617,688	36,674,421	139,850,383	6,742,963	927,441,666
Total assets	207,095,217	629,320,679	414,926,468	78,185,315	36,674,421	139,850,383	6,742,963	1,512,795,446
LIABILITIES								
Deposits and balances of banks and other financial institutions	4,672,899	-	-	1,200,000	9,689,159	-	-	15,562,058
Deposits from customers	-	184,854,063	382,928,257	338,922,348	77,859,813	-	-	984,564,481
Other accounts and payables	7,590,975	742,417	4,946,983	356,550	2,318,646	14,115	1,992,181	17,961,867
Total liabilities	12,263,874	185,596,480	387,875,240	340,478,898	89,867,618	14,115	1,992,181	1,018,088,406
Total liquidity gap	194,831,343	443,724,199	27,051,228	(262,293,583)	(53,193,197)	139,836,268	4,750,782	494,707,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5. FINANCIAL RISK MANAGEMENT (continued)

5.4 Capital management

The Group has adopted a policy of maintaining a strong capital base to:

- comply with the capital requirements under the Banking (Capital) Rules of the Banking Ordinance; and
- support the Group's stability and business growth so as to provide reasonable returns for members.

Capital adequacy ratio, computed as a ratio of total regulatory capital to the risk-weighted asset, of the Group was maintained at a level above the required minimum ratio.

Capital adequacy position and the use of regulatory capital are monitored closely by the Group's management, employing techniques based on the Banking (Capital) Rules. The required information is filed with the Hong Kong Monetary Authority on a quarterly basis in the form of a statistical return. The disclosure of capital adequacy and capital base are shown in Note 11 of Supplementary Financial Information.

The Group has an established capital planning process to assess the adequacy of its capital to support current and future activities. The process states the Group's capital adequacy goals in relation to risk, taking into account its strategic focus and business plan.

6. FAIR VALUE MEASUREMENT

6.1 Fair values of assets and liabilities measured at fair value

Assets measured at fair value as at 31 December 2023:

	Fair value measurement using			Total HK\$
	Quoted prices in active market (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	
Recurring fair value measurements				
<u>Financial asset</u>				
Derivative financial instruments	-	703,429	-	703,429
	-	703,429	-	703,429
<u>Non-financial asset</u>				
Investment property	-	-	70,000,000	70,000,000
	-	-	70,000,000	70,000,000
Total	-	703,429	70,000,000	70,703,429

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6. FAIR VALUE MEASUREMENT (continued)

6.1 Fair values of assets and liabilities measured at fair value (continued)

Assets measured at fair value as at 31 December 2022:

	Fair value measurement using			Total HK\$
	Quoted prices in active market (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	
Recurring fair value measurements				
<u>Financial asset</u>				
Derivative financial instruments	-	296,828	-	296,828
	-	296,828	-	296,828
<u>Non-financial asset</u>				
Investment property	-	-	75,000,000	75,000,000
	-	-	75,000,000	75,000,000
Total	-	296,828	75,000,000	75,296,828

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 (2022: Nil) and no transfers into or out of Level 3 (2022: Nil).

Level 2 derivative financial instruments include open foreign exchange spot contracts, foreign exchange forward and swap contracts. These instruments are valued by either observable foreign exchange rates, and observable or calculated forward points.

6.2 Information about Level 3 fair value measurements

The fair value of the Group's investment property is determined by adoption of direct comparison approach by Century 21 Surveyors Limited, an independent professional qualified valuer. Valuations were derived on the basis of assuming sale of the property in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. In the course of valuation, reference has been made to comparable market transactions of properties in the same development as well as other similar developments and taking into account the general market trends and other economic factors which may reasonably affect the open market value of the investment property as at 31 December 2023 and 2022.

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31 December 2023

6. FAIR VALUE MEASUREMENT (continued)

Description	Fair Value at 31 December 2023	Valuation Techniques	Unobservable Input
Investment Property (Note 17)			
Land & Buildings	HK\$70,000,000 (31 December 2022: HK\$75,000,000)	Direct comparison approach	Location: Commercial centre of Central, predominated by Class A high rise commercial building and skyscrapers Size: Gross floor area: 2,615s.f.

6.3 Financial instruments not measured at fair value

Fair values of financial assets included in advances and other accounts are based on prevailing current interest rates offered for similar financial instruments appropriate for the remaining term to maturity. The carrying amounts of such financial instruments are not materially different from their fair values.

Management has assessed that the fair values of cash and cash equivalents, placements with banks and other financial institutions, deposits and balances of banks and other financial institutions, deposits from customers and financial liabilities included in other accounts and payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

7. OTHER OPERATING INCOME

	2023 HK\$	2022 HK\$
<u>Revenue from contracts with customers</u>		
Service fee	3,426,000	2,971,310
Handling fee	2,074,050	1,748,348
Commitment charge	1,469,498	1,007,869
Commission income from trade finance	152,947	157,196
	<u>7,122,495</u>	<u>5,884,723</u>
<u>Revenue from other sources</u>		
Net gains arising from dealing in foreign currencies	407,321	330,838
	<u>407,321</u>	<u>330,838</u>
<u>Other income</u>		
Rental income (Note 17)	1,679,821	1,587,697
Insurance referral fee	428,582	492,437
Penalty fees on loans	278,722	280,435
Others	435,891	489,760
	<u>2,823,016</u>	<u>2,850,329</u>
	<u>10,352,832</u>	<u>9,065,890</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

7. OTHER OPERATING INCOME (continued)

Revenue from contracts with customers are recognised when services are rendered or at a point in time.

Handling fee and service fee are related to income from services provided by the subsidiary. Other Income - others consists of sundry income and charges recovered from customers.

8. OPERATING EXPENSES

	2023 HK\$	2022 HK\$
Employee benefit expense (including directors' remuneration):		
Staff cost	25,859,089	23,802,005
Loss on change in fair value of investment property (Note 17)	5,000,000	3,000,000
Repairs and Maintenance	3,992,854	2,782,462
Auditor's remuneration	1,260,000	1,260,000
Depreciation (Note 19)	1,026,063	1,076,780
Premises and equipment expenses	870,127	984,194
Retirement benefits costs	439,999	501,842
Loss on disposal of office equipment	1	3
Other operating expenses	3,074,824	2,624,531
	<u>41,522,957</u>	<u>36,031,817</u>

For the years ended 31 December 2023 and 2022, the Group had no forfeited contributions available to reduce its contribution to the pension scheme in future years.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, 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\$
Fee	-	-
Other emoluments:		
Salaries and allowances	7,408,800	7,713,682
	<u>7,408,800</u>	<u>7,713,682</u>
	<u>7,408,800</u>	<u>7,713,682</u>

The key management personnel of the Group comprise directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. INCOME TAX

	2023 HK\$	2022 HK\$
Hong Kong profits tax		
Current tax	4,679,910	3,812,129
Deferred tax (Note 20)	<u>67,713</u>	<u>64,622</u>
	<u>4,747,623</u>	<u>3,876,751</u>

Hong Kong profits tax for the Company has been provided at the first HK\$2,000,000 at the rate of 8.25% and the remaining at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

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

	2023		2022	
	HK\$	%	HK\$	%
Profit before tax	<u>25,566,639</u>		<u>24,798,156</u>	
Tax at statutory rate of 16.5% (2022: 16.5%)	4,218,495	16.50	4,091,696	16.50
Tax relief under the two-tiered tax regime	(165,000)	0.65	(165,000)	(0.67)
Income not subject to tax	(197,135)	(0.77)	(246,403)	(0.99)
Expenses not deductible for tax	<u>891,263</u>	<u>3.49</u>	<u>196,458</u>	<u>0.79</u>
Tax charge at the Group's effective rate	<u>4,747,623</u>	<u>18.57</u>	<u>3,876,751</u>	<u>15.63</u>

11. PREFERENCE SHARES DIVIDEND

Dividend amounting to HK\$1,035,000 (2022: HK\$1,035,000) has been accrued for preference shares by the directors.

12. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2023 HK\$	2022 HK\$
Cash and bank balances	75,721,604	207,095,217
Money at call and short notice	<u>249,876,065</u>	<u>246,758,515</u>
	325,597,669	453,853,732
Less: allowance for impairment losses	<u>(6,710)</u>	<u>(8,212)</u>
Cash and cash equivalents	<u>325,590,959</u>	<u>453,845,520</u>

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12. CASH AND CASH EQUIVALENTS (continued)

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

	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Total HK\$
Balance as of 1 January 2023	8,270	-	-	8,270
Assets derecognised or repaid during the year (Note 15)	(1,560)	-	-	(1,560)
Balance at 31 December 2023	<u>6,710</u>	<u>-</u>	<u>-</u>	<u>6,710</u>

	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Total HK\$
Balance as of 1 January 2022	9,537	-	-	9,537
Assets derecognised or repaid during the year (Note 15)	(1,325)	-	-	(1,325)
Balance at 31 December 2022	<u>8,212</u>	<u>-</u>	<u>-</u>	<u>8,212</u>

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

This account consists of the following:

	2023 HK\$	2022 HK\$
Placements with banks and financial institutions	147,162,288	131,217,406
Less: allowance for impairment losses	<u>(10,550)</u>	<u>(5,974)</u>
Placements with banks and financial institutions	<u>147,151,738</u>	<u>131,211,432</u>

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

	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Total HK\$
Balance as of 1 January 2023	5,974	-	-	5,974
Assets derecognised or repaid during the year (Note 15)	4,576	-	-	4,576
Balance at 31 December 2023	<u>10,550</u>	<u>-</u>	<u>-</u>	<u>10,550</u>

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13. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS MATURING BETWEEN ONE AND TWELVE MONTHS (continued)

	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	Total HK\$
Balance as of 1 January 2022	7,731	-	-	7,731
Assets derecognised or repaid during the year (Note 15)	(1,757)	-	-	(1,757)
Balance at 31 December 2022	<u>5,974</u>	<u>-</u>	<u>-</u>	<u>5,974</u>

14. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 HK\$	2022 HK\$
Forward foreign currency contracts - Assets	703,429	296,828
	<u>703,429</u>	<u>296,828</u>

The Group entered into a variety of foreign currency forward contracts to manage its exchange rate exposures. At the end of the reporting period, all derivatives are stated at fair value determined based on valuation techniques.

The total notional amount of outstanding forward foreign currency contracts to which the Group are committed, at the end of the reporting period, are as follows:

	2023 HK\$	2022 HK\$
Forward foreign currency contracts	<u>374,129,044</u>	<u>318,083,704</u>

15. CREDIT LOSS EXPENSES/IMPAIRMENT ALLOWANCES

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

	Stage 1 HK\$	Stage 2 HK\$	2023 Stage 3 HK\$	Total HK\$
Net charge for/(write-back of) credit loss expenses:				
Advances to customers	11,957	-	(90,236)	(78,279)
Cash and cash equivalents	(1,560)	-	-	(1,560)
Placements with banks and financial institutions	4,576	-	-	4,576
	<u>14,973</u>	<u>-</u>	<u>(90,236)</u>	<u>(75,263)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

15. CREDIT LOSS EXPENSES/IMPAIRMENT ALLOWANCES (continued)

	2022			Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	
Net charge for/(write-back of) credit loss expenses:				
Advances to customers	(698)		(105,975)	(106,673)
Cash and cash equivalents	(1,325)	-	-	(1,325)
Placements with banks and financial institutions	(1,757)	-	-	(1,757)
	<u>(3,780)</u>	<u>-</u>	<u>(105,975)</u>	<u>(109,755)</u>

16. ADVANCES AND OTHER ACCOUNTS

	2023 HK\$	2022 HK\$
Advances to customers	1,118,433,186	921,453,765
Less: allowance for impairment losses	<u>(19,211)</u>	<u>(7,590)</u>
	1,118,413,975	921,446,175
Other accounts	<u>15,288,278</u>	<u>9,372,178</u>
Advances and other accounts	<u>1,133,702,253</u>	<u>930,818,353</u>

Other accounts include accrued interest receivable, prepayments, security deposits and other miscellaneous assets.

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

	2023			Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	
Gross advances as at 1 January 2023	920,272,748	1,166,701	14,316	921,453,765
New loans/financing originated or purchased	523,056,150	17,331	798	523,074,279
Loans/financing derecognised or repaid	(325,947,021)	(132,899)	(105,157)	(326,185,077)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Recoveries	-	-	93,157	93,157
Written-off	-	-	(2,938)	(2,938)
Balance at 31 December 2023	<u>1,117,381,877</u>	<u>1,051,133</u>	<u>176</u>	<u>1,118,433,186</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

16. ADVANCES AND OTHER ACCOUNTS (continued)

	2022			Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	
Gross advances as at 1 January 2022	1,043,423,475	1,151,077	16,171,995	1,060,746,547
New loans/financing originated or purchased	399,272,579	17,999	424	399,291,002
Loans/financing derecognised or repaid	(522,423,306)	(2,375)	(16,264,078)	(538,689,759)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Recoveries	-	-	106,538	106,538
Written-off	-	-	(563)	(563)
Balance at 31 December 2022	<u>920,272,748</u>	<u>1,166,701</u>	<u>14,316</u>	<u>921,453,765</u>

Movement in impairment allowance on advances and other accounts

	2023			Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	
Balance as at 1 January 2023	7,137	-	453	7,590
New loans/financing originated or purchased	11,899	-	2,921	14,820
Loans/financing recognised or repaid	-	-	(93,418)	(93,418)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Change arising from transfer of stage	-	-	-	-
Recoveries	-	-	93,157	93,157
Written-off	-	-	(2,938)	(2,938)
Balance at 31 December 2023	<u>19,036</u>	<u>-</u>	<u>175</u>	<u>19,211</u>

	2022			Total HK\$
	Stage 1 HK\$	Stage 2 HK\$	Stage 3 HK\$	
Balance at 1 January 2022	7,836	-	1,794	9,630
New loans/financing originated or purchased	5,146	-	564	5,710
Loans/financing derecognised or repaid	(5,845)	-	(108,442)	(114,287)
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Change arising from transfer of stage	-	-	-	-
Impact on year-end ECL exposures transferred between stages during the year	-	-	-	-
Recoveries	-	-	106,537	106,537
Written-off	-	-	-	-
Balance at 31 December 2022	<u>7,137</u>	<u>-</u>	<u>453</u>	<u>7,590</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

16. ADVANCES AND OTHER ACCOUNTS (continued)

Details of the impaired loans are as follows:

	2023 HK\$	2022 HK\$
Gross impaired loans	176	14,316
Less: Impairment allowances - stage 3	(175)	(453)
Net impaired loans	<u>1</u>	<u>13,863</u>
Gross impaired loans as a percentage of gross advances to customers	<u>0.00%</u>	<u>0.00%</u>

17. INVESTMENT PROPERTY

	2023 HK\$	2022 HK\$
Carrying amount at 1 January	75,000,000	78,000,000
Net loss from fair value adjustment (Note 8)	(5,000,000)	(3,000,000)
Carrying amount at 31 December	<u>70,000,000</u>	<u>75,000,000</u>

The Group's investment property was revalued on 31 December 2023 by Century 21 Surveyors Limited, an independent professional qualified valuer, at HK\$70,000,000 (2022:HK\$75,000,000).

The investment property is held for rental purpose. Rental income of HK\$1,679,821 (2022: HK\$1,587,697) is recognised in the consolidated statement of profit or loss and other comprehensive income. No operating expenses arising from the investment property is recognised.

The Group's investment property is situated in Hong Kong and held under the following lease terms:

	2023 HK\$	2022 HK\$
- Long term lease	<u>70,000,000</u>	<u>75,000,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

18. OPERATING LEASE ARRANGEMENT

Operating lease – Group as lessor

The Group has entered into a commercial lease for investment property. This non-cancellable lease has a term of 2 years with no renewal option included in the contract. There are no restrictions placed upon the lessee by entering into this lease.

Future minimum lease receivables under non-cancellable operating lease is as follows:

	2023 HK\$	2022 HK\$
Within one year	1,694,520	271,960
After one year but not more than five years	<u>282,420</u>	<u>-</u>
	<u><u>1,976,940</u></u>	<u><u>271,960</u></u>

19. PROPERTY AND EQUIPMENT

	Land and buildings HK\$	Leasehold improvements HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Motor vehicles HK\$	Total HK\$
COST						
At 1 January 2022	45,145,394	1,209,576	983,993	2,484,876	712,110	50,535,949
Additions	-	-	-	23,040	-	23,040
Disposals	-	-	-	(11,944)	-	(11,944)
At 31 December 2022 and 1 January 2023	<u>45,145,394</u>	<u>1,209,576</u>	<u>983,993</u>	<u>2,495,972</u>	<u>712,110</u>	<u>50,547,045</u>
Additions	-	-	-	6,000	-	6,000
Disposals	-	-	-	(2,800)	-	(2,800)
At 31 December 2023	<u>45,145,394</u>	<u>1,209,576</u>	<u>983,993</u>	<u>2,499,172</u>	<u>712,110</u>	<u>50,550,245</u>
DEPRECIATION						
At 1 January 2022	20,545,731	1,209,567	983,956	2,295,853	664,635	25,699,742
Provided for the year	965,456	-	-	63,850	47,474	1,076,780
Eliminated on disposals	-	-	-	(11,941)	-	(11,941)
At 31 December 2022 and 1 January 2023	<u>21,511,187</u>	<u>1,209,567</u>	<u>983,956</u>	<u>2,347,762</u>	<u>712,109</u>	<u>26,764,581</u>
Provided for the year	965,456	-	-	60,607	-	1,026,063
Eliminated on disposals	-	-	-	(2,799)	-	(2,799)
At 31 December 2023	<u>22,476,643</u>	<u>1,209,567</u>	<u>983,956</u>	<u>2,405,570</u>	<u>712,109</u>	<u>27,787,845</u>
NET CARRYING AMOUNTS						
At 31 December 2023	<u>22,668,751</u>	<u>9</u>	<u>37</u>	<u>93,602</u>	<u>1</u>	<u>22,762,400</u>
At 31 December 2022	<u>23,634,207</u>	<u>9</u>	<u>37</u>	<u>148,210</u>	<u>1</u>	<u>23,782,464</u>

The Group's land is included in property and equipment with a net carrying amount of HK\$20,114,409 (2022: HK\$20,971,169).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

19. PROPERTY AND EQUIPMENT (continued)

The Group's premises are situated in Hong Kong and held under the following lease terms:

	2023 HK\$	2022 HK\$
2 - Long term lease	<u>22,668,751</u>	<u>23,634,207</u>

20. DEFERRED TAX LIABILITIES

The following are the deferred tax assets/(liabilities) recognised by the Group and the movement thereon during the current reporting periods.

	Accelerated tax depreciation HK\$	Impairment allowance HK\$	Total HK\$
At 1 January 2022	(1,607,317)	4,142	(1,603,175)
Deferred tax credited to profit or loss during the year (Note 10)	<u>(63,999)</u>	<u>(623)</u>	<u>(64,622)</u>
At 31 December 2022 and 1 January 2023	(1,671,316)	3,519	(1,667,797)
Deferred tax (credited)/charged to profit or loss during the year (Note 10)	<u>(69,685)</u>	<u>1,972</u>	<u>(67,713)</u>
At 31 December 2023	<u>(1,741,001)</u>	<u>5,491</u>	<u>(1,735,510)</u>

21. INVESTMENT IN A SUBSIDIARY

	2023 HK\$	2022 HK\$
Unlisted shares, at cost	<u>1,000,000</u>	<u>1,000,000</u>

The wholly-owned subsidiary, ACR Nominees Limited, is a private limited company incorporated in Hong Kong. Its principal activities are to provide management and general corporate services.

The total assets and total equity reported on the financial statements of the subsidiary are as follows:

	2023 HK\$	2022 HK\$
Total assets	43,873,452	40,582,421
Total equity	<u>38,171,228</u>	<u>32,896,491</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

22. DEPOSITS FROM CUSTOMERS

	2023 HK\$	2022 HK\$
Time, call and notice deposits	1,048,051,370	982,805,486
Demand deposits and current accounts	<u>1,762,548</u>	<u>1,758,995</u>
	<u><u>1,049,813,918</u></u>	<u><u>984,564,481</u></u>

23. SHARE CAPITAL

	2023 HK\$	2022 HK\$
Issued:		
12,420,925 ordinary shares fully paid	124,209,250	124,209,250
6,500,000 ordinary shares partially paid	40,790,750	40,790,750
5% non-cumulative and non-redeemable preference shares	<u>20,700,000</u>	<u>20,700,000</u>
	<u><u>185,700,000</u></u>	<u><u>185,700,000</u></u>

Notes:

- The 5% non-cumulative and non-redeemable preference shares ("Preference Shares") shall entitle the holders thereof upon winding-up to receive in priority to the holders of all other classes of shares repayment of the amount paid up or deemed to be paid up thereon but not to participate further in any surplus assets.
- In addition, the Preference Shares shall entitle the holders to receive from the profits of the Company for each individual financial year as a first charge preference dividends at the rate 5% per annum on the amount of issued Preference Shares ("Capital"), but shall not entitle the holders to participate further in the profits of the Company.

If the Company sustains a loss for a particular financial year, no preferential dividend will be paid for that year, or if the profit for that financial year is not sufficient to cover the full 5% preferential dividend, the profit will be paid as preferential dividend in proportion among the holders of the Capital for the time being paid up on such Preference Shares and the remaining portion of preference dividend will be treated as waived by the holders.

- The Preference Shares shall not entitle the holders thereof to vote at any general meeting of shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 HK\$	2022 HK\$
<u>ASSETS</u>		
Cash and cash equivalents	324,080,556	449,085,895
Placements with banks and other financial institutions maturing between one and twelve months	109,071,621	96,185,227
Derivative financial instruments	703,429	296,828
Advances and other accounts	1,129,419,321	930,021,761
Investment in a subsidiary (Note 21)	1,000,000	1,000,000
Investment property	70,000,000	75,000,000
Property and equipment	22,762,400	23,782,464
Total assets	<u>1,657,037,327</u>	<u>1,575,372,175</u>
<u>LIABILITIES AND EQUITY</u>		
<u>LIABILITIES</u>		
Deposits and balances of banks and other financial institutions	14,264,829	15,562,058
Deposits from customers	1,049,813,918	984,564,481
Other accounts and payables	13,305,623	10,404,819
Current tax liabilities	1,368,276	1,133,128
Deferred tax liabilities	1,735,510	1,667,797
Total liabilities	<u>1,080,488,156</u>	<u>1,013,332,283</u>
<u>EQUITY</u>		
Share capital	185,700,000	185,700,000
Reserves	390,849,171	376,339,892
Total equity	<u>576,549,171</u>	<u>562,039,892</u>
Total liabilities and equity	<u>1,657,037,327</u>	<u>1,575,372,175</u>


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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	<u>General reserve</u> HK\$	<u>Impairment reserve</u> HK\$	<u>Retained profits</u> HK\$	<u>Total</u> HK\$
At 1 January 2022	7,000,000	5,498,602	347,688,428	360,187,030
Total comprehensive income for the year	-	-	17,187,862	17,187,862
2022 preference shares dividend (Note 11)	-	-	(1,035,000)	(1,035,000)
At 31 December 2022 and 1 January 2023	7,000,000	5,498,602	363,841,290	376,339,892
Total comprehensive income for the year			15,544,279	15,544,279
2023 preference shares dividend (Note 11)	-	-	(1,035,000)	(1,035,000)
At 31 December 2023	<u>7,000,000</u>	<u>5,498,602</u>	<u>378,350,569</u>	<u>390,849,171</u>

25. RELATED PARTY TRANSACTIONS

Outstanding balances with related parties:

	2023 HK\$	2022 HK\$
Parent bank:		
Deposits and balances of banks and other financial institutions	<u>3,644,159</u>	<u>3,636,931</u>
Fellow subsidiaries and affiliates and key personnel:		
Cash and cash equivalents	92,298	86,858
Deposits and balances of banks and other financial institutions	173,295	952,853
Deposits from customers	<u>886,768,619</u>	<u>598,043,658</u>

The above-mentioned outstanding balances arose from the ordinary course of business. The interest rates charges to, and by, related parties are at normal commercial rates. There have been no guarantees provided or received for any related party receivables or payables. For the ended 31 December 2023, the Group has not recorded any impairment relating to amounts owed by related parties (2022: Nil).

The remuneration of directors during the year is disclosed in Note 9 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

26. LOANS TO OFFICERS

No loans were granted to officers by the Company during the year pursuant to section 383(1)(d) of Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation.

27. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

HKFRS 7 requires the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the tables below.

31 December 2023						
Financial assets/(liabilities) recognised at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position [a-b]	Effect of remaining rights of set-off (including rights to set-off financial collateral) that do not meet HKAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative financial assets	703,429	-	703,429	-	-	703,429

31 December 2022						
Financial assets/(liabilities) recognised at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of financial position [a-b]	Effect of remaining rights of set-off (including rights to set-off financial collateral) that do not meet HKAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative financial assets	296,828	-	296,828	-	-	296,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

28. OFF-BALANCE SHEET EXPOSURES

(a) Contingent liabilities and commitments

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

	2023 HK\$	2022 HK\$
Direct credit substitutes	300,000	300,000
Other commitments:		
With an original maturity of under one year or which are unconditionally cancellable	<u>47,290,820</u>	<u>88,916,255</u>
	<u>47,590,820</u>	<u>89,216,255</u>
Aggregate credit risk weighted amount	<u>-</u>	<u>-</u>

Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client defaults. Since loan commitment to the borrower can be unconditionally cancellable, loan commitment is not considered as the component of EAD for calculation of ECL.

(b) Derivatives financial instruments

The replacement costs and credit risk weighted amounts of the derivatives financial instrument of the Group are as follows:

	<u>2023</u>		<u>2022</u>	
	Replacement cost HK\$	Credit risk weighted amount HK\$	Replacement cost HK\$	Credit risk weighted amount HK\$
Exchange rate contracts	<u>503,346</u>	<u>4,254,143</u>	<u>296,828</u>	<u>3,602,210</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

29. RETIREMENT BENEFITS PLAN

The Company participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Company, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Company up and until 31 December 2021 are offered a choice to join the MPF Scheme or the ORSO Scheme. Any new employees joining the Company after 1 January 2022 are mandatory to join the MPF Scheme.

For members of the MPF Scheme, the Company contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by the employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Company at 5% and 7% of the employee's basic salary respectively.

30. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 April 2024.

ALLIED BANKING CORPORATION (HONG KONG)
LIMITED

新聯銀行(香港)有限公司

Unaudited Supplementary Financial Information
For the year ended 31 December 2023

The basis of consolidation for regulatory purposes is different from the basis of consolidation for accounting purposes. The subsidiary of the Company is included within the accounting scope of consolidation but not included within the regulatory scope of consolidation. The unaudited supplementary financial information regarding corporate governance, risk management, segmental information, average liquidity ratio, foreign currency position, overdue and rescheduled assets, capital, repossessed assets and international claims disclosed pursuant to Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority as follows:

1. CORPORATE GOVERNANCE

In addition to Board of Directors Meetings, there are several governance committees formed under the Board of Directors. The roles, functions and composition of these key committees are as follows:

- (i) Risk Oversight Committee - responsible for (a) assessing and making recommendations to the Board on the overall risk appetite, tolerance and risk management strategies of the Company and (b) overseeing senior management's implementation of those strategies established and approved by the Board and aligned with the Company's business objectives as well as bringing any issues to the attention of the Board.
- (ii) Credit Risk Management Committee - responsible for evaluation and monitoring of lending-related activities, reviewing existing credit limits and industry limits and managing the lending portfolio and overall credit risk of the Company. It comprises one non-executive director, the Chief Executive, two Alternate Chief Executives, who are also Head of Treasury and Head of Operation and Senior Managers of Credit.
- (iii) Asset and Liability Management Committee ("ALCO") - responsible for managing the Company's assets and liabilities on a functional basis. The Committee directs the Company's overall acquisition, allocation and pricing of funds, within the established target/guidelines, while managing and monitoring the overall treasury risk exposure. It comprises one non-executive director, the Chief Executive, two Alternate Chief Executives, who are also the Head of Treasury and Head of Operation, the Senior Manager of Credit, the Head of Marketing and the Manager of Accounts.
- (iv) The Audit Committee is an oversight body monitoring the internal control framework, risk management systems and financial reports. The Committee consists of three non-executive directors, two of whom are independent non-executives.
- (v) Remuneration Committee

The Remuneration Committee of the Company comprises one non-executive director and one independent non-executive director. The Remuneration Committee was formed in June 2010 and meetings shall be held as a need basis.

The guiding principles for the remuneration framework of the Company are consistent with its ethical values, objectives, strategies and control environment and are as follows:

- (a) Simplicity in providing appropriate compensation to its employees for the services they provide to the company;
- (b) Fairness in its conduct to attract and retain employees with skills required to effectively manage the operations and growth of the business;

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2023

1. CORPORATE GOVERNANCE (continued)

(v) Remuneration Committee (continued)

- (c) Alignment of values in the management of its remuneration system to motivate employees to perform in the best interests of the Company and its stakeholders;
- (d) Transparency in the appropriate level of the organisation with specific regard to the remuneration of senior management who are responsible for oversight of the business strategy, key personnel whose duties involve the assumption of material risk on behalf of the Company; and
- (e) Ensure a level of equity and consistency across its branch and subsidiaries and the Group as a whole.

The major roles and functions of the Company's Remuneration Committee are as follows:

- (a) Making recommendations to the Board of Directors in respect of remuneration packages for the Company's senior management and key personnel in cases where the approval authority for such remuneration packages rests solely with the Board;
 - (b) Ensuring that a regular, at least annual, review of the Company's remuneration system and its operations, which includes an assessment of consistency with the guidelines, is conducted independently of management;
 - (c) Review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
 - (d) Review and approve the compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and
 - (e) To ensure that no director (executive or non-executive) or any of his/her associates is involved in deciding his/her own remuneration.
- (vi) Managers' Committee - responsible for managing day to day operation. The members consist of Chief Executive, two Alternate Chief Executives, who are also the Head of Treasury and Head of Operation, all department heads and the Compliance Officer.

The terms of reference of the Committees, together with all the policies within the corporate governance scheme, are subject to review as necessary in order to cope with the latest development in the Banking industry as well as other changes in the regulatory environment. In addition, the Company is committed to maintain high standards of corporate governance practices and has fully complied with the module set out in the Supervisory Policy Manual entitled "Corporate Governance of Locally Incorporated Authorised Institutions" issued by the Hong Kong Monetary Authority on 3 August 2012 throughout the financial year ended 31 December 2023.

2. RISK MANAGEMENT

The Board of Directors (the "Board") has the overall responsibility for the management of all types of risk exposures. In the delivery of its responsibility, the Board has established specialised committees to identify, measure, monitor and control different types of risks. The Board or the appropriate specialised committees review and approve policies and procedures for the identification, measurement, control and monitoring of both financial and non-financial risks. Such policies and procedures are reviewed by the relevant committees or senior management on a regular basis.

(i) Capital management

The Company has adopted a policy of maintaining a strong capital base to support its business growth. Capital adequacy ratio, computed as a ratio of total regulatory capital to the risk-weighted asset, of the Company was maintained at a level above the required minimum ratio.

(ii) Operational and legal risk

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud, or inadequate internal controls and procedures.

Executive directors, department heads, external legal counsels, and internal auditors collaborate to manage operational and legal risks through proper human resources policies, delegation of authorities, segregation of duties, and timely and accurate management information. Senior management and the Audit Committee are accountable to the Board for maintaining a strong and disciplined control environment to provide reasonable assurance that the operational and legal risks are prudently managed.

A comprehensive contingency plan is available to ensure that key business functions continue and normal operations are restored effectively and efficiently in the event of business interruption.

(iii) Reputation risk

Reputation risk is the risk to earnings or capital arising from negative public opinion.

Reputation risk is managed by ensuring proper and adequate communications and public relation efforts to foster the reputation of the Company. A risk management mechanism guided by the senior management including executive directors and senior managers has been established to manage the media exposure, handle customers' and other relevant parties' complaints and suggestions, and to ensure that new business activities and agents acting on the Company's behalf do not jeopardise the Company's reputation.

3. SEGMENTAL INFORMATION

The Company's total operating income, profit before taxation, total assets, total liabilities and contingent liabilities and commitments are derived predominantly from Hong Kong.

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3. SEGMENTAL INFORMATION (continued)

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

	2023 % of Gross advances covered by collateral	2022 % of Gross advances covered by collateral
	HK\$'000	HK\$'000
Loans for use in Hong Kong		
Manufacturing	134,090	100%
Building & construction		
Property development	30,000	100%
Property investment	149,625	100%
Civil engineering works	8,029	100%
Electricity and gas	-	-
Recreational activities	8,000	100%
Information technology	4,887	100%
Wholesale and retail trade	500,895	100%
Transport and transport equipment	44,479	100%
Hotels, boarding houses & catering	40,500	100%
Non-stockbroking companies & individuals For the purchase of shares – others	33,000	100%
Professional & private Individuals		
Loans for the purchase of other residential properties	50,727	100%
Loans for other business purpose	12,354	100%
Loans for other private purpose	18,191	100%
Others	3,700	100%
Trade finance	18,168	100%
Loans and advances for use outside Hong Kong		
Non-bank Mainland China exposures Companies and individuals outside China where the credit is granted for use in China	28,000	100%
Loans for use outside Hong Kong	<u>29,952</u>	100%
	<u>1,114,597</u>	<u>920,963</u>

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3. SEGMENTAL INFORMATION (continued)

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

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3. SEGMENTAL INFORMATION (continued)

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

Advances to customers over 10% of the total advances by industry sectors as at 31 December 2023

	Gross loans and advances HK\$'000	Impairment allowances Stage 1 HK\$'000	Impairment allowances Stage 3 HK\$'000	New impairment allowances charged to profit or loss HK\$'000	Amount of impaired loans and advances written off HK\$'000	Collateral HK\$'000	Percentage of gross advances covered by collateral %	Impaired loans and advances HK\$'000	Loans and advances overdue for more than three months HK\$'000
Manufacturing	134,090	-	-	-	-	134,090	100%	-	-
Property investment	149,625	-	-	-	-	149,625	100%	-	-
Wholesale and retail trade	500,895	16	-	11	-	500,895	100%	-	-

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

	Gross loans and advances HK\$'000	Impairment allowances Stage 1 HK\$'000	Impairment allowances Stage 3 HK\$'000	New impairment allowances charged to profit or loss HK\$'000	Amount of impaired loans and advances written off HK\$'000	Collateral HK\$'000	Percentage of gross advances covered by collateral %	Impaired loans and advances HK\$'000	Loans and advances overdue for more than three months HK\$'000
Manufacturing	139,030	-	-	-	-	139,030	100%	-	-
Property investment	148,533	-	-	-	-	148,533	100%	-	-
Wholesale and retail trade	338,002	5	-	-	-	338,002	100%	-	-

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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3. SEGMENTAL INFORMATION (continued)

Non-Bank Mainland China Exposures

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

As at 31 December 2023

Types of Counterparties	On-balance sheet exposure HK\$ '000	Off-balance sheet exposure HK\$ '000	Total exposures HK\$ '000
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	28,102	-	28,102
Total	28,102	-	28,102
Total assets after provision	1,657,037		
On-balance sheet exposures as percentage of total assets	1.7%		

As at 31 December 2022

Types of Counterparties	On-balance sheet exposure HK\$ '000	Off-balance sheet exposure HK\$ '000	Total exposures HK\$ '000
PRC nationals residing outside Mainland China or entities incorporated outside mainland China where the credit is granted for use in Mainland China	12,561	-	12,561
Total	12,561	-	12,561
Total assets after provision	1,575,372		
On-balance sheet exposures as percentage of total assets	0.80%		

4. Pillar 3 Regulatory Disclosures

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

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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5. LIQUIDITY INFORMATION

	2023 %	2022 %
Average liquidity maintenance ratio		
– First quarter	140.62	92.77
– Second quarter	124.96	111.77
– Third quarter	75.64	117.20
– Fourth quarter	94.82	116.15

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

6. LEVERAGE RATIO

	2023 %	2022 %
Leverage ratio	30.92	31.09

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

7. COUNTERCYCLICAL CAPITAL BUFFER RATIO

The CCyB ratio is an additional layer of CET1 Capital which takes effect as an extension of the Basel III capital conservation buffer.

The Company has reserved a capital buffer for the implementation of CCyB ratio, inclusive of CCyB ratio of 1%, to the private sector credit exposures in Hong Kong that has been applied since 1 January 2016.

The following table illustrates the geographical breakdown of risk-weighted amounts ("RWA") in relation to private sector credit exposures:

Jurisdiction (J)	Applicable JCCyB ratio in effect %	Total RWA used in computation of CCyB ratio HK\$ '000	CCyB ratio %	CCyB amount HK\$ '000
As at 31 December 2023				
Hong Kong	1.0	1,096,923		
Others	-	-		
Total		1,096,923	1.0	10,969

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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7. COUNTERCYCLICAL CAPITAL BUFFER RATIO (continued)

Jurisdiction (J)	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio	CCyB ratio	CCyB amount
	%	HK\$ '000	%	HK\$ '000
As at 31 December 2022				
Hong Kong	1.0	921,137		
Others	-	-		
Total		921,137	1.0	921

8. CAPITAL CONSERVATION BUFFER RATIO

Under section 3M of the Banking (Capital) Rules, the capital conservation buffer ratio for calculating the Company's buffer level is 2.5% for 2023 and 2022.

9. FOREIGN CURRENCY POSITION

2023

	AUD HK\$'000	CAD HK\$'000	EUR HK\$'000	GBP HK\$'000	JPY HK\$'000	NZD HK\$'000	SGD HK\$'000	USD HK\$'000
Spot assets	1,170	953	5,564	10,468	-	4,334	-	357,349
Spot liabilities	(962)	(756)	(5,886)	(9,703)	-	(3,832)	-	(731,497)
Forward purchased	-	-	-	-	-	-	-	367,227
Forward sales	-	-	-	-	-	-	-	-
Net long/(short) position	208	197	(322)	765	-	502	-	(6,921)

2022

	AUD HK\$'000	CAD HK\$'000	EUR HK\$'000	GBP HK\$'000	JPY HK\$'000	NZD HK\$'000	SGD HK\$'000	USD HK\$'000
Spot assets	1,153	879	236	9,322	-	4,094	-	285,435
Spot liabilities	(941)	(733)	(5,647)	(9,108)	-	(3,721)	-	(593,203)
Forward purchased	-	-	5,193	-	-	-	-	311,907
Forward sales	-	-	-	-	-	-	-	(5,191)
Net long/(short) position	212	146	(218)	214	-	373	-	(1,052)

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

31 December 2023

10. OVERDUE AND RESCHEDULED ASSETS

	2023 HK\$'000	2022 HK\$'000	As a percentage of total advances	
			2023	2022
Advances to customers overdue for more than 3 months and up to 6 months	23,770	1,130	2.13%	0.12%
more than 6 months and up to 1 year	87,887	1,168	7.89%	0.13%
over 1 year	-	-	0.00%	0.00%
	<u>111,657</u>	<u>2,298</u>		
Rescheduled advances to customers	-	-	0.00%	0.00%
	<u>111,657</u>	<u>2,298</u>		
Fair value of collateral held in respect of the overdue advances	<u>186,900</u>	<u>12,744</u>		
Individual impairment allowance made in respect of the overdue advances	<u>-</u>	<u>-</u>		

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

	2023 HK\$'000	2022 HK\$'000
Advances to customers overdue for more than 3 months	111,657	2,298
Rescheduled advances to customers	-	-
	<u>111,657</u>	<u>2,298</u>
Add: Impaired advances and impaired advances which are not overdue or rescheduled	-	14
Advances which are overdue less than 3 months but not impaired	<u>13,180</u>	<u>190</u>
Total overdue advances and impaired advances	<u>124,837</u>	<u>2,502</u>

11. CAPITAL DISCLOSURES

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

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

	2023	2022
CET1 capital ratio	<u>36.55%</u>	<u>38.85%</u>
Tier 1 capital ratio	<u>36.55%</u>	<u>38.85%</u>
Total capital ratio	<u>38.37%</u>	<u>41.04%</u>

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

31 December 2023

11. CAPITAL DISCLOSURES (continued)

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

	2023 HK\$'000	2022 HK\$'000
Category I – Common equity Tier 1 ("CET1) Capital		
CET1 capital instruments	165,000	165,000
Retained earnings	378,351	363,841
Disclosed reserves	<u>7,000</u>	<u>7,000</u>
CET1 Capital before deductions	550,351	535,841
CET1 Capital: regulatory deductions		
Cumulative fair value gains arising from the revaluation of land and Buildings	43,555	48,555
Deferred tax assets in excess of deferred tax liabilities	<u>-</u>	<u>-</u>
Total regulatory deductions to CET1 Capital	<u>43,555</u>	<u>48,555</u>
CET1 Capital after deductions	<u>506,796</u>	<u>487,286</u>
Category II – Additional Tier 1 Capital		
Additional Tier 1 capital instruments issued and share premium if any (subject to phase out arrangements from AT1 Capital)	<u>-</u>	<u>-</u>
Additional Tier 1 Capital	<u>-</u>	<u>-</u>
Tier 1 Capital after deductions	<u>506,796</u>	<u>487,286</u>
Category III – Tier 2 Capital		
Reserve attributable to fair value gains on revaluation of holdings of land and buildings	19,600	21,850
Collective provisions	<u>5,535</u>	<u>5,513</u>
Tier 2 Capital	<u>25,135</u>	<u>27,363</u>
Total Capital Base	<u>531,931</u>	<u>514,649</u>

To comply with the Banking (Disclosure) Rules, a section "Regulatory Disclosures" will be available on the Company's website at www.abchkl.com.hk on 30 April 2024 and include the following information:

- A detailed breakdown of the Company's capital base and regulatory deductions, using the standard template as specified by the Hong Kong Monetary Authority.
- A reconciliation of capital components to the Company's balance sheet, using the standard template as specified by the Hong Kong Monetary Authority.
- A description of the main features and the full terms and conditions of the Company's issued capital instruments.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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12. INTERNATIONAL CLAIMS

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

	<u>Non-bank Private Sector</u>					Total HK\$'000
	Banks HK\$'000	Official Sector HK\$'000	Non-bank Financial Institutions HK\$'000	Non-financial Private Sector HK\$'000	Others HK\$'000	
As at 31 December 2023						
<u>Counterparty country/ jurisdiction</u>						
Developed countries	130,121	-	-	-	-	130,121
Offshore countries	253,984	-	-	1,131,203	-	1,385,187
- of which: Hong Kong	151,243	-	-	1,131,203	-	1,282,446
Developing Europe	-	-	-	-	-	-
Developing Latin America and Caribbean	-	-	-	-	-	-
Developing Africa and Middle East	-	-	-	-	-	-
Developing Asia and Pacific	48,924	-	-	-	-	48,924
International Organisations	-	-	-	-	-	-
Unallocated	-	-	-	-	-	-
Total	433,029	-	-	1,131,203	-	1,564,232

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12. INTERNATIONAL CLAIMS (continued)

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

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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13. SENIOR EXECUTIVE COMPENSATION

The Remuneration Committee annually reviews and Board of Directors approves the remuneration packages of the Chief Executive, members of the senior management and key personnel. The aggregate payouts for these 6 (2022: 6) senior executives for 2023 are shown in the table below in accordance with the disclosure requirement of 3.2.3 of the "Guideline on a Sound Remuneration System" issued by the Hong Kong Monetary Authority in March 2010.

Fixed Remuneration Salaries		Variable Remuneration Cash Bonus		Award of Deferred Variable Remuneration	
2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
10,752	10,374	Nil	Nil	Nil	Nil

Included in the above table of the senior executives compensation were the emoluments of 1 director (2022: 1 director). The directors' emoluments have been included in Note 9 to the financial statements.

In determining the remuneration packages of the Chief Executive, senior management, and key personnel, the Remuneration Committee takes into account individual performances of respective divisions and departments, and the Company's overall business goals and objectives.

14. STATEMENT OF COMPLIANCE

The Company has fully complied with the applicable disclosure requirements of the Banking (Disclosure) Rules.

