Directors' Report and Audited Financial Statements

CHONG HING FINANCE LIMITED
創興財務有限公司

31 December 2024

CHONG HING FINANCE LIMITED
創興財務有限公司

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CHONG HING FINANCE LIMITED
創興財務有限公司

DIRECTORS' REPORT

The directors of Chong Hing Finance Limited (the "Company") present their annual report and the audited financial statements of the Company for the year ended 31 December 2024.

Principal activities
The Company is a deposit-taking company registered under the Hong Kong Banking Ordinance (Cap. 155) and is engaged in the business of deposit-taking and lending.

Results and appropriations
The results of the Company for the year ended 31 December 2024 are set out in the statement of profit or loss and other comprehensive income on page 6. The directors of the Company do not recommend the payment of a dividend.

Business review
The Company is a wholly-owned subsidiary of Chong Hing Bank Limited at the end of the financial year 2024 and therefore the directors of the Company are exempted from preparing a business review as required by section 388(3) and Schedule 5 of the Hong Kong Companies Ordinance (Cap. 622) for the year.

Share issued
There was no share issued during the year ended 31 December 2024. Details of the share capital of the Company are shown in note 8 to the financial statements.

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

Mr. ZONG Jianxin *(Chief Executive)*
Mr. LAU Wai Man

There being no provisions in the Company's Articles of Association for the retirement of the directors of the Company by rotation, all the existing directors of the Company shall remain in office.

Directors' material interests in transactions, arrangements and contracts of significance
No transactions, arrangements and contracts that are of significance in relation to the Company's business to which any of the Company's fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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DIRECTORS' REPORT (continued)

Directors' interests in shares and debentures of the Company or any other body corporate
At no time during the year ended 31 December 2024 was the Company or any of its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of the shares in, or debentures of, the Company or any other body corporate.

Permitted indemnity provisions
During the year ended 31 December 2024 and up to the date of this report, a permitted indemnity provision (whether made by the Company or otherwise) was or is in force for the benefit of one or more directors of the Company or of its associated companies.

Equity-linked agreements
No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

Management contracts
No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

Auditor
The financial statements for the year ended 31 December 2024 of the Company have been audited by Ernst & Young who shall retire and, being eligible, offer itself for re-appointment as the Company's auditor at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

....
Lau Wai Man
Director

Hong Kong
28 April 2025

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 member of Chong Hing Finance Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Chong Hing Finance Limited (the "Company") set out on pages 6 to 25, which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

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

The directors are responsible for the other information. The other information comprises the information included in the directors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Independent auditor's report (continued)
To the member of Chong Hing Finance Limited
(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent auditor's report (continued)
To the member of Chong Hing Finance Limited
(Incorporated in Hong Kong with limited liability)

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young

Certified Public Accountants
Hong Kong
28 April 2025

CHONG HING FINANCE LIMITED
創興財務有限公司

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	2024 HK$	2023 HK$
Interest income	3	2,316,177	2,043,595
Operating expenses	4	(391,390)	(213,670)
PROFIT BEFORE TAX		1,924,787	1,829,925
Taxation	5	(308,588)	(301,938)
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,616,199	1,527,987

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STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	2024 HK$	2023 HK$
ASSETS			
Balances and placements with Parent Bank	6	49,386,082	48,552,447
Other accounts	7	605,876	76,950
Total assets		49,991,958	48,629,397
LIABILITIES			
Other payables and accruals		90,440	16,500
Tax payable		15,652	343,230
Total liabilities		106,092	359,730
SHAREHOLDERS' EQUITY			
Share capital	8	25,000,000	25,000,000
Reserves		24,885,866	23,269,667
Total equity		49,885,866	48,269,667
Total liabilities and equity		49,991,958	48,629,397

Approved and authorised for issue by the Board of Directors on 28 April 2025 and signed on its behalf by:

....
Zong Jianxin
Director

....
Lau Wai Man
Director

CHONG HING FINANCE LIMITED
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STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Share capital HK$	General reserve HK$	Retained profits HK$	Total HK$
At 1 January 2023	25,000,000	10,000,000	11,741,680	46,741,680
Total comprehensive income for the year	-	-	1,527,987	1,527,987
At 31 December 2023 and 1 January 2024	25,000,000	10,000,000	13,269,667	48,269,667
Total comprehensive income for the year	-	-	1,616,199	1,616,199
At 31 December 2024	25,000,000	10,000,000	14,885,866	49,885,866

The general reserve comprises transfers from previous years' retained profits.

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STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Note	2024 HK$	2023 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,924,787	1,829,925
Adjustments for:			
Interest income		(2,316,177)	(2,043,595)
Operating cash flows before movements in operating assets and liabilities		(391,390)	(213,670)
Increase/(decrease) in operating assets:			
Placements with Parent Bank		48,266,499	(48,266,499)
Prepayment		(15,989)	-
Increase in operating liabilities:			
Other payables and accruals		73,940	8,500
Cash generated from/(used in) operations		47,933,060	(48,471,669)
Hong Kong Profits Tax paid		(636,166)	-
Interest received		1,803,240	2,087,844
Net cash flows generated from/(used in) operating activities		49,100,134	(46,383,825)
NET CHANGES IN CASH AND CASH EQUIVALENTS		49,100,134	(46,383,825)
Cash and cash equivalents at beginning of year		285,948	46,669,773
CASH AND CASH EQUIVALENTS AT END OF YEAR		49,386,082	285,948
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Balances with Parent Bank	6	472,315	285,948
Placements with Parent Bank			
- With original maturity within three months	6	48,913,767	-
		49,386,082	285,948

1. CORPORATE INFORMATION

Chong Hing Finance Limited (the "Company") is a private limited company incorporated in Hong Kong. It is a wholly-owned subsidiary of Chong Hing Bank Limited ("Parent Bank"), a limited company incorporated in Hong Kong. Its ultimate holding company is 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited*), a company incorporated in the People's Republic of China. The address of the registered office and principal place of business of the Company is Ground Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong.

The Company is a deposit-taking company registered under the Hong Kong Banking Ordinance and is engaged in the business of deposit-taking and lending. The Company remains inactive in both years.

The financial statements are presented in Hong Kong dollars (“HK$”), which is the same as the functional currency of the Company.

** for identification purpose only*

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance.

The financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

The principal accounting policies are set out below. These policies have been consistently applied in all years presented. The financial statements are prepared in Hong Kong dollars (“HK$”), which is the same as the functional currency of the Company.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The following revised HKFRS Accounting Standards are applicable for reporting periods commencing after 1 January 2024:

Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to HKAS 1	*Non-current Liabilities with Covenants*[1]

1 As a consequence of the amendments to HKAS 1 issued in August 2020 and December 2022, 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.

There were no revised amendments to standards that has a material effect on the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Company has not applied the following new and revised HKFRS Accounting Standards that have been issued but are not yet effective. The Company intends to apply these revised HKFRS Accounting Standards, if applicable, when they become effective. Except as stated below, none of these is expected to have a significant effect on the financial statements of the Company:

Amendments to HKAS 21	*Lack of Exchangeability*[1]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual periods beginning on or after 1 January 2027

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the income statement, including specified totals and subtotals. Entities are required to classify all income and expenses within the income statement into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Company is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Company's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Financial instruments

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses ("ECL") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) Purchased or originated credit-impaired financial asset ("POCI") financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not POCI but have subsequently become credit-impaired (or "Stage 3"), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the ECL allowance).

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an ECL allowance is recognised for financial assets measured at amortised cost which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Measurement methods (continued)
Initial recognition and measurement (continued)

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

(i) Classification and subsequent measurement

The Company has applied HKFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss ("FVPL");
- Fair value through other comprehensive income ("FVOCI"); or;
- Amortised cost.

(ii) Impairment

The Company assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(iii) Modification of financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or the Company 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 delay to a third party under a "pass-through" arrangement; and either (i) the Company has transferred substantially all the risks and rewards of the asset, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass-through" transfers that result in derecognition if the Company:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Company under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the company retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Company retains a subordinated residual interest.

When the contractual rights to receive the cash flows from the assets have been transferred, and the Company neither transfers nor retains substantially all the risks and rewards of ownership, and the company has retained control of the transferred assets, the Company applies continuing involvement approach.

Under this approach, the Company continues to recognise the transferred asset to the extent of its continuing involvement and recognise the associated liability, to reflect the rights and obligations retained by the Company. The net carrying amount of the transferred asset and associated liability is: (a) the amortised cost of the rights and obligations retained by the Company, if the transferred asset is measured at amortised cost; or (b) equal to the fair value of the rights and obligations retained by the Company when measured on a stand-alone basis, if the transferred asset is measured at fair value.

(v) Write off policy

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indications that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial liabilities

After initial recognition, interest-bearing financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate 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 rate amortisation is included in interest expenses in the statement of profit or loss and other comprehensive income.

(i) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(ii) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the financial asset and settle the financial liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, bank balances and short-term time deposits with an original term to maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including balances with Parent Bank and placements with Parent Bank with original maturity at or less than three months.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit/loss before tax" as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all the deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person:

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

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Company are members of the same Company;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company; (If the Company is itself such a plan) and the sponsoring employers of the post-employment benefit plan;

(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 Company of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

3. INTEREST INCOME

All interest income is derived from balances and placements with Parent Bank, which are financial assets not measured at fair value through profit or loss.

4. OPERATING EXPENSES

	2024 HK$	2023 HK$
Auditor's remuneration	170,180	8,500
Association membership fee	90,000	90,000
Registration fee	129,010	113,020
Other operating expenses	2,200	2,150
	391,390	213,670

For both years, the directors of the Company received remuneration from Parent Bank but no apportionment has been made to the Company.

5. TAXATION

	2024 HK$	2023 HK$
Hong Kong Profit Tax		
- current year	317,589	301,938
- over provision in prior years	(9,001)	-
	308,588	301,938

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The tax expense can be reconciled to the profit before tax per the statement of profit or loss and comprehensive income as follows:

	2024 HK$	2023 HK$
Profit before tax	1,924,787	1,829,925
Tax at Hong Kong Profits Tax rate of 16.5% (2023: 16.5%)	317,589	301,938
Over provision in prior years	(9,001)	-
Tax expense for the year	308,588	301,938
Effective tax rate	16.0%	16.5%

6. BALANCES AND PLACEMENTS WITH PARENT BANK

	2024 HK$	2023 HK$
Balances with Parent Bank*	472,315	285,948
Placements with Parent Bank**		
- With original maturity within three months	48,913,767	-
- With original maturity over three months	-	48,266,499
	49,386,082	48,552,447

At 31 December 2024, the gross carrying amount, including interest receivable, of balances and placements with Parent Bank amounted to HK$49,919,458 (2023: HK$48,572,886).

There was no recent history of default and past due, at 31 December 2024 and 2023, from the balances and placements with Parent Bank. The loss allowance was assessed to be minimal.

* Balance included current accounts which earns interests at floating rates based on daily bank deposit rates.

** Balance included fixed deposits carrying annualised interest rate at 4.37% (2023: 5.15%).

7. OTHER ACCOUNTS

	2024 HK$	2023 HK$
Interest receivable	533,376	20,439
Prepayment	72,500	56,511
	605,876	76,950

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due at 31 December 2024 and 2023 and the loss allowance was assessed to be minimal.

8. SHARE CAPITAL

	2024 HK$	2023 HK$
Issued and fully paid:		
2,500,000 ordinary shares	25,000,000	25,000,000

There was no movement on the Company's share capital for both years.

9. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the financial statements, the Company had the following transactions and balances with related party during the year:

(a) Transactions with related party:

	2024 HK$	2023 HK$
With Parent Bank		
Interest income	2,316,177	2,043,595

(b) Balance with related party included in:

	2024 HK$	2023 HK$
With Parent Bank		
Balances and placements with Parent Bank	49,386,082	48,552,447
Interest receivable	533,376	20,439

9. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The key management personnel of the Company only comprises directors of the Company. The directors of the Company received remuneration from Parent Bank but no apportionment has been made to the Company.

The emoluments of the directors of the Company disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation are set out below:

No directors' remuneration were paid or payable in respect of directors' services during the year (2023: Nil). No retirement benefits were paid to directors during the year (2023: Nil). During the year, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to the director; nor are any payable (2023: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2023: Nil).

9. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel (continued)
There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities as at 31 December 2024 (2023: Nil).

No directors of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2023: None). At the end of the year, the directors of the Company has nil interests with the share option scheme and share award scheme.

10. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to support the development of the Company's business and to ensure compliance with the statutory capital adequacy ratio requirement, a requirement used to assess the capital adequacy. Capital is allocated to the various activities of the Company depending on the risk taken by each business division.

The Company's objectives when managing capital are:

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

Capital adequacy and the use of regulatory capital are monitored regularly by the Company's management, employing techniques based on based on the Banking (Capital) Rules of the Hong Kong Banking Ordinance. The required information is filed with Hong Kong Monetary Authority on a quarterly basis.

The Hong Kong Monetary Authority requires each bank to maintain a ratio of total regulatory capital to the risk-weighted asset (the capital adequacy ratio) at or above the minimum as stipulated in the Banking (Capital) Rules.

Throughout the years ended 31 December 2024 and 2023, the Company has complied with the capital requirements imported by the Hong Kong Monetary Authority.

The Company has established a capital planning process to assess the adequacy of its capital to support current and future activities and to set the Company's capital adequacy goals in relation to risk, taking into account its strategic focus and business plan. Key factors to consider in this process including additional capital required for future expansion, results of the stress test programme regularly conducted, dividend policy, income recognition and provisioning policies.

11. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2024 HK$	2023 HK$
Financial assets		
Financial assets measured at amortised cost		
Balances and placements with Parent Bank	49,386,082	48,552,447
Other accounts	533,376	20,439
Financial liabilities		
Financial liabilities measured at amortised cost		
Other payables and accruals	90,440	16,500

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to variety of financial risks and the activities involve analysis, evaluation, acceptance and management of some degree of risk or a combination of risks. The Company's aim is therefore to achieve an appropriate balance between risk and return, and to minimise potential adverse effects on the Company's financial performance. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk and the policies on how to mitigate these risks are set out below.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Market risk

Market risk is the risk of losses in assets, liabilities and off-balance sheet positions arising from movements in market rates and prices, including foreign exchange rates, interest rates, commodity prices and equity prices etc.

Interest rate risk

Interest rate risk refers to the risk of loss arising from changes in market interest rates. This can be further classified into fair value interest rate risk and cash flow interest rate risk. Fair value interest rate risk is the risk that fair value of a financial instrument will fluctuate because of changes in market interest rates. Since the Company's placements with Parent Bank bear interest at fixed rates, their fair values will fall when market interest rates increase. However, as these financial assets are stated at amortised cost, changes in market interest rates will not affect the carrying amounts and the Company's profit for the year. 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. The Company is exposed to cash flow interest rate risk in relation to variable-rate balances with Parent Bank.

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest rate risk (continued)

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2023: 100 basis points) increase or decrease in variable-rate balances with Parent Bank is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rate had been 100 basis points (2023: 100 basis points) higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2024 would increase/decrease by HK$4,723 (2023: profit for the year increase/decrease by HK$2,859).

Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Company's maximum exposure to credit risk at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. Impairment allowances are made for losses that have been incurred at the end of the reporting period.

At 31 December 2024, the Company held balances with Parent Bank of HK$472,315 (2023: HK$285,948) and placements with Parent Bank of HK$48,913,767 (2023: HK$48,266,499). The directors of the Company consider the credit risk is limited because the counterparty is Parent Bank with high credit ratings assigned by international credit-rating agencies.

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Company manages the liquidity of its assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are met when due. All other payables and accruals are repayable on demand. The directors believes that the Company is able to repay its obligations when they fall due as the Company is fully supported by its Parent Bank, and therefore, the Company does not have any liquidity risk.

The maturity analysis of assets and liabilities shown on the statement of financial position, based on the remaining period at the end of the reporting period to the contractual maturity date is shown below:

	Repayable on demand HK$	Repayable up to 3 months HK$	Repayable up to 6 months HK$	Undated HK$	Total HK$
At 31 December 2024					
ASSETS					
Balances and placements with Parent Bank	472,315	48,913,767	-	-	49,386,082
Other accounts	-	533,376	-	-	533,376
Total financial assets	472,315	49,447,143	-	-	49,919,458
Non-financial assets	-	-	-	72,500	72,500
Total assets	472,315	49,447,143	-	72,500	49,991,958
LIABILITIES					
Other payables and accruals	-	90,440	-	-	90,440
Total financial liabilities	-	90,440	-	-	90,440
Non-financial liabilities	-	-	-	15,652	15,652
Total liabilities	-	90,440	-	15,652	106,092
Net position – total financial assets and financial liabilities	472,315	49,356,703	-	-	49,829,018

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	Repayable on demand HK$	Repayable up to 3 months HK$	Repayable up to 6 months HK$	Undated HK$	Total HK$
At 31 December 2023					
ASSETS					
Balances and placements with Parent Bank	285,948	-	48,266,499	-	48,552,447
Other accounts	-	-	20,439	-	20,439
Total financial assets	285,948	-	48,286,938	-	48,572,886
Non-financial assets	-	-	-	56,511	56,511
Total assets	285,948	-	48,286,938	56,511	48,629,397
LIABILITIES					
Other payables and accruals	8,000	8,500	-	-	16,500
Total financial liabilities	8,000	8,500	-	-	16,500
Non-financial liabilities	-	-	-	343,230	343,230
Total liabilities	8,000	8,500	-	343,230	359,730
Net position – total financial assets and financial liabilities	277,948	(8,500)	48,286,938	-	48,556,386

Fair value of financial assets and financial liabilities
The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the statement of financial position approximate their fair values.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. There were no changes in the Company's valuation techniques during the year.