

Fubon Credit (Hong Kong) Limited

Directors' report and audited financial statements
for the year ended 31 December 2025

Report of the Directors

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2025.

Principal place of business

Fubon Credit (Hong Kong) Limited (“the Company”) is incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Fubon Bank Building, 38 Des Voeux Road Central, Hong Kong and Unit 08, 7/F, Tower 2, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon respectively.

Principal activities

The principal activities of the Company are the provision of financial and related services, in particular consumer lending.

Recommended dividend

The directors do not recommend a payment of dividend in respect of the year ended 31 December 2025 (2024: Nil).

Share capital

Details of the movements in share capital of the Company are set out in Note 14 to the financial statements.

Directors

The directors in office during the financial year and up to the date of issuance of this Report were:

Simon CHUNG Kwok Keung (Chairman)
Henry WANG Hao Jen (Chief Executive)
Patrick CHAN Tin Ching
Lawrence LAM Wai Hung
Rockson HSU
Carmen YIP Ka Man
Peter PANG Sing Tong (Independent Non-Executive Director)

In accordance with the Company’s Articles of Association, all present directors will remain in office for the ensuing year.

Report of the Directors (continued)

Directors' interests in transactions, arrangements or contracts

No contract of significance to which the Company, or any of its holding company or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Indemnity of directors

A permitted indemnity provision (as defined in Section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout the year.

Directors' rights to acquire shares and debentures

No directors of the Company or any of their spouses or children under eighteen years of age have interests or short positions in the shares, underlying shares or debentures of the Company, any of its holding company or fellow subsidiaries, as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance.

Auditors

KPMG who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



Simon CHUNG Kwok Keung
Chairman
Hong Kong

3 March 2026



Independent auditor's report to the members of Fubon Credit (Hong Kong) Limited *(Incorporated in Hong Kong with limited liability)*

Opinion

We have audited the financial statements of Fubon Credit (Hong Kong) Limited ("the Company") set out on pages 6 to 48, which comprise the statement of financial position as at 31 December 2025, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2025, 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 ("HKSA") 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 all the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

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

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



Independent auditor's report to the members of Fubon Credit (Hong Kong) Limited (continued)

(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with 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. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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 to the members of Fubon Credit (Hong Kong) Limited (continued)

(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 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.

The engagement partner on the audit resulting in this independent auditor's report is FONG, Hoi Wan (practising certificate number: F05707).

Certified Public Accountants

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

3 March 2026

Statement of comprehensive income for the year ended 31 December 2025

(Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Interest income calculated using the effective interest method	3(a)	27,986	13,455
Interest expense	3(b)	(6,827)	(4,840)
Other operating income	4	2,177	859
Operating income		23,336	9,474
Operating expenses	5	(40,426)	(29,962)
Operating loss before impairment losses		(17,090)	(20,488)
Impairment losses on advances to customers	6	(23,714)	(9,562)
Loss before taxation		(40,804)	(30,050)
Income tax	7(a)	-	-
Loss after taxation and total comprehensive income for the year		(40,804)	(30,050)

The notes on pages 11 to 48 form part of these financial statements.

Statement of financial position as at 31 December 2025

(Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
ASSETS			
Cash and cash equivalents	16	87,953	34,401
Advances to customers	9(a)	222,094	143,871
Fixed assets	10	9,756	11,749
Accrued interest and other assets		20,932	14,157
Total assets		<u>340,735</u>	<u>204,178</u>
LIABILITIES			
Deposits and balances of banks		244,500	75,000
Other liabilities	13	15,201	10,333
Amount due to the immediate holding company	11	10,636	7,643
Total liabilities		<u>270,337</u>	<u>92,976</u>
EQUITY			
Share capital	14	145,000	145,000
Reserves		(74,602)	(33,798)
Total equity		<u>70,398</u>	<u>111,202</u>
Total equity and liabilities		<u>340,735</u>	<u>204,178</u>

Approved and authorized for issue by the Board of Directors on 3 March 2026.



Director
Simon CHUNG Kwok Keung



Director
Henry WANG Hao Jen

The notes on pages 11 to 48 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2025

(Expressed in Hong Kong dollars)

	<i>Share capital</i> HK\$'000	<i>Regulatory reserve</i> HK\$'000	<i>Accumulated losses</i> HK\$'000	<i>Total equity</i> HK\$'000
At 1 January 2024	65,000	259	(4,007)	61,252
Issue of ordinary shares (Note 14)	80,000	-	-	80,000
Loss after taxation and total comprehensive income for the year	-	-	(30,050)	(30,050)
Transfer from accumulated losses to regulatory reserve (Note 15)	-	442	(442)	-
At 31 December 2024 and 1 January 2025	145,000	701	(34,499)	111,202
Loss after taxation and total comprehensive income for the year	-	-	(40,804)	(40,804)
Transfer from accumulated losses to regulatory reserve (Note 15)	-	423	(423)	-
At 31 December 2025	<u>145,000</u>	<u>1,124</u>	<u>(75,726)</u>	<u>70,398</u>

The notes on pages 11 to 48 form part of these financial statements.

Cash flow statement for the year ended 31 December 2025

(Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Operating activities			
Loss before taxation		(40,804)	(30,050)
Adjustments for non-cash items:			
Depreciation	5	4,317	3,639
Impairment losses on advances to customers	6	23,714	9,562
Interest income	3(a)	(27,986)	(13,455)
Interest expense	3(b)	6,827	4,840
		(33,932)	(25,464)
Increase in operating assets:			
Gross advances to customers		(101,937)	(101,216)
Other assets		(5,838)	(8,105)
		(107,775)	(109,321)
Increase / (decrease) in operating liabilities:			
Deposits and balances of banks		169,500	50,000
Amount due to the immediate holding company		2,115	(1,157)
Other liabilities		3,969	3,078
		175,584	51,921
Cash generated from / (used in) operations		33,877	(82,864)
Interest received		27,049	12,654
Interest paid for deposits and balances of banks		(5,912)	(3,479)
Interest paid for lease liabilities	16(b)	(37)	(25)
Net cash generated from / (used in) operating activities		54,977	(73,714)
Investing activities			
Payment for purchases of fixed assets		(776)	(6,147)
Proceeds from disposal of fixed assets		26	-
Cash used in investing activities		(750)	(6,147)
Financing activities			
Proceeds from the issue of ordinary shares		-	80,000
Payment of lease liabilities	16(b)	(675)	(605)
Cash (used in) / generated from financing activities		(675)	79,395

Cash flow statement for the year ended 31 December 2025 (continued)

(Expressed in Hong Kong dollars)

	<i>Note</i>	2025 HK\$'000	2024 HK\$'000
Net increase / (decrease) in cash and cash equivalents		53,552	(466)
Cash and cash equivalents as at 1 January		<u>34,401</u>	<u>34,867</u>
Cash and cash equivalents as at 31 December	16(a)	<u><u>87,953</u></u>	<u><u>34,401</u></u>

The notes on pages 11 to 48 form part of these financial statements.

Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Activities and corporate affiliation

Fubon Credit (Hong Kong) Limited (“the Company”) is a deposit taking company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at Fubon Bank Building, 38 Des Voeux Road Central, Hong Kong and Unit 08, 7/F, Tower 2, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon respectively.

The Company provides financial services which include leasing and consumer lending. The directors consider the Company’s ultimate holding company at 31 December 2025 to be Fubon Financial Holding Co. Ltd. (“Fubon Financial”) which is incorporated in the Republic of China and operates as a financial conglomerate.

The Company is a wholly-owned subsidiary of Fubon Bank (Hong Kong) Limited, herein referred to as the immediate holding company.

2 Material accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the requirements of the Hong Kong Companies Ordinance. Material accounting policies adopted by the company are disclosed below.

(b) New and revised HKFRS Accounting Standards

The HKICPA has issued certain Amended HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Company. None of these have had material impact on the accounting policies of the Company.

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 Material accounting policies (continued)

(c) *Basis of preparation of the financial statements*

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRS Accounting Standards that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 21.

(d) *Advances to customers*

The Company recognizes advances to customers on the date it becomes a party to the contractual provisions of the instruments. A regular way purchase or sale of loans and receivables is recognized using trade date accounting. Advances to customers are measured initially at the transaction price plus transaction costs that are directly attributable to the acquisition.

Advances to customers held by the Company are classified as amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from advances to customers is calculated using the effective interest method.

Advances to customers are derecognized when the contractual rights to receive the cash flows from the advances to customers expire, or when the advances to customers together with substantially all the risks and rewards of ownership, have been transferred.

2 Material accounting policies (continued)

(e) Leases and hire purchase contracts

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in HKFRS 16.

(i) Company acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of office premises the Company has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the fixed payments, including in-substance fixed payments.

2 Material accounting policies (continued)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'fixed assets' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) Company acting as a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Company acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company applies the derecognition and impairment requirements in HKFRS 9 to the net investment in the lease (see Notes 2(d) and 2(g)). The Company regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

2 Material accounting policies (continued)

(f) Fixed assets

The Company's property, plant and equipment are stated at cost less accumulated depreciation and impairment losses for the following items:

- right-of-use assets arising from leases over other properties and equipment for own use where the Company is not the registered owner of the property interest (see Note 2(e)); and
- furniture, fixtures and equipment.

Subsequent expenditure relating to a fixed asset that has already been recognized is added to the carrying amount of the assets when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the costs of property and equipment using the straight-line method over the estimated useful lives as follows:

- furniture, fixtures and equipment is generally depreciated over periods of between three to five years.
- right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term.

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

(g) Credit losses and impairment of assets

(i) Impairment of financial assets

The Company applies the Expected Credit Loss ("ECL") model on all financial assets that are measured at amortized cost. The Company does not recognize ECL in respect of balances with banks and accrued interest and other assets as the impact is considered to be immaterial.

Measurement of ECLs

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

2 Material accounting policies (continued)

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

- fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof.

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

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

ECLs are measured on either of the following bases:

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

The Company recognizes a loss allowance equal to 12-month ECLs ("Stage 1") unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs ("Stage 2" or, where classified as credit-impaired, "Stage 3").

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including credit related commitments and contingencies) has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Financial assets that are 30 days or more days past due will always be considered to have a significant increase in credit risk. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

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

2 Material accounting policies (continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment loss or a reversal of impairment loss in profit or loss. The Company recognizes an impairment loss or a reversal of impairment loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income on credit-impaired (or defaulted) financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the gross carrying amount less loss allowance of the financial asset.

Financial assets are considered to be credit-impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. Financial assets that are credit-impaired (or defaulted) include those that are at least 90 days past due in respect of principal and/or interest. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit-impaired.

Evidence that a financial asset is credit-impaired (or defaulted) includes the following observable events:

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

Credit losses against credit-impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realization of any collateral held where appropriate. The loss provisions held represent the difference between the present value of the cash flows expected to be recovered, discounted at the instrument's original effective interest rate, and the gross carrying value of the instrument prior to any credit impairment.

Modified financial instruments

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognized, the resulting modification loss is recognized within impairment in the profit or loss with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Company would not otherwise consider, the instrument is considered to be credit-impaired.

2 Material accounting policies (continued)

These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification. Although loans may be modified for non-credit reasons, a significant increase in credit risk may occur. ECL for modified financial assets that have not been derecognized and are not considered to be credit-impaired will be recognized on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk.

In addition to the recognition of modification gains and losses, the revised carrying value of modified financial assets will impact the calculation of ECL, with any increase or decrease in ECL recognized within impairment.

Write-off policy

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

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

(ii) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following non-financial assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

- furniture, fixtures and equipment; and
- right-of-use assets arising from leases over other properties and equipment for own use;

If any such indication exists, the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2 Material accounting policies (continued)

Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

(i) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the amounts of tax are recognized in other comprehensive income or recognized directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax and deferred tax are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

2 Material accounting policies (continued)

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the related current tax assets and settle the related current tax liabilities on a net basis or realize and settle simultaneously.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Interest income

Effective interest rate

Interest income from all interest-bearing financial instruments is recognized in profit or loss on an accruals basis using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument but not expected credit losses. For financial assets that were purchased or originated credit-impaired on initial recognition, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses (i.e. no expected credit loss provision is required at initial recognition).

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. The transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortized cost and gross carrying amount

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

2 Material accounting policies (continued)

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were purchased or originated credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, please refer to Note 2(g).

(ii) Fee and commission income

Fee and commission income arises on financial services provided by the Company. Fee and commission income is recognized when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognized as income in the accounting period in which the costs or risk is incurred or is accounted for as interest income.

(iii) Finance income from finance lease and hire purchase contracts

Finance income implicit in finance lease and hire purchase payments is recognized as interest income over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period. Contingent rentals receivable are recognized as income in the accounting period in which they are earned.

(k) *Translation of foreign currencies*

The Company's functional currency is Hong Kong dollars. Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the end of the reporting period. Exchange gains and losses are dealt with in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Hong Kong dollars using the exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Hong Kong dollars at exchange rates ruling at the dates the fair value was determined.

2 Material accounting policies (continued)

(I) Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if:

- (a) a person, or a close member of that person's family, is related to the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or the Company's parent.
- (b) an entity is related to the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 Interest income and interest expense

(a) Interest income

	2025 HK\$'000	2024 HK\$'000
Advances to customers	27,790	13,216
Balances with banks	196	239
	<hr/>	<hr/>
Interest income calculated using the effective interest method	27,986	13,455
	<hr/> <hr/>	<hr/> <hr/>

(b) Interest expense

	2025 HK\$'000	2024 HK\$'000
Deposits and balances of banks	6,790	4,813
Lease liabilities	37	27
	<hr/>	<hr/>
	6,827	4,840
	<hr/> <hr/>	<hr/> <hr/>

4 Other operating income

Other operating income represents fee and commission income arises from financial assets or financial liabilities which are not measured at fair value through profit or loss.

5 Operating expenses

	2025 HK\$'000	2024 HK\$'000
Salaries and other staff costs	14,508	12,196
Electronic data processing and computer systems expenses	6,186	3,837
Depreciation (Note 10)	4,317	3,639
Management fee	3,623	3,350
Business promotion	7,144	3,223
Information checking	1,696	1,212
Auditors' remuneration	292	508
Legal and professional fees	371	322
Other operating expenses	2,289	1,675
	<hr/>	<hr/>
	40,426	29,962
	<hr/> <hr/>	<hr/> <hr/>

6 Impairment losses on advances to customers

	2025 HK\$'000	2024 HK\$'000
(Charge for) / write back of impairment losses on advances to customers:		
- Stage 1	(27)	(2)
- Stage 2	(102)	(172)
- Stage 3	(23,624)	(9,504)
- Bad debt recovery of previously written off	39	116
	(23,714)	(9,562)

7 Income tax in the statement of comprehensive income

(a) Taxation in the statement of comprehensive income

No provision has been made for Hong Kong Profits Tax for the year ended 31 December 2025 (2024: Nil) as the Company does not have assessable profits for both years ended 31 December 2025 and 2024.

(b) Reconciliation between tax expense and accounting profit at applicable rate

	2025 HK\$'000	2024 HK\$'000
Loss before taxation	(40,804)	(30,050)
Notional tax on profit before taxation, calculated at the applicable rates in Hong Kong at 16.5% (2024: 16.5%)	(6,733)	(4,958)
Tax effect of unused tax losses not recognized	6,250	5,416
Tax effect of non-deductible expenses	636	536
Tax effect of tax allowances	(153)	(994)
Actual tax expense	-	-

8 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the HKCO and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2025 HK\$'000	2024 HK\$'000
Basic salaries, bonus and other allowances	2,334	1,813
Directors' fee	310	310
Retirement scheme contributions	166	164
	<u>2,810</u>	<u>2,287</u>

There were no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation at 31 December 2025 (31 December 2024: Nil).

9 Advances to customers

(a) Advances to customers less impairment allowances

	2025 HK\$'000	2024 HK\$'000
Gross advances to customers	232,284	147,375
Less: Impairment allowances (Note 18(a)(vi))		
- Stage 1	(113)	(86)
- Stage 2	(274)	(172)
- Stage 3	(9,803)	(3,246)
	<u>222,094</u>	<u>143,871</u>

(b) Advances to customers analysed by industry sector

The following economic sector analysis of gross advances to customers is based on the categories and definitions used by the Hong Kong Monetary Authority ("HKMA").

	2025 HK\$'000	2024 HK\$'000
Gross advances for use in Hong Kong		
Individuals		
- Others	232,207	147,167
Industrial, commercial and financial		
- Transport and transport equipment	77	208
	<u>232,284</u>	<u>147,375</u>

9 Advances to customers (continued)

(c) Net investment in finance leases and hire purchase contracts

Advances to customers include motor vehicles leased to customers under hire purchase contracts having the characteristics of finance leases. The contracts usually run for an initial period of 3 to 5 years, with an option for acquiring the leased asset at nominal value. The total minimum lease payments receivable under hire purchase contracts and their present values at the year end are as follows:

	2025 HK\$'000	2024 HK\$'000
Total minimum lease payments due:		
- within 1 year	78	134
- after 1 year but within 5 years	-	78
	<u>78</u>	<u>212</u>
Interest income relating to future periods	(1)	(4)
Present value of the minimum lease payment receivable	77	208
Impairment allowances on Stage 1 financial assets	-	-
Net investment in finance lease and hire purchase contracts	<u><u>77</u></u>	<u><u>208</u></u>

The maturity profile of the present value of the minimum lease payments before impairment allowances is as follows:

	2025 HK\$'000	2024 HK\$'000
Within 1 year	77	130
After 1 year but within 5 years	-	78
	<u><u>77</u></u>	<u><u>208</u></u>

10 Fixed Assets

	<i>Furniture, fixtures and equipment HK\$'000</i>	<i>Properties leased for own use carried at cost HK\$'000</i>	<i>Equipment leased for own use carried at cost HK\$'000</i>	<i>Total HK\$'000</i>
Cost or valuation				
At 1 January 2024	10,314	1,717	-	12,031
Additions	6,147	-	190	6,337
At 31 December 2024	<u>16,461</u>	<u>1,717</u>	<u>190</u>	<u>18,368</u>
Accumulated depreciation				
At 1 January 2024	2,217	763	-	2,980
Charge for the year (Note 5)	3,056	572	11	3,639
At 31 December 2024	<u>5,273</u>	<u>1,335</u>	<u>11</u>	<u>6,619</u>
Net book value				
At 31 December 2024	<u>11,188</u>	<u>382</u>	<u>179</u>	<u>11,749</u>
Cost or valuation				
At 1 January 2025	16,461	1,717	190	18,368
Additions	776	1,574	-	2,350
Disposal	(38)	-	-	(38)
At 31 December 2025	<u>17,199</u>	<u>3,291</u>	<u>190</u>	<u>20,680</u>
Accumulated depreciation				
At 1 January 2025	5,273	1,335	11	6,619
Charge for the year (Note 5)	3,697	557	63	4,317
Release upon disposal	(12)	-	-	(12)
At 31 December 2025	<u>8,958</u>	<u>1,892</u>	<u>74</u>	<u>10,924</u>
Net book value				
At 31 December 2025	<u>8,241</u>	<u>1,399</u>	<u>116</u>	<u>9,756</u>

11 Amount due to the immediate holding company

The amount due to the immediate holding company is unsecured and interest free.

12 Income tax in the statement of financial position

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

	2025 HK\$'000	2024 HK\$'000
Provision for Hong Kong profits tax for the year	-	-
Balance of Profits Tax provision relating to prior years	-	-
	<u>-</u>	<u>-</u>
Hong Kong Profits Tax provision	<u>-</u>	<u>-</u>

(b) Deferred tax assets unrecognized

The Company has not recognized deferred tax assets in respect of cumulative tax losses of HK\$106,268,000 (2024: HK\$68,201,000) as it is not probable that future taxable profits against which the losses can be utilized will be available. The tax losses do not expire under current tax legislation.

13 Other liabilities

	2025 HK\$'000	2024 HK\$'000
Lease liabilities (Note 16(c))	1,504	605
Accounts payable and other liabilities	13,697	9,728
	<u>15,201</u>	<u>10,333</u>

The following table shows the remaining contractual maturities of the Company's lease liabilities at the end of the reporting period:

	2025		2024	
	<i>Present value of the minimum lease payments</i> HK\$'000	<i>Total minimum lease payments</i> HK\$'000	<i>Present value of the minimum lease payments</i> HK\$'000	<i>Total minimum lease payments</i> HK\$'000
Total minimum lease payments due:				
- within 1 year	550	609	549	563
- after 1 year but within 5 years	954	1,000	56	59
	<u>1,504</u>	<u>1,609</u>	<u>605</u>	<u>622</u>
Total future interest payment		(105)		(17)
Present value of lease liabilities		<u>1,504</u>		<u>605</u>

14 Share capital

	2025		2024	
	<i>No. of shares</i>	<i>Share capital HK\$'000</i>	<i>No. of shares</i>	<i>Share capital HK\$'000</i>
Issued and fully paid:				
At 1 January	145,000,000	145,000	65,000,000	65,000
Issue of shares	-	-	80,000,000	80,000
At 31 December	145,000,000	145,000	145,000,000	145,000

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at a general meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

15 Regulatory reserve

The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve are made directly through accumulated losses and in consultation with the HKMA.

	2025 HK\$'000	2024 HK\$'000
At 1 January	701	259
Transfer from accumulated losses	423	442
At 31 December	1,124	701

16 Cash and cash equivalents

(a) Cash and cash equivalents in the cash flow statement

	2025 HK\$'000	2024 HK\$'000
Cash on hand	5	5
Balances with banks	87,948	34,396
	87,953	34,401

16 Cash and cash equivalents (continued)

(b) Total cash outflow for leases

	2025 HK\$'000	2024 HK\$'000
Within operating cash flows	37	25
Within financing cash flows	675	605
	<u>712</u>	<u>630</u>

(c) Reconciliation movement of liabilities to cashflow arising from financing activities

	2025 HK\$'000	2024 HK\$'000
Lease liabilities		
At 1 January	605	1,020
Changes from financing cash flows		
- Payment of lease liabilities	<u>(675)</u>	<u>(605)</u>
Total changes from financing cash flows	(675)	(605)
Other changes		
- Increase in lease liabilities from entering into new leases during the year	1,574	190
Liability-related		
- Interest expense	37	27
- Interest paid	<u>(37)</u>	<u>(27)</u>
At 31 December (Note 13)	<u>1,504</u>	<u>605</u>

17 Capital commitment

Capital commitments for purchase of equipment and software outstanding not provided for in these financial statements were as follows:

	2025 HK\$'000	2024 HK\$'000
Contracted for	<u>419</u>	<u>1,190</u>

18 Financial risk management

This section presents information about the Company's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments:

- Credit risk: losses resulting from customer default and arising from credit exposures in all forms.
- Market risk: exposures to market variables such as interest rates and exchange rates.
- Liquidity and funding risk: risk that the Company is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.
- Operational risk: risk arising from inadequate or failed internal processes, people and systems or from external events resulting in financial loss.

The Company has established policies and procedures to identify and measure these risks, to set appropriate risk limits as derived from its risk appetite statements and risk appetite indicators and control measures, and to monitor the risks and limits continuously by means of reliable and up-to-date management and information systems. These policies and procedures, including limit excess follow-up procedures, are distributed to the relevant risk taking and risk management units for execution and monitoring. Regular training courses are conducted in order to ensure that all staff are familiar with the key principles of the immediate holding company's code of conduct. The Company continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal Audit Division also performs regular audits to ensure compliance with the policies and procedures. Management of all these financial risks of the Company is covered by the immediate holding company throughout its risk management processes and procedures which are described below.

The Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital are as follows:

(a) Credit risk management

Credit risk is the risk of suffering financial loss in the event that the Company's customers or counterparties fail to fulfil their obligations to the Company. It arises mainly from advances to customer.

The Company manages credit risk through a framework of controls to ensure credit risk taking activities are based on sound principles and in line with the overall business objectives of the Company. It has established a set of credit policies and procedures, which define the credit risk taking criteria, credit approval authorities delegated by the Board of Directors ("Board"), credit monitoring processes and the loan impairment criteria.

The Board has delegated credit approval authorities to the Chief Risk Officer. Approval of individual credit application is exercised by the Chief Risk Officer and approvers within the delegated authority. Quality of approvals is monitored regularly. The Board provides the oversight of the overall credit risk management framework.

18 Financial risk management (continued)

The Risk Management and Compliance Committee ("RMCC"), which is established by the Board, is a management level committee that provides management oversight of the Company's credit risk management. It ensures that the Company has in place an effective credit risk management framework and that its credit risks are within the credit policies and credit risk profile as specified by the Board. The RMCC endorses all credit policies for the Board's approval and reviews and approves credit related guidelines. It also conducts on-going review of the market environment and makes necessary policy recommendations to ensure that the credit risk profile of the Company is within the established risk appetite of the Company.

(i) Credit-related commitments

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio management and collateral requirements as for loan transactions. The Company has no outstanding credit-related commitments and contingencies as at 31 December 2025 and 2024.

(ii) Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of borrowers or market counterparties whose aggregate credit exposure is material in relation to the Company's total exposures. The Company's portfolio of financial instruments mainly consists of personal loans to customers in Hong Kong.

The Company's credit evaluation focuses primarily on a borrower's repayment ability. There is no material credit concentration.

(iii) Maximum exposure to credit risk

The maximum exposure to credit risk at the end of the reporting period without taking into consideration any collateral held or other credit enhancements is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. A summary of the maximum exposure to credit risk for the various components of the statement of financial position is as follows:

	2025 HK\$'000	2024 HK\$'000
<i>Credit risk exposures relating to on-balance sheet assets:</i>		
Cash and cash equivalents	87,948	34,396
Advances to customers	222,094	143,871
Accrued interest and other assets	20,932	14,157
	330,974	192,424
	330,974	192,424

18 Financial risk management (continued)

(iv) Determination of expected credit losses

The Company adopts the approach below in determining ECLs on financial instruments in accordance with HKFRS 9:

<i>Component</i>	<i>Definition</i>
Probability of default (“PD”)	<p>The probability at a point in time that a counterparty will default, calibrated over up to 12 months from the reporting date (Stage 1) or over the lifetime of the product (Stage 2 and Stage 3) and incorporating the impact of forward-looking economic assumptions that have an effect on credit risk, such as unemployment rates and Gross Domestic Products (“GDP”) forecasts.</p> <p>The PD is estimated at a point in time which means it will fluctuate in line with the economic cycle. The term structure of the PD is based on statistical models, calibrated using historical data and adjusted to incorporate forward-looking economic assumptions.</p>
Loss given default (“LGD”)	<p>The percentage loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the proportion of the contractual cash flows due that the Company expects to receive.</p> <p>The Company estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.</p>
Exposure at default (“EAD”)	<p>The expected balance sheet exposure at the time of default, taking into account the expected change in exposure over the lifetime of the exposure. This incorporates the impact of drawdowns of committed facilities, repayments of principal and interest, amortization and prepayments, together with the impact of forward-looking economic assumptions where relevant.</p>

The ECLs are measured at the present value of all expected cash shortfalls.

The estimate of expected cash shortfalls is determined by multiplying the PD with LGD and EAD.

Forward looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as unemployment rates and GDP. These assumptions are incorporated using the Company’s most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally, and are consistent with those used for budgeting, forecasting and capital planning.

18 Financial risk management (continued)

To account for the potential non-linearity in credit losses, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios, both in respect of determining the PD, LGD and EAD and in determining the overall ECL amounts.

(v) Credit quality of advances to customers

The credit quality of advances to customers can be analysed as follows:

	2025 HK\$'000	2024 HK\$'000
Neither past due nor impaired	213,141	136,949
Past due but not impaired	8,454	6,863
Impaired	10,689	3,563
	232,284	147,375
Of which:		
Gross loans and advances to customers that are neither past due nor impaired		
- Grade 1: Pass	211,589	136,949
- Grade 2: Special Mention	1,552	-
	213,141	136,949

There is no collateral held against impaired advances to customers as at 31 December 2025 (2024: Nil).

The following table sets out information about the credit quality of advances to customers.

	2025							
	<u>12-month ECL</u>		<u>Lifetime ECL not credit-</u>		<u>Lifetime ECL credit-</u>		<u>Total</u>	
	<u>Principal</u>	<u>Accrued</u>	<u>Principal</u>	<u>Accrued</u>	<u>Principal</u>	<u>Accrued</u>	<u>Principal</u>	<u>Accrued</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pass	216,978	1,627	3	-	-	-	216,981	1,627
Special mention	-	-	4,614	107	-	-	4,614	107
Substandard	-	-	-	-	7,599	101	7,599	101
Doubtful	-	-	-	-	1,257	177	1,257	177
Loss	-	-	-	-	1,833	72	1,833	72
	216,978	1,627	4,617	107	10,689	350	232,284	2,084
Gross carrying amount								
Less: Impairment allowances	(113)	-	(274)	-	(9,803)	-	(10,190)	-
Carrying amount	216,865	1,627	4,343	107	886	350	222,094	2,084

18 Financial risk management (continued)

	2024							
	<u>12-month ECL</u>		<u>Lifetime ECL not credit-</u> <u>impaired</u>		<u>Lifetime ECL credit-</u> <u>impaired</u>		<u>Total</u>	
	<i>Principal</i> HK\$'000	<i>Accrued</i> <i>interest</i> HK\$'000	<i>Principal</i> HK\$'000	<i>Accrued</i> <i>interest</i> HK\$'000	<i>Principal</i> HK\$'000	<i>Accrued</i> <i>interest</i> HK\$'000	<i>Principal</i> HK\$'000	<i>Accrued</i> <i>interest</i> HK\$'000
Pass	142,038	946	170	4	-	-	142,208	950
Special mention	-	-	1,604	61	-	-	1,604	61
Substandard	-	-	-	-	2,495	55	2,495	55
Doubtful	-	-	-	-	670	67	670	67
Loss	-	-	-	-	398	14	398	14
Gross carrying amount	142,038	946	1,774	65	3,563	136	147,375	1,147
Less: Impairment allowances	(86)	-	(172)	-	(3,246)	-	(3,504)	-
Carrying amount	<u>141,952</u>	<u>946</u>	<u>1,602</u>	<u>65</u>	<u>317</u>	<u>136</u>	<u>143,871</u>	<u>1,147</u>

The Company classifies the advances to customers in accordance with the loan classification system required to be adopted for reporting to the HKMA.

The ageing analysis of advances to customers that are past due but not impaired is as follows:

	2025 HK\$'000	2024 HK\$'000
Gross advances to customers that are past due but not impaired		
- Overdue 3 months or less	8,235	6,863
- Overdue 6 months or less but over 3 months	219	-
	<u>8,454</u>	<u>6,863</u>

There is no advances to customers that would be past due or impaired had the terms not been renegotiated as at 31 December 2025 (2024: Nil).

18 Financial risk management (continued)

(vi) Impairment allowances reconciliation

The following tables show reconciliations from the opening to the closing balance of the impairment allowances on advances to customers at transaction level.

	2025			Total HK\$'000
	12-month ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit-impaired HK\$'000	
Balance at 1 January	86	172	3,246	3,504
New financial assets originated or purchased and further lending	113	274	25,513	25,900
Release on repayment	(84)	(172)	(1,889)	(2,145)
Write-offs	-	-	(17,067)	(17,067)
Change in parameters	5	10	-	15
Net remeasurement of impairment allowances	(7)	(10)	-	(17)
Balance at 31 December (Note 9(a))	<u>113</u>	<u>274</u>	<u>9,803</u>	<u>10,190</u>

	2024			Total HK\$'000
	12-month ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit-impaired HK\$'000	
Balance at 1 January	84	-	210	294
Transfer to lifetime ECL not credit-impaired	(1)	1	-	-
New financial assets originated or purchased and further lending	74	166	9,504	9,744
Release on repayment	(18)	(40)	-	(58)
Write-offs	-	-	(6,468)	(6,468)
Net remeasurement of impairment allowances	(53)	45	-	(8)
Balance at 31 December (Note 9(a))	<u>86</u>	<u>172</u>	<u>3,246</u>	<u>3,504</u>

The contractual amount outstanding on advances to customers that were written off during the year ended 31 December 2025 and are still subject to enforcement activity amounted to HK\$17,067,000 (2024: HK\$6,468,000).

18 Financial risk management (continued)

(vii) Collateral and other credit enhancements

An estimate of the fair value of collateral and other credit enhancements held against financial assets is as follows:

	2025 HK\$'000	2024 HK\$'000
Fair value of collateral and other credit enhancements held against financial assets that are neither past due nor impaired	<u>2,200</u>	<u>2,900</u>

(b) *Market risk management*

The Company is exposed to interest rate risk in its normal course of business. The Company has no currency risk and equity risk exposure as at 31 December 2025 and 2024.

The Board is responsible for the oversight of the overall market risk management framework. The RMCC provides management oversight of the Company's market risk management, endorses all market risk policies for the Board's approval and reviews and approves market risk related guidelines.

The Company has no material market risk exposures.

(i) Interest rate risk

Interest rate risk primarily results from timing differences in the repricing of interest-bearing assets and liabilities. Structural interest rate risk arises primarily from the deployment of non-interest bearing liabilities, including shareholders' funds and current accounts, as well as from certain fixed rate loans and liabilities. Structural interest rate risk is monitored by the Asset and Liability Committee of the immediate holding company.

18 Financial risk management (continued)

The following tables indicate the effective interest rates for the relevant periods and the mismatches of the expected next repricing dates (or maturity date whichever are earlier) for interest bearing assets and liabilities at the end of the reporting period.

	Average effective interest rate	2025					Non-interest bearing HK\$'000
		Total HK\$'000	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	
ASSETS							
Cash and cash equivalents	0.03%	87,953	10,935	-	-	-	77,018
Advances to customers	17.30%	222,094	21,878	54,265	145,629	322	-
Fixed assets	N/A	9,756	-	-	-	-	9,756
Accrued interest and other assets	N/A	20,932	-	-	-	-	20,932
		<u>340,735</u>	<u>32,813</u>	<u>54,265</u>	<u>145,629</u>	<u>322</u>	<u>107,706</u>
LIABILITIES							
Deposits and balances of banks	4.43%	244,500	115,500	129,000	-	-	-
Lease liabilities	4.95%	1,504	133	417	954	-	-
Other liabilities	N/A	13,697	-	-	-	-	13,697
Amount due to the immediate holdings company	N/A	10,636	-	-	-	-	10,636
		<u>270,337</u>	<u>115,633</u>	<u>129,417</u>	<u>954</u>	<u>-</u>	<u>24,333</u>
Interest rate sensitivity gap			<u>(82,820)</u>	<u>(75,152)</u>	<u>144,675</u>	<u>322</u>	

18 Financial risk management (continued)

	Average effective interest rate	2024					
		Total HK\$'000	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS							
Cash and cash equivalents	0.28%	34,401	25,739	-	-	-	8,662
Advances to customers	15.99%	143,871	12,008	30,982	100,824	57	-
Fixed assets	N/A	11,749	-	-	-	-	11,749
Accrued interest and other assets	N/A	14,157	2,490	3,364	7,781	17	505
		<u>204,178</u>	<u>40,237</u>	<u>34,346</u>	<u>108,605</u>	<u>74</u>	<u>20,916</u>
LIABILITIES							
Deposits and balances of banks	6.15%	75,000	75,000	-	-	-	-
Lease liabilities	4.19%	605	235	314	56	-	-
Other liabilities	N/A	9,728	-	-	-	-	9,728
Amount due to the immediate holdings company	N/A	7,643	-	-	-	-	7,643
		<u>92,976</u>	<u>75,235</u>	<u>314</u>	<u>56</u>	<u>-</u>	<u>17,371</u>
Interest rate sensitivity gap			<u>(34,998)</u>	<u>34,032</u>	<u>108,549</u>	<u>74</u>	

Sensitivity analysis of interest rate risk in banking book

As at 31 December 2025 and 2024, if other market variables including prime rate were held constant, an increase in HKD market interest rate of 100 basis points would have no impact on earnings and economic value over the next 12 months.

Conversely, if other market variables including prime rate were held constant, a decrease in HKD market interest rates of 100 basis points would have no impact on earnings and economic value over the next 12 months.

18 Financial risk management (continued)

(c) Liquidity risk management

The Board is responsible for the oversight of the overall liquidity risk management framework.

The RMCC provides management oversight of the Company's liquidity risk management and endorses all liquidity risk policies for the Board's approval and reviews and approves liquidity risk related guidelines.

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalize on opportunities for business expansion. This includes the Company's ability to repay borrowings as they mature, to comply with the statutory liquidity ratio and to make new loans and investments as opportunities arise.

Liquidity is managed on a daily basis by the Funding Desk Department of the immediate holding company pursuant to the Intercompany Services Agreement executed between the Company and the immediate holding company. The Funding Desk Department is responsible for ensuring that the Company has adequate liquidity for all operations.

As part of its liquidity risk management, the Company manages liquidity risk by holding sufficient liquid assets (e.g. cash and balances with banks) of appropriate quality to ensure that short-term funding requirements are covered within prudent limits. The Company regularly performs stress tests on its liquidity position.

The Company maintains average liquidity maintenance ratio well above the statutory minimum ratios of 25% throughout the years ended 31 December 2025 and 2024.

18 Financial risk management (continued)

- (i) Analysis of assets and liabilities by remaining maturity

The following maturity profile is based on the remaining period at the end of the reporting period to the contractual maturity date:

	2025						Undated or overdue HK\$'000
	Total HK\$'000	Repayable on demand HK\$'000	Within 1 month HK\$'000	Over 1 month but within 3 months HK\$'000	Over 3 months but within 1 year HK\$'000	Over 1 year but within 5 years HK\$'000	
ASSETS							
Cash and cash equivalents	87,953	87,953	-	-	-	-	-
Advances to customers	222,094	-	6,037	12,164	54,265	145,628	322
Fixed assets	9,756	-	-	-	-	-	9,756
Accrued interest and other assets	20,932	-	2,345	1,665	5,088	10,932	902
	<u>340,735</u>	<u>87,953</u>	<u>8,382</u>	<u>13,829</u>	<u>59,353</u>	<u>156,560</u>	<u>14,336</u>
LIABILITIES							
Deposits and balances of banks	244,500	-	67,000	48,500	129,000	-	-
Other liabilities	15,201	9,922	3,523	88	417	957	294
Amount due to the immediate holding company	10,636	4,657	1,162	700	4,117	-	-
	<u>270,337</u>	<u>14,579</u>	<u>71,685</u>	<u>49,288</u>	<u>133,534</u>	<u>957</u>	<u>294</u>
Net liquidity gap		73,374	(63,303)	(35,459)	(74,181)	155,603	322

18 Financial risk management (continued)

	2024						
	Total HK\$'000	Repayable on demand HK\$'000	Within 1 month HK\$'000	Over 1 month but within 3 months HK\$'000	Over 3 months but within 1 year HK\$'000	Over 1 year but within 5 years HK\$'000	Undated or overdue HK\$'000
ASSETS							
Cash and cash equivalents	34,401	34,401	-	-	-	-	-
Advances to customers	143,871	-	3,291	6,670	30,982	100,824	57
Fixed assets	11,749	-	-	-	-	-	11,749
Accrued interest and other assets	14,157	-	1,405	1,085	3,364	7,781	17
	204,178	34,401	4,696	7,755	34,346	108,605	74
LIABILITIES							
Deposits and balances of banks	75,000	-	6,000	69,000	-	-	-
Other liabilities	10,333	7,208	2,578	103	315	56	73
Amount due to the immediate holding company	7,643	2,919	84	1,290	3,350	-	-
	92,976	10,127	8,662	70,393	3,665	56	73
Net liquidity gap		24,274	(3,966)	(62,638)	30,681	108,549	74

18 Financial risk management (continued)

(ii) Analysis of liabilities by contractual maturity

The following contractual cash flow projections of the Company's financial liabilities analysed by the remaining period as at the end of the reporting period to the contractual maturity dates.

	2025							2024 (restated)										
	Carrying amount HK\$'000	Total HK\$'000	Repayable on demand HK\$'000	Within 1 month HK\$'000	Over 1 month but within 3 months HK\$'000	Over 3 months but within 1 year HK\$'000	Over 1 year but within 5 years HK\$'000	Over 5 years HK\$'000	Undated or overdue HK\$'000	Carrying amount HK\$'000	Total HK\$'000	Repayable on demand HK\$'000	Within 1 month HK\$'000	Over 1 month but within 3 months HK\$'000	Over 3 months but within 1 year HK\$'000	Over 1 year but within 5 years HK\$'000	Over 5 years HK\$'000	Undated or overdue HK\$'000
LIABILITIES																		
Deposits and balances of banks	244,500	249,980	-	68,331	49,600	132,049	-	-	-									-
Other liabilities	15,201	15,306	9,922	3,531	100	459	1,000	-	294									
Amount due to the immediate holding company	10,636	8,281	4,657	-	-	3,624	-	-	-									-
	270,337	273,567	14,579	71,862	49,700	136,132	1,000	-	294									
LIABILITIES																		
Deposits and balances of banks	75,000	77,308	-	6,202	71,106	-	-	-	-									-
Other liabilities	10,333	10,349	7,208	2,582	105	323	59	-	72									
Amount due to the immediate holding company	7,643	6,166	2,816	-	-	3,350	-	-	-									-
	92,976	93,823	10,024	8,784	71,211	3,673	59	-	72									

Comparative figures have been restated to conform with current year presentation.

18 Financial risk management (continued)

(d) Operational risk management

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Given that operational risk is inherent in all business products, activities, processes and systems, the Company has developed, implemented and maintained a robust operational risk management framework to facilitate the timely identification, effective assessment and mitigation of the risk. Internal controls, an integral part of a sound operational risk management framework, are maintained by the departmental operational manuals which provide guidance on the baseline controls to ensure a sound management of business and operations.

The Board provides the oversight of the overall operational risk management framework.

The RMCC provides management oversight of the Company's operational risk management. It ensures that the Company has in place an effective operational risk management framework. The RMCC endorses all operational risk policies for the Board's approval and reviews and approves operational risk related guidelines.

Business and support units are required to review their procedures regularly to ensure compliance with the internal control standards and regulatory requirements. They are also required to work closely with Operational Risk Management Department and Compliance and Anti-Money Laundering Division of the immediate holding company on internal control, regulatory compliance and operational risk management related activities and initiatives.

Each new product or service introduced is subject to a rigorous review and approval process where all relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product or services. Variations of existing products or services are also subject to a similar process. In addition, the Company maintains business continuity plans and tests contingency facilities regularly to ensure an ability to operate on an ongoing basis and limit losses in the event of severe business disruption.

Internal Audit Division plays an essential role in monitoring and limiting operational risk. Their foci include evaluating the adequacy of all internal controls independently, ensuring adherence to operating guidelines and making improvement recommendations pro-actively.

18 Financial risk management (continued)

(e) Capital management

The HKMA sets and monitors capital requirements for the Company. In addition to meeting the regulatory requirements, the Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to maximise returns for shareholders and optimise benefits for other stakeholders, and to maintain a strong capital base to support the development of the Company's business by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Company's capital management is overseen by the RMCC and reviewed regularly by the Board. Key tools adopted include capital budgeting, monitoring and stress testing. An annual capital budget is prepared during the annual budgeting process to assess the adequacy of Company's capital to support current and future business activities taking into account the Company's strategic focus and business plan. The annual budget is approved by the Board. Actual capital adequacy is measured and compared against the approved budget on a regular basis. The Company is managed and wholly funded by the immediate holding company as an integral part of the immediate holding company. The Company has established a Recovery Plan to ensure it is capable to preserve or restore its capital level riding on the immediate holding company's Recovery Plan during the severe stress period. Both Recovery Plans are subject to regular, at least annually, review and update.

The principal forms of capital are included in the following balances in the statement of financial position: share capital and reserves. Capital for regulatory purposes also includes the impairment allowances made against Stage 1 and Stage 2 financial instruments as allowed by the Banking (Capital) Rules of the Hong Kong Banking Ordinance ("Capital Rules").

The Company adopts the standardized approach for the calculation of risk-weighted assets for credit risk and operational risk.

Consistent with industry practice, the Company monitors its capital structure on the basis of its capital adequacy ratio and there have been no material changes in the Company's policy on the management of capital during the years ended 31 December 2025 and 2024.

The Company computes its capital adequacy ratios in accordance with the Capital Rules.

The Company has complied with all externally imposed capital requirements throughout the years ended 31 December 2025 and 2024, and were above the minimum required ratio set by the HKMA. As at 31 December 2025, the Company's total capital ratio was 31.23% (2024: 75.28%), which was well above the statutory requirements.

19 Fair values of financial instruments

(a) *Estimation of fair values*

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available, the most suitable measure of fair value is the quoted market price. In the absence of organised secondary markets for most financial instruments, and in particular for loans, deposits and unlisted derivatives, direct market prices are not available. The fair values of such instruments are therefore calculated on the basis of well-established valuation techniques using current market parameters. In particular, the fair value is a theoretical value applicable at a given reporting date, and hence can only be used as an indicator of the value realizable in a future sale.

The fair value of loans does not reflect changes in their credit quality, as the impact of credit risk is recognized separately by deducting the amount of the impairment allowances from both the carrying amount and fair value.

The fair value of fixed rate loans carried at amortized cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognized separately by deducting the amount of the impairment loss and allowances from both the carrying amount and fair value.

(b) *Fair value*

All financial instruments are stated at fair value or carried at amounts not materially different from their fair values as at 31 December 2025 and 2024.

20 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Company entered into transactions with related parties in the normal course of its business. Information relating to related party transactions during the year is set out below:

	2025 HK\$'000	2024 HK\$'000
(a) Income		
Immediate holding company		
Interest income	<u>196</u>	<u>239</u>
(b) Expenses		
Immediate holding company		
Management fee	3,623	3,350
Interest expense	<u>6,790</u>	<u>4,813</u>
	<u>10,413</u>	<u>8,163</u>
(c) Placement of deposits		
Immediate holding company		
Balances with banks	<u>87,930</u>	<u>34,377</u>
There was no impairment allowance made against these assets.		
(d) Taking of deposits		
Immediate holding company		
Deposits and balances of banks	244,500	75,000
Interest payable	<u>2,355</u>	<u>1,477</u>
	<u>246,855</u>	<u>76,477</u>

(d) Key management personnel remuneration

Remuneration for key management personnel includes amounts paid to the Company's directors as disclosed in Note 8.

21 Accounting estimates and judgements

In preparing these financial statements, certain assumptions and estimates have been made by management of the Company. The accuracy of these assumptions and estimates are continuously reviewed by management with reference to actual results, historical experience and other factors, including projection of future cash flows and possible outcomes from future events. Management believes that the assumptions and estimates made are reasonable and supportable.

The key source of estimation uncertainty is as follows:

Impairment losses

Management exercises judgement in establishing the criteria for determining whether the credit risk of a financial asset has increased significantly since initial recognition and determining inputs into the ECL measurement model, including the incorporation of forward-looking information. For details of the ECL model, please refer to Note 18(a)(iv).

22 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2025

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Company:

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027

The Company is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

Other information of Fubon Credit (Hong Kong) Limited

BOARD OF DIRECTORS

Simon CHUNG Kwok Keung
Henry WANG Hao Jen
Patrick CHAN Tin Ching
Lawrence LAM Wai Hung
Rockson HSU
Carmen YIP Ka Man
Peter PANG Sing Tong (Independent Non-Executive Director)

MANAGEMENT

Chief Executive

Henry WANG Hao Jen

Alternate Chief Executive

Patrick CHAN Tin Ching
Lawrence LAM Wai Hung

REMUNERATION SYSTEM

Fubon Credit (Hong Kong) Limited (the “Company”) follows the remuneration system of the immediate holding company, Fubon Bank (Hong Kong) Limited.

The Nomination and Remuneration Committee (the “Committee”) of the immediate holding company is chaired by an Independent Non-Executive Director and comprises the Non-Executive Chairman, Non-Executive Vice Chairman and all the Independent Non-Executive Directors of the of the immediate holding company. The Committee meets periodically and as required and provides oversight of the management of the immediate holding company’s human resources including the appointment of Directors (both executive and non-executive), Senior Management and Management Committee Members. The Committee approves the immediate holding company’s overall human resources management framework to ensure that it is in compliance with the applicable government regulations and follows the market best practice whenever possible. The Committee is also responsible to ensure that Directors, Senior Management and Management Committee Members appointed possess the necessary and appropriate qualifications to perform and discharge their duties.

The Committee reviews at least annually whether each existing Director continues to remain qualified for his post, including the suitability and appropriateness of the Independent Non-Executive Director. It also reviews the structure, size and composition of the Board and makes recommendations on any proposed change to the Board.

The Committee reviews and approves the remuneration of Directors, members of Board Committees, Senior Management and Key Personnel (as defined in the Remuneration Policy of the immediate holding company).

The Committee is mandated to assist the Board of Directors of the immediate holding company in establishing cultural and behavioural standards that promote prudent risk-taking and fair treatment of customers and employees. It advises and assists the Board of the immediate holding company’s in discharging its responsibilities for the immediate holding company’s culture-related matters.

Other information of Fubon Credit (Hong Kong) Limited (continued)

Remuneration of Senior Management and Key Personnel

Basically, the remuneration packages of senior management and key personnel consist of fixed and variable remuneration.

Fixed pay includes base salary, fixed allowances and year-end double pay, while variable pay may cover sales incentives and year-end discretionary bonus. The remuneration packages of senior management and key personnel are determined by the immediate holding company with reference to a number of factors as follows:

- alignment of compensation to its profitability, risk and capital;
- maximization of employees' and the Company's performance;
- attraction and retention of talent and skilled staff;
- calibration to the differing needs of each division and staff's levels of responsibility; and
- benchmarking against industry norms should be done at least on bi-annual basis to check the reasonableness of the compensation by peers.

There are three senior management and key personnel of the Company for the financial year, namely, Henry WANG Hao Jen, Patrick CHAN Tin Ching and Lawrence LAM Wai Hung.

Henry WANG Hao Jen and Patrick CHAN Tin Ching are also employees of the immediate holding company and received no remuneration from the Company for their position as management but instead were remunerated by the immediate holding company for their roles with the immediate holding company.