Report of the Directors and Audited Financial Statements

KEB HANA GLOBAL FINANCE LIMITED
換銀韓亞環球財務有限公司

31 December 2021

KEB HANA GLOBAL FINANCE LIMITED
換銀韓亞環球財務有限公司

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REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of KEB Hana Global Finance Limited (the "Company") for the year ended 31 December 2021.

Principal activities

The Company is a deposit-taking company registered under the Banking Ordinance in Hong Kong and a registered institution under the Securities and Futures Ordinance. It engages in the business of lending, deposit-taking, dealing in securities and brokerage business. There were no significant changes in the nature of the Company's principal activities during the year.

Results and dividends

The Company's profit for the year ended 31 December 2021 and its financial position at that date are set out in the financial statements on pages 6 to 41.

The directors do not recommend the payment of any dividend in respect of the year.

Shares issued

There were no movements in the Company's share capital during the year.

Directors

The directors of the Company during the year were:

Mr. Han Donghyun	
Mr. Seo Joong Gun	(appointed on 8 March 2021)
Mr. Lee Il Ro	(appointed on 19 March 2021)
Mr. Jeon Ho Jin	(appointed on 5 July 2021)
Mr. Kim Si Hoon	(resigned on 18 January 2021)
Mr. Kim Inbae	(resigned on 9 March 2021)
Mr. Woo Kyeong Ho	(resigned on 5 July 2021)

After the end of the reporting period, the following directors were appointed or resigned:

Mr. Lee Jaehyen	(appointed on 2 March 2022)
Mr. Kwon Yong Dae	(appointed on 18 March 2022)
Mr. Kweon Sun Chul	(resigned on 2 March 2022)
Mr. Kim Jae Ho	(resigned on 18 March 2022)

There being no provision to the contrary in the Company's Articles of Association, all existing directors shall remain in office.

Permitted indemnity provision

At no time during the year and up to the date of this directors' report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company.

Directors' interests in transactions, arrangements or contracts

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

Arrangement to purchase shares or debentures

At no time during the year was the Company or any of its holding companies or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Auditors

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

ON BEHALF OF THE BOARD

....
Lee Jaehyen
Director

Hong Kong
22 April 2022

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

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Independent auditor's report
To the members of KEB Hana Global Finance Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of KEB Hana Global Finance Limited (the "Company") set out on pages 6 to 41, which comprise the statement of financial position as at 31 December 2021, 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 a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

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

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

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.

Responsibilities of the directors for the financial statements

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

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

Independent auditor's report (continued)
To the members of KEB Hana Global Finance Limited
(Incorporated in Hong Kong with limited liability)

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.

- 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.

Independent auditor's report (continued)
To the members of KEB Hana Global Finance Limited
(Incorporated in Hong Kong with limited liability)

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

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
22 April 2022

KEB HANA GLOBAL FINANCE LIMITED
換銀韓亞環球財務有限公司

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 US$	2020 US$
Interest income	6	2,822,618	3,581,768
Interest expenses	6	(238,106)	(827,156)
Net interest income		2,584,512	2,754,612
Fee income	7	5,129,198	2,618,965
		7,713,710	5,373,577
Staff costs	8	(2,022,338)	(1,718,270)
Other operating expenses		(1,784,620)	(1,665,848)
Reversal of impairment allowance on debt investments at fair value through other comprehensive income		34	2,060
Reversal of impairment allowances on loans and advances to customers	11	49,738	73,896
PROFIT BEFORE TAX	9	3,956,524	2,065,415
Income tax expense	10(a)	(617,683)	(305,132)
PROFIT FOR THE YEAR		3,338,841	1,760,283
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Debt investments at fair value through other comprehensive income:			
Changes in fair value		(96,753)	102,580
Reversal of impairment allowances		(34)	(2,060)
		(96,787)	100,520
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(96,787)	100,520
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,242,054	1,860,803

KEB HANA GLOBAL FINANCE LIMITED
換銀韓亞環球財務有限公司

STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 US$	2020 US$
ASSETS			
Bank balances with the Parent Bank	19	580,391	250,803
Bank balances with other financial institutions		1,388,937	9,729,906
Loans and advances to customers	11	171,046,284	138,574,882
Tax recoverable		796	626,542
Debt investments at fair value through other comprehensive income	12	10,009,277	10,208,687
Property and equipment and leases	13	995,100	1,817,970
Intangible assets	15	254,963	254,963
Deferred tax assets	10(b)	17,913	9,850
Other receivables and prepayments		289,680	337,760
Total assets		184,583,341	161,811,363
LIABILITIES			
Loans due to the Parent Bank	19	112,415,130	92,222,112
Accrued expenses and other payables		172,491	170,263
Provision for reinstatement cost	16	119,732	117,310
Lease liabilities	13	576,237	1,243,981
Total liabilities		113,283,590	93,753,666
EQUITY			
Share capital	17	50,000,000	50,000,000
Reserves		21,299,751	18,057,697
Total equity		71,299,751	68,057,697
Total liabilities and equity		184,583,341	161,811,363

The financial statements on pages 6 to 41 were approved and authorised for issue by the Board of Directors on 22 April 2022 and are signed on its behalf by:

Lee Jaehyen
Director

Seo Joong Gun
Director

KEB HANA GLOBAL FINANCE LIMITED
換銀韓亞環球財務有限公司

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Share capital US$	Fair value reserve US$	Retained profits US$	Regulatory reserve (note 18) US$	Total US$
At 1 January 2020	50,000,000	39,564	14,861,406	1,295,924	66,196,894
Profit for the year	-	-	1,760,283	-	1,760,283
Other comprehensive income for the year:					
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	-	102,580	-	-	102,580
Expected credit losses reversed in profit or loss	-	(2,060)	-	-	(2,060)
Transfer from regulatory reserve to retained profits	-	-	637,098	(637,098)	-
At 31 December 2020 and 1 January 2021	50,000,000	140,084	17,258,787	658,826	68,057,697
Profit for the year			3,338,841		3,338,841
Other comprehensive income for the year:					
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	-	(96,753)	-	-	(96,753)
Expected credit losses reversed in profit or loss	-	(34)	-	-	(34)
Transfer from regulatory reserve to retained profits	-	-	(182,284)	182,284	-
At 31 December 2021	50,000,000	43,297	20,415,344	841,110	71,299,751

KEB HANA GLOBAL FINANCE LIMITED
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STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	2021 US$	2020 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3,956,524	2,065,415
Adjustments for:		
Depreciation	971,195	1,028,789
Interest expense on lease liabilities	14,245	31,103
Interest expense on provision for reinstatement cost	2,422	2,388
Reversal of impairment allowance on debt investments at fair value through other comprehensive income	(34)	(2,060)
Reversal of impairment allowances on loans and advances to customers	(49,738)	(73,896)
Loss on disposal of property and equipment	-	200
Gain on termination of lease contracts	(1,989)	(853)
Operating profit before changes in operating assets and liabilities	4,892,625	3,051,086
Changes in operating assets:		
(Increase)/decrease in gross loans and advances to customers	(32,421,664)	7,829,681
Decrease in debt investments at fair value through other comprehensive income	102,657	14,543,468
Decrease in other receivables and prepayments	48,080	109,636
	(32,270,927)	22,482,785
Changes in operating liabilities:		
Increase/(decrease) in loans due to the Parent Bank	20,193,018	(13,222,576)
Increase/(decrease) in accrued expenses and other payables	2,228	(119,112)
	20,195,246	(13,341,688)
Hong Kong profits tax paid	-	(2,175,892)
Net cash flows (used in)/from operating activities	(7,183,056)	10,016,291
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(9,936)	(1,195)
Net cash flows used in investing activities	(9,936)	(1,195)
CASH FLOW FROM FINANCING ACTIVITY		
Principal portion of lease payments	(804,144)	(863,785)
Interest element on lease liabilities	(14,245)	(31,103)
Net cash flows used in financing activities	(818,389)	(894,888)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,011,381)	9,120,208
Cash and cash equivalents at the beginning of the year	9,980,709	860,501
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,969,328	9,980,709
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances with the Parent Bank	580,391	250,803
Bank balances with other financial institutions	1,388,937	9,729,906
	1,969,328	9,980,709

1. CORPORATE INFORMATION

KEB Hana Global Finance Limited (The "Company") is a limited liability company incorporated in Hong Kong. The Company's immediate holding company is KEB Hana Bank (the "Parent Bank"), a limited company incorporated in the Republic of Korea, and the ultimate holding company is Hana Financial Group Inc. The registered office and principal place of business of the Company is Unit 6203A, Level 62, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The Company is a deposit-taking company registered under the Banking Ordinance in Hong Kong and a registered institution under the Securities and Futures Ordinance. It engages in the business of lending, deposit-taking, dealing in securities and brokerage business.

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF PREPARATION

These financial statements have been prepared under historical cost convention, except for debt investments at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in US dollars ("US$"), which is also the functional currency of the Company.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS39, HKFRS 7 HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are not expected to have any significant impact on the Company's financial statements.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted relationships.

The Company has early adopted the amendment on 1 January 2021. However, the Company has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not early applied any of the new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2021 in these financial statements.

Among the revised HKFRSs, the following are expected to be relevant to the Company's financial statements upon becoming effective:

Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 As a consequence of the amendments to HKAS 1, 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 in October 2020 to align the corresponding wording with no change in conclusion

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Company expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

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

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Company is currently assessing the impact of the amendments on the Company's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Company has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Company will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

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

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Company are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Company's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue from contracts with customers

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Company.

Fees and commission are accounted for when the performance obligation is satisfied at a point in time when the customer has received the service from the Company, generally when the trades are executed.

Property and equipment and depreciation

Items of property and equipment are stated at cost less accumulated depreciation and any impairment losses.

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

Owned assets	
Leasehold improvements	Over the unexpired term of the lease
Reinstatement cost	Over the unexpired term of the lease
Furniture and fixtures	25%
Office equipment	25%
Motor vehicles	25%
Right-of-use assets	
Office premises and staff quarters	Over the unexpired term of the lease
Motor vehicles	Over the unexpired term of the lease

The gain or loss on disposal of items of property and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the statement of profit or loss.

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

Intangible assets

Intangible assets with finite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on non-financial assets below) and are amortised on the straight-line basis over their useful lives. They are tested for impairment annually either individually or at the cash-generating unit level. The amortisation period and amortisation method are reviewed annually.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss in the period when the asset is derecognised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets
All financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when the Company commits to purchase or sell the assets.

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

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

Impairment
The Company applies an expected credit loss ("ECL") model on loans and advances to customers and debt investments at fair value through other comprehensive income that are subject to impairment. Impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Company is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

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

Loans and advances to customers and debt investments at fair value through other comprehensive income are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition

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

Financial liabilities

Financial liabilities include loans due to the Parent Bank and accrued expenses and other payables. They are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Fair value measurement

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Company assesses at the end of each reporting period on where an indication of impairment exists, whether there is an indication that an asset may be impaired. If such an indication exists, the Company makes an estimate of the asset's recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its 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 generates cash inflows independently (i.e., a cash-generating unit).

An impairment loss is recognised in the statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to the statement of profit or loss in the year in which it arises.

Income tax

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

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

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

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Leases
The Company as a Lessee
The Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. All leases with a term of more than 12 months are recognised as assets representing the right of use of the underlying asset and liabilities representing the obligation to make lease payments, unless the underlying asset is of low value. Both the assets and the liabilities are initially measured on a present value basis. Right-of-use assets are recognised under property, plant and equipment and are measured at cost or valuation less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful lives of the assets and the lease terms. Lease liabilities are initially measured at the present value of lease payments to be made under the lease terms and subsequently adjusted by the effect of the interest on and the settlement of the lease liabilities, and the re-measurement arising from any reassessment of the lease liabilities or lease modifications.

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(a) the party is a person or a close member of that person's family and that person
  (i) has control or joint control over the Company;
  (ii) has significant influence over the Company; or
  (iii) is a member of the key management personnel of the Company or of a parent of the Company;
or

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

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired, less bank overdrafts.

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

Employee benefits
Retirement benefit costs
The Company operates a mandatory provident fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. Contributions are made based on a percentage of the employees' basic salaries and are charged to in the statement of profit or loss as and when the contributions fall due.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Company's accounting policies, which are described in note 2.5 to the financial statements, the directors are required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

<u>Deferred tax assets</u>
Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 10(b) to the financial statements.

<u>Impairment allowances</u>
The impairment provisions for loans and advances to customers are based on assumptions about expected credit losses. The Company uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is past due as well as the Company's historical credit loss experience and forward-looking information which uses the scenario of Hana Financial Group Inc's stress test based on macroeconomic variables at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss. Further details of the loans and advances to customers are given in note 11 to the financial statements.

4. CAPITAL MANAGEMENT

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

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

Capital adequacy ratio is computed as a ratio of total regulatory capital to the risk-weighted assets.

Capital adequacy position and the use of regulatory capital are monitored closely by the Company's management, employing techniques based on the Banking (Capital) Rules.

The Company has complied with the capital requirements during the year ended 31 December 2021 and 2020 and has maintained a capital of above the minimum required ratio set by the Hong Kong Monetary Authority ("HKMA") at 31 December 2021 and 2020.

5. FINANCIAL RISK MANAGEMENT

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

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on both types of interest rate risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movement arise. Fair values of the debt investments at fair value through other comprehensive income may change as a result of the fluctuation in market interest rates. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly.

The table below summarises the Company's exposure to interest rate risk. Included in the table are the Company's financial assets and financial liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturing dates.

5. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

31 December 2021	Weighted average effective interest rate %	Up to 3 months US$	3 -12 months US$	1-5 years US$	Non-interest bearing US$	Total US$
FINANCIAL ASSETS						
Bank balances with the Parent Bank and other financial institutions	0.01	448,185	-	-	1,521,143	1,969,328
Loans and advances to customers	1.57	164,304,000	6,519,163	-	223,121	171,046,284
Other receivables	-	-	-	-	224,982	224,982
Debt investments at fair value through other comprehensive income	1.96	5,065,706	-	4,879,589	63,982	10,009,277
		169,817,891	6,519,163	4,879,589	2,033,228	183,249,871
FINANCIAL LIABILITIES						
Loans due to the Parent Bank	0.27	112,400,000	-	-	15,130	112,415,130
Lease liabilities	0.40	207,014	251,747	117,476	-	576,237
		112,607,014	251,747	117,476	15,130	112,991,367
Interest sensitivity gap		57,210,877	6,267,416	4,762,113	2,018,098	70,258,504

31 December 2020	Weighted average effective interest rate %	Up to 3 months US$	3 -12 months US$	1-5 years US$	Non-interest bearing US$	Total US$
FINANCIAL ASSETS						
Bank balances with the Parent Bank and other financial institutions	0.01	51,675	-	-	9,929,034	9,980,709
Loans and advances to customers	1.65	130,589,740	7,772,322	-	212,820	138,574,882
Other receivables	-	-	-	-	238,564	238,564
Debt investments at fair value through other comprehensive income	2.00	5,104,275	-	5,039,678	64,734	10,208,687
		135,745,690	7,772,322	5,039,678	10,445,152	159,002,842
FINANCIAL LIABILITIES						
Loans due to the Parent Bank	0.35	92,200,000	-	-	22,112	92,222,112
Lease liabilities	1.35	215,834	616,840	411,307	-	1,243,981
		92,415,834	616,840	411,307	22,112	93,466,093
Interest sensitivity gap		43,329,856	7,155,482	4,628,371	10,423,040	65,536,749

As at 31 December 2021, if the market interest rates had been 50 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit for the year would have increased/decreased by US$341,202 (2020: US$275,569).

5. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk

The Company takes on exposures to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors set limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

As almost 100% of financial assets (2020: 100%) and 100% of financial liabilities (2020: 100%) of the Company are denominated in the functional currency of the Company, the Company is not exposed to significant currency risk. Accordingly, no sensitivity analysis has been presented on foreign currency risk.

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 reviews the respective recognised recoverable amount on an annual basis to ensure that adequate impairment losses are made for irrecoverable amounts. Exposure to credit risk arising from loans and advances to customers is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining guarantees and by creating charges over collateral.

The Company uses a credit performance classification system, similar to that required by the Hong Kong Monetary Authority, to assess the likelihood of default by the customers. As at 31 December 2021, except a loan downgraded to special mention amounting to US$1,670,744 (2020: a restructured loan of US$212,844 and a loan downgraded to special mention of US$2,337,157), all remaining loans and advances are classified as pass, with none past due or impaired. The Special Mention loan has been downgraded from pass to special mention due to its country economic circumstances.

The credit risk arising from liquid funds (including placements and balances with banks and other financial institutions) is limited because the counterparties have high credit ratings assigned by international credit-rating agencies. At 31 December 2021 and 2020, no placements and bank balances are impaired.

As at 31 December 2021, the loans and advances to customers were due from 38 counterparties (2020: 34 counterparties). There was no significant concentration of credit risk to any single customer. Furthermore, the majority of bank balances are from two (2020: two) counterparties, including the Parent Bank.

5. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification.

The amounts presented are net carrying amounts for financial assets.

31 December 2021

	12-month expected credit losses	Lifetime expected credit losses		
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Bank balances with the Parent Bank and other financial institutions	1,969,328	-	-	1,969,328
Loans and advances to customers (Note 1)				
- Pass	165,468,084	3,907,456	-	169,375,540
- Special Mention	-	1,670,744	-	1,670,744
Financial assets included in other receivables				
- Normal (Note 2)	224,982	-	-	224,982
Debt investments at fair value through other comprehensive income	10,009,277	-	-	10,009,277
	177,671,671	5,578,200	-	183,249,871

31 December 2020

	12-month expected credit losses	Lifetime expected credit losses		
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Bank balances with the Parent Bank and other financial institutions	9,980,709	-	-	9,980,709
Loans and advances to customers (Note 1)				
- Pass	131,300,574	4,724,307	-	136,024,881
- Special Mention	-	2,550,001	-	2,550,001
Financial assets included in other receivables				
- Normal (Note 2)	238,564	-	-	238,564
Debt investments at fair value through other comprehensive income	10,208,687	-	-	10,208,687
	151,728,534	7,274,308	-	159,002,842

Note 1: The Company holds collateral against loans and advances to customers primarily in the form of charges over vessels and guarantees.

Note 2: The credit quality of the financial assets included other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

5. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The Company's geographical concentration of financial assets with credit exposure is summarised below:

31 December 2021	Hong Kong US$	Korea US$	Asia Pacific (excluding Hong Kong and Korea) US$	United States of America US$	Europe US$	Others US$	Total US$
FINANCIAL ASSETS							
Bank balances with the Parent Bank and other financial institutions	581,432	-	-	1,387,896	-	-	1,969,328
Loans and advances to customers	14,257,669	116,992,875	19,155,115	8,957,999	6,378,517	5,304,109	171,046,284
Other receivables	224,982	-	-	-	-	-	224,982
Debt investments at fair value through other comprehensive income	-	5,077,939	4,931,338	-	-	-	10,009,277
	15,064,083	122,070,814	24,086,453	10,345,895	6,378,517	5,304,109	183,249,871

31 December 2020	Hong Kong US$	Korea US$	Asia Pacific (excluding Hong Kong and Korea) US$	United States of America US$	Europe US$	Others US$	Total US$
FINANCIAL ASSETS							
Bank balances with the Parent Bank and other financial institutions	251,640	-	-	9,729,069	-	-	9,980,709
Loans and advances to customers	2,001,543	84,035,839	20,365,425	13,585,708	7,165,798	11,420,569	138,574,882
Other receivables	238,564	-	-	-	-	-	238,564
Debt investments at fair value through other comprehensive income	-	5,117,260	5,091,427	-	-	-	10,208,687
	2,491,747	89,153,099	25,456,852	23,314,777	7,165,798	11,420,569	159,002,842

The following table presents an analysis of debt investments at fair value through other comprehensive income, that was neither past due nor impaired, held by the Company by rating agency designation at the end of the reporting periods, based on ratings of Moody's.

	2021 US$	2020 US$
Aaa (Moody's)	4,931,338	5,091,427
Aa2 (Moody's)	5,077,939	5,117,260
	10,009,277	10,208,687

For investments in debt securities, credit limits setting on security issuer basis are used for managing credit risk. The investment in debt securities follows the same approval and control processes as applied for loans and advances to customers. On-going monitoring and stop-loss procedures are established. All the debt securities are assigned a high credit rating by credit agencies.

There are no enforceable master netting arrangements in place at the end of the reporting periods. All financial assets and financial liabilities of the Company will be settled on gross basis under all circumstances.

5. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

The Company is exposed to call on its available cash resources from repayment of loans due to the Parent Bank and other financial institutions. The Company has mitigated this risk by obtaining the commitment from the Parent Bank to continually provide financial support to the Company to meet its financial obligations.

The table below analyses the Company's financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting periods to the contractual maturity date.

31 December 2021

	On demand US$	Repayable within 1 month US$	Repayable after 1 month but within 3 months US$	Repayable after 3 months but within 1 year US$	Repayable after 1 year but within 5 years US$	Repayable in more than 5 years US$	Undated US$	Total undiscounted cashflows US$	Total carrying amount US$
FINANCIAL ASSETS									
Bank balances with the Parent Bank and other financial institutions	1,521,143	448,185	-	-	-	-	-	1,969,328	1,969,328
Loans and advances to customers		698,292	2,599,059	22,202,244	141,061,992	11,615,066	-	178,176,653	171,046,284
Other receivables	-	-	12,769	188,881	23,332	-	-	224,982	224,982
Debt investments at fair value through other comprehensive income	-	78,739	-	-	10,276,399	-	-	10,355,138	10,009,277
	1,521,143	1,225,216	2,611,828	22,391,125	151,361,723	11,615,066	-	190,726,101	183,249,871
FINANCIAL LIABILITIES									
Loans due to the Parent Bank	-	107,825,852	4,604,070	-	-	-	-	112,429,922	112,415,130
Lease liabilities	-	69,451	138,901	252,583	117,617	-	-	578,552	576,237
	-	107,895,303	4,742,971	252,583	117,617	-	-	113,008,474	112,991,367
Net liquidity gap	1,521,143	(106,670,087)	(2,131,143)	22,138,542	151,244,106	11,615,066	-	77,717,627	70,258,504
Off balance sheet position	-	-	-	-	-	-	-	-	-

5. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

31 December 2020

	On demand US$	Repayable within 1 month US$	Repayable after 1 month but within 3 months US$	Repayable after 3 months but within 1 year US$	Repayable after 1 year but within 5 years US$	Repayable in more than 5 years US$	Undated US$	Total undiscounted cashflows US$	Total carrying amount US$
FINANCIAL ASSETS									
Bank balances with the Parent Bank and other financial institutions	9,929,034	51,675	-	-	-	-	-	9,980,709	9,980,709
Loans and advances to customers	-	2,727,896	1,066,408	55,131,564	78,471,729	6,405,146	-	143,802,743	138,574,882
Other receivables	-	12,126	-	24,252	202,186	-	-	238,564	238,564
Debt investments at fair value through other comprehensive income	-	79,787	-	-	10,675,402	-	-	10,755,189	10,208,687
	9,929,034	2,871,484	1,066,408	55,155,816	89,349,317	6,405,146	-	164,777,205	159,002,842
FINANCIAL LIABILITIES									
Loans due to the Parent Bank	-	87,235,024	5,004,171	-	-	-	-	92,239,195	92,222,112
Lease liabilities	-	68,054	152,632	626,213	414,052	-	-	1,260,951	1,243,981
	-	87,303,078	5,156,803	626,213	414,052	-	-	93,500,146	93,466,093
Net liquidity gap	9,929,034	(84,431,594)	(4,090,395)	54,529,603	88,935,265	6,405,146	-	71,277,059	65,536,749
Off balance sheet position	-	-	-	-	-	-	-	-	-

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Company. Nevertheless, mismatches might still occur due to the uncertainty in types and terms of transactions. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Company and its exposures to changes in interest rates and exchange rates.

There are negative net liquidity gaps shown at the end of the reporting periods including 'repayable within 1 month' and 'repayable after 1 month but within three months'. This is largely caused by the loans due to the Parent Bank. As the immediate holding company has committed to continually provide financial support to meet the Company's financial obligations, this loan is expected to be rolled over. Liquidity risk is therefore considered to be minimal.

5. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities

The fair value of financial assets and financial liabilities are determined with reference to quoted prices in active market, or in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. As at 31 December 2021 and 2020, among all financial assets and liabilities, only debt investments at fair value through other comprehensive income are carried at fair value in the statements of financial position.

As at 31 December 2021 and 2020, all the debt investments at fair value through other comprehensive income are classified as level 1 as they are actively traded in active markets.

The directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements, which include loans and advances to customers, bank balances with the Parent Bank and other financial institutions, other receivables and loans due to the Parent Bank, approximate their fair values.

6. INTEREST INCOME AND INTEREST EXPENSES

	2021 US$	2020 US$
Interest income arising from:		
Bank balances with the Parent Bank	59	7
Loans and advances to customers	2,731,620	3,295,754
Debt investments at fair value through other comprehensive income	90,939	286,007
	2,822,618	3,581,768
Interest expenses on financial liabilities measured at amortised cost:		
Loans due to the Parent Bank wholly repayable within one year	221,439	793,665
Lease liabilities	14,245	31,103
Provision for reinstatement cost	2,422	2,388
	238,106	827,156

6. INTEREST INCOME AND INTEREST EXPENSES (continued)

Interest income earned from financial assets not designated as at fair value through profit or loss, by category of assets, is as follows:

	2021 US$	2020 US$
Bank balances with the Parent Bank	59	7
Loans and advances to customers	2,731,620	3,295,754
Debt investments at fair value through other comprehensive income	90,939	286,007
	2,822,618	3,581,768

There was no interest income recognised on impaired loans and advances to customers for the year ended 31 December 2021 (2020: Nil).

7. FEE INCOME

	2021 US$	2020 US$
Arrangement fee on loans	2,771,943	958,872
Brokerage income	2,218,523	1,533,810
Others	138,732	126,283
	5,129,198	2,618,965

8. STAFF COSTS

Staff costs, together with directors' remuneration for the year disclosed pursuant to section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	2021 US$	2020 US$
Employee's remuneration		
–benefit and compensation	1,656,460	1,359,514
–contributions to retirement benefits scheme	41,648	39,689
Directors' remuneration		
–fees	51,465	45,775
–other emoluments	272,765	273,292
	2,022,338	1,718,270

9. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging/(crediting):

	2021 US$	2020 US$
Depreciation of property and equipment (note 13)	132,820	132,443
Depreciation of right-of-use assets (note 13)	838,375	896,346
Loss on disposal of property and equipment (note 13)	-	200
Interest expense on lease liabilities (note 13)	14,245	31,103
Gain on termination of lease contracts (note 13)	(1,989)	(853)
Lease payments not included in the measurement of lease liabilities	173,380	70,466
Auditor's remuneration	81,527	85,788
Net foreign exchange loss	6,286	3,610

10. INCOME TAX

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2020:16.5%) on the estimated assessable profits arising in Hong Kong during the year. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits at taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

	2021 US$	2020 US$
Provision for the year	625,818	308,920
Overprovision in prior years	(72)	(1,918)
Deferred tax credit	(8,063)	(1,870)
	617,683	305,132

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

	2021 US$	2020 US$
Profit before tax	3,956,524	2,065,415
Tax at statutory income tax rate of 16.5% (2020: 16.5%)	652,826	340,793
Adjustments in respect of current tax of previous periods	(72)	(1,918)
Expenses not deductible	20,491	39,843
Income not taxable	(33,726)	(54,641)
Tax relief of 8.25% on first HK$2 million assessable profit	(21,153)	(21,285)
Others	(683)	2,340
Tax charge at effective rate of 15.61% (2020: 14.77%)	617,683	305,132

10. INCOME TAX (continued)

(b) The movement in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation US$
At 1 January 2020	35,573
Deferred tax credited to the statement of profit or loss during the year	(16,840)
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	18,733
Deferred tax credited to the statement of profit or loss during the year	(16,269)
Gross deferred tax liabilities at 31 December 2021	2,464

Deferred tax assets

	Impairment allowance US$
At 1 January 2020	43,553
Deferred tax charged to the statement of profit or loss during the year	(14,970)
Gross deferred tax assets at 31 December 2020 and 1 January 2021	28,583
Deferred tax charged to the statement of profit or loss during the year	(8,206)
Gross deferred tax assets at 31 December 2021	20,377
Net deferred tax assets at 31 December 2020	9,850
Net deferred tax assets at 31 December 2021	17,913

11. LOANS AND ADVANCES TO CUSTOMERS

	2021 US$	2020 US$
Gross loans and advances to customers		
- neither past due nor impaired	171,169,779	138,748,115
Less: Allowances for expected credit losses		
- Stage 1	(120,364)	(128,826)
- Stage 2	(3,131)	(44,407)
	171,046,284	138,574,882

The gross loans and advances to customers classified at different stages are analysed as follows:

	2021 US$	2020 US$
Gross loans and advances to customers		
- Stage 1	165,588,448	131,429,400
- Stage 2	5,581,331	7,318,715
- Stage 3	-	-
	171,169,779	138,748,115

11. LOANS AND ADVANCES TO CUSTOMERS (continued)

An analysis of changes in the gross carrying amounts and the corresponding ECL allowances is, as follows:

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Gross carrying amount as at 1 January 2021	131,429,400	7,318,715	-	138,748,115
Change arising from exposures transferred	-	-	-	-
New assets originated	95,371,098	-	-	95,371,098
Assets repaid	(61,212,050)	(1,737,384)		(62,949,434)
At 31 December 2021	165,588,448	5,581,331	-	171,169,779

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
ECL allowance as at 1 January 2021	128,826	44,407	-	173,233
Change arising from exposures transferred [1]	-	-	-	-
Other re-measurement of loss allowance	(8,462)	(41,276)	-	(49,738)
At 31 December 2021	120,364	3,131	-	123,495

[1] Represents the change in the year-end ECLs of exposures that were transferred from one stage to another during the year.

11. LOANS AND ADVANCES TO CUSTOMERS (continued)

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Gross carrying amount as at 1 January 2020	146,077,762	500,034	-	146,577,796
Transfers to Stage 1	(7,570,901)	7,570,901	-	-
Change arising from exposures transferred	-	(37,832)	-	(37,832)
New assets originated	42,948,607	-	-	42,948,607
Assets repaid	(50,026,068)	(714,388)	-	(50,740,456)
At 31 December 2020	131,429,400	7,318,715	-	138,748,115

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
ECL allowance as at 1 January 2020	161,719	85,410	-	247,129
Transfers to Stage 1[1]	(1,468)	1,468	-	-
Change arising from exposures transferred[2]		7,709	-	7,709
Other re-measurement of loss allowance	(31,425)	(50,180)	-	(81,605)
At 31 December 2020	128,826	44,407	-	173,233

[1] Represents movements prior to re-measurement.
[2] Represents the change in the year-end ECLs of exposures that were transferred from one stage to another during the year.

12. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 US$	2020 US$
Debt investments at fair value through other comprehensive income listed outside Hong Kong	10,009,277	10,208,687

Analysed by type of issuers as follows:

	2021 US$	2020 US$
Banks	10,009,277	10,208,687
Corporates	-	-
	10,009,277	10,208,687

The above debt investments were irrevocably designated at fair value through other comprehensive income as the Company considers these investments to be strategic in nature. Movements are as follows:

	US$
At 1 January 2020	24,649,575
Acquired during the year	10,079,000
Amortisation of interest	(122,468)
Change in fair value	102,580
Redemption during the year	(24,500,000)
At 31 December 2020 and 1 January 2021	10,208,687
Amortisation of interest	(102,657)
Change in fair value	(96,753)
At 31 December 2021	10,009,277

During the year ended 31 December 2021, the gross loss in respect of the Company's debt investments at fair value through other comprehensive income recognised in other comprehensive income amounted to US$96,753 (2020 gross gain : US$102,580), of which no amount was reclassified from other comprehensive income to profit or loss (2020: Nil).

The Company applies the general approach to provide for expected credit losses prescribed by HKFRS 9. Movements in the loss allowance for debt investments at fair value through other comprehensive income are as follows:

	Stage 1 US$
At 1 January 2020	5,301
Reversal of impairment allowance during the year	(2,060)
At 31 December 2020 and 1 January 2021	3,241
Reversal of impairment allowance during the year	(34)
At 31 December 2021	3,207

13. PROPERTY AND EQUIPMENT AND LEASES

	Right-of-use assets			Owned assets				
	Office premises and staff quarters US$	Motor vehicle US$	Total US$	Leasehold improvements US$	Furniture and fixtures US$	Office equipment US$	Total US$	Total US$
Cost								
At 1 January 2020	2,092,934	63,385	2,156,319	406,623	86,871	307,543	801,037	2,957,356
Additions	289,729	-	289,729	-	-	1,195	1,195	290,924
Termination of lease contracts/disposals	(244,400)	-	(244,400)	-	-	(22,669)	(22,669)	(267,069)
At 31 December 2020 and 1 January 2021	2,138,263	63,385	2,201,648	406,623	86,871	286,069	779,563	2,981,211
Additions	278,860	40,475	319,335	-	-	9,936	9,936	329,271
Termination of lease contracts/disposals	(428,071)	(63,385)	(491,456)	-	-	-	-	(491,456)
At 31 December 2021	1,989,052	40,475	2,029,527	406,623	86,871	296,005	789,499	2,819,026
Accumulated depreciation								
At 1 January 2020	211,692	2,182	213,874	1,672	455	139,738	141,865	355,739
Provided for the year	883,402	12,944	896,346	68,125	21,845	42,473	132,443	1,028,789
Written back on termination of lease contracts/disposals	(198,818)	-	(198,818)	-	-	(22,469)	(22,469)	(221,287)
At 31 December 2020 and 1 January 2021	896,276	15,126	911,402	69,797	22,300	159,742	251,839	1,163,241
Provided for the year	825,317	13,058	838,375	67,703	21,709	43,408	132,820	971,195
Written back on termination of lease contracts/disposals	(284,639)	(25,871)	(310,510)	-	-	-	-	(310,510)
At 31 December 2021	1,436,954	2,313	1,439,267	137,500	44,009	203,150	384,659	1,823,926
Net book value at 31 December 2021	552,098	38,162	590,260	269,123	42,862	92,855	404,840	995,100
Net book value at 31 December 2020	1,241,987	48,259	1,290,246	336,826	64,571	126,327	527,724	1,817,970

13. PROPERTY AND EQUIPMENT AND LEASES (continued)

Notes:

(a) The Company's right of use of office premises and staff quarters represents future lease payments for office premise and staff residences. The office premise is held for own use and the staff residences are held for home staff housing. The office premise is held on a medium-term lease expiring on 31 May 2022 and the staff residences are held on a medium-term leases expiring from 30 September 2022 to 16 October 2023.

(b) The Company leases its office used in its operations. Lease for this asset is negotiated for terms of three years with three years extension option but no termination option and all the lease payments are fixed.

Maturity profile of lease liabilities

	2021 US$	2020 US$
Within one year	460,935	846,899
After one year but within five years	117,617	414,052
Lease liabilities (undiscounted)	578,552	1,260,951
Discount amount	(2,315)	(16,970)
Lease liabilities (discounted)	576,237	1,243,981

The fair value was determined by discounting the expected future cash flows at prevailing interest rates. The weighted average incremental borrowing rate applied to the lease liabilities recognised at 31 December 2021 was 0.39% (2020: 0.45%).

Movements of carrying amounts of lease liabilities as at 31 December 2021 and 2020

	US$
At 1 January 2020	1,864,472
Additions	289,729
Accretion of interest	31,103
Payments	(894,888)
Termination of lease contracts	(46,435)
At 31 December 2020 and 1 January 2021	1,243,981
Additions	319,335
Accretion of interest	14,245
Payments	(818,389)
Termination of lease contracts	(182,935)
At 31 December 2021	576,237

13. PROPERTY AND EQUIPMENT AND LEASES (continued)

Amounts recognised in the statement of profit or loss

	2021 US$	2020 US$
Depreciation expense of right-of-use assets	838,375	896,346
Interest expense on lease liabilities	14,245	31,103
Expense relating to short-term leases (included in staff costs)	94,646	19,586
Expense relating to leases of low-value assets (included in other operating expenses)	78,734	50,880
	1,026,000	997,915

The Company had total cash outflows for leases of US$818,389 in 2021 (2020: US$894,888). The Company also had non-cash additions of right-of-use assets and lease liabilities of US$319,335 in 2021 (2020: US$289,729).

The future lease payments for these non-cancellable lease contracts are US$460,935 within one year (2020: US$846,899), US$117,617 after one year but within five years (2020: US$414,052).

14. LOANS TO DIRECTORS

The Company did not make any loans to directors during the years ended 31 December 2021 and 2020, which are required to be 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.

15. INTANGIBLE ASSETS

	2021 US$	2020 US$
Club debentures		
Carrying amount at 1 January	254,963	254,963
Amortisation provided during the year	-	-
Carrying amount at 31 December	254,963	254,963

Intangible assets represent club debentures. For the purpose of impairment testing on club debentures, the recoverable amount has been determined based on its fair value less costs to sell, which is estimated based on prices quoted in the secondary market.

16. PROVISION FOR REINSTATEMENT COST

	2021 US$	2020 US$
At 1 January	117,310	114,922
Accretion of interest	2,422	2,388
At 31 December	119,732	117,310

17. SHARE CAPITAL

	2021 US$	2020 US$
Issued and fully paid:		
50,000,000 (2020: 50,000,000) shares	50,000,000	50,000,000

There is no movement in the Company's share capital during the year.

18. REGULATORY RESERVE

The regulatory reserve is maintained to satisfy the provisions of the Banking Ordinance for prudential supervision purposes and is distributable to owners of the Company subject to consultation with the Hong Kong Monetary Authority. Change in the amount are made directly through reserves.

19. RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions with related parties in the ordinary course of its business. In the opinion of the directors, the transactions were conducted on an arm's length basis. Transactions entered into by the Company during the year and balances with related parties as at 31 December 2021 and 2020 were as follows:

<u>Balances with the Parent Bank</u>

	2021 US$	2020 US$
Bank balances with the Parent Bank	580,391	250,803
Loans due to the Parent Bank (note)	112,415,130	92,222,112

Note: Loans due to the Parent Bank are unsecured, and bear interest at the weighted average rate of 0.27% per annum (2020: 0.34% per annum) and mature in the first quarter of 2022 (2020: first quarter of 2021).

19. RELATED PARTY TRANSACTIONS (continued)

Transactions with the Parent Bank

	2021 US$	2020 US$
Interest expenses	221,439	793,665
Interest income	59	7
Brokerage income	398,775	233,582
Sundry commission paid	463	351
Arrangement fee income for debt securities issued by the Parent Bank	30,000	-
Investment advisory services fee	33,681	38,611

During 2021 and 2020, the Parent Bank provided certain administrative services, including credit assessment and information system maintenance, to the Company. No fee has been charged by the Parent Bank in respect of such services.

Compensation of key management personnel

The remuneration of directors, who are also the key management during the year, has been disclosed in note 8 to the financial statements.

The remuneration of directors and other key management is determined by the performance of individuals and market trends.

20. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 April 2022.