

HONG KONG, CHINA AUTOMOBILE ASSOCIATION

中國香港汽車會

(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)

GENERAL COMMITTEE'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

黃龍德會計師事務所有限公司

香港執業會計師、英國特許會計師

PATRICK WONG C.P.A. LIMITED

Certified Public Accountants (Practising), Hong Kong Chartered Accountants



C O N T E N T S

	<u>Page(s)</u>
General Committee's Report	1 - 2
Independent Auditor's Report	3 - 4
Income and Expenditure Account	5 - 6
Statement of Financial Position	7
Statement of Changes in Funds	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 34

(All amounts in Hong Kong dollars unless otherwise stated)

HONG KONG, CHINA AUTOMOBILE ASSOCIATION
中國香港汽車會
 (A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)

GENERAL COMMITTEE'S REPORT

The General Committee submits herewith the annual report together with the audited financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activities of Hong Kong, China Automobile Association (the "Association") are to represent the interests of motorists, provide automobile related services to its members and organize motor vehicle sporting events.

RESULTS

The financial performance of the Association for the year ended 31 December 2024 and its financial position at that date are set out in the financial statements on pages 5 to 34.

GENERAL COMMITTEE MEMBERS

The General Committee members of the Association during the period beginning with the end of the financial year and ending on the date of this report are as follows:-

Mr. CHEUNG Kim Hung Julian	
Mr. CHEUNG Pak Kit Simon	(retired on 22 September 2025)
Mr. CHUI Ka Kam	(elected on 21 September 2024)
Dr. HOU Lee Tsun Laurence	(retired on 21 September 2024)
Mr. LAI Chi Ho	
Mr. LAI Cheuk Kit	
Mr. LAU Chi Yung	(elected on 21 September 2024)
Mr. LEE Ying Kin	(retired on 21 September 2024)
Dr. LEE Yiu Pui	(retired on 22 September 2025)
Mr. SO Man Ho	(elected on 22 September 2025)
Mr. WONG Lok Fu Michael	(elected on 22 September 2025)
Mr. LIU Keung	(retired and re-elected on 21 September 2024)
Mr. MA Ching Yeung Philip	(retired and re-elected on 21 September 2024)
Mr. MAK Hing Tak	(retired and re-elected on 21 September 2024)
Mr. NG Wai Cheong	(retired on 22 September 2025)
Mr. YEE Wai Ka Frank	(elected on 21 September 2024 and resigned on 15 July 2025)
Mr. CHEUNG Tsz Kin	(elected on 22 September 2025)
Mr. WONG Yiu Ming	(elected on 22 September 2025)
Mr. YU Kam Kee Lawrence	(retired on 21 September 2024)
Mr. YU Siu Fung Frank	(elected on 21 September 2024)
Mr. FUNG King Leung	
Mr. SHIU Wai Ho	(retired on 21 September 2024)
Mr. SIN Ho Ming	(retired and re-elected on 22 September 2025)

In accordance with Articles 22.2 and 22.3 of the Association's Articles of Association, Dr. LEE Yiu Pui, Mr. CHEUNG Pak Kit Simon, Mr. NG Wai Cheong, Mr. SIN Ho Ming and Mr. YEE Wai Ka Frank will retire in coming annual general meeting by rotation, and being eligible, offer themselves for re-election.

HONG KONG, CHINA AUTOMOBILE ASSOCIATION
中國香港汽車會
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)

GENERAL COMMITTEE'S REPORT
(CONTINUED)

GENERAL COMMITTEE MEMBERS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS OF SIGNIFICANCE

No transaction, arrangement and contract of significance to which the Association was a party and in which a General Committee member of the Association had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BUSINESS REVIEW

The Association falls within the reporting exemption for the financial year. Accordingly, the Association is exempted from preparing a business review.

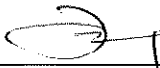
PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in section 469 of the Companies Ordinance) for the benefit of the General Committee members of the Association is currently in force and was in force throughout the year.

AUDITOR

The auditors, Patrick Wong C.P.A. Limited, Chartered Accountants, Certified Public Accountants (Practising), retire at the Annual General Meeting but, being eligible, offer themselves for re-appointment.

FOR AND ON BEHALF OF THE GENERAL COMMITTEE



CHEUNG Kim Hung Julian
Chairman

Hong Kong, 30 July 2026

黃龍德會計師事務所有限公司 3

香港執業會計師、英國特許會計師

PATRICK WONG C.P.A. LIMITED

Certified Public Accountants (Practising), Hong Kong Chartered Accountants

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黃龍德會計師

董事 Directors

黃龍德執業資深會計師
銅紫荊星章、太平紳士

黃俊碩執業資深會計師
太平紳士

劉旭明執業資深會計師

曾卓鋒執業資深會計師

PATRICK WONG, PhD, BBS, JP

FCPA(Practising), FCA, FCCA, FAIA, FSCA, FCG, HKFCG, CTA(HK), FTIHK, FHKIoD

WONG CHUN SEK, EDMUND, JP

FCPA(Practising), FCA(ICAEW), FCA(ANZ), FCCA, FCG, HKFCG, FSCA, FTIHK, BComm(Hons), MSc, MPA, MCG, MBA

LAU YUK MING, HAROLD

FCPA(Practising), MSCA

TSANG CHEUK FUNG, ANDY

FCPA(Practising), ACA, MSCA, BBA(Hons), BEng(Hons)

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HONG KONG, CHINA AUTOMOBILE ASSOCIATION 中國香港汽車會

(INCORPORATED IN HONG KONG AS A COMPANY LIMITED BY GUARANTEE WITHOUT A SHARE CAPITAL)

Opinion

We have audited the financial statements of **Hong Kong, China Automobile Association** ("Association") set out on pages 5 to 34, which comprise the statement of financial position as at 31 December 2024, and the income and expenditure account, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Association as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with HKFRS Accounting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the 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 Association 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 General Committee is responsible for the other information. The other information comprises the information included in the General Committee's report, but does not include 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.

Responsibilities of General Committee and those charged with governance for the financial statements

The General Committee is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Companies Ordinance, and for such internal control as the General Committee determines 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 General Committee is responsible for assessing the Association'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 General Committee either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

(to be continued, P.T.O.)

聯營公司：
Associated :

龍德商務顧問有限公司
LT Business Consultants Limited

江門市龍德諮詢服務有限公司
Jiangmen Longde Consultants Limited

澳門黃林梁郭有限公司
Macau Wong Lam Leung & Kwok Limited





INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HONG KONG, CHINA AUTOMOBILE ASSOCIATION
中國香港汽車會
(INCORPORATED IN HONG KONG AS A COMPANY LIMITED BY GUARANTEE WITHOUT A SHARE CAPITAL)
(CONTINUED)

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 Companies Ordinance, and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the General Committee.
- Conclude on the appropriateness of the General Committee's 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 Association'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 Association 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 those charged with governance 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.

PATRICK WONG C.P.A. LIMITED
黃龍德會計師事務所有限公司
Certified Public Accountants

劉旭明, 香港執業資深會計師
LAU YUK MING HAROLD
FCPA (Practising), MSCA
Certified Public Accountant (Practising), Hong Kong
Practising Certificate Number: P05468

Hong Kong, 30 July 2026

Ref: H716/A/PW/HL/1077/1587/486

HONG KONG, CHINA AUTOMOBILE ASSOCIATION
中國香港汽車會
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)

INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31 DECEMBER 2024

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Income		
Membership fee		
Subscription fees	1,455,527	1,738,730
Entrance fees	69,920	86,020
Total membership fee	----- 1,525,447	----- 1,824,750
Service income		
Motor sports and drives income	1,711,670	1,568,473
Technical and breakdown services and sales income	1,224,569	1,406,980
Auto transport income	-	500
Insurance commission	503,674	520,432
Project income	1,015,791	722,242
Total service income	----- 4,455,704	----- 4,218,627
Marketing income	----- 270,839	----- 217,620
Other income		
Interest income	152,884	128,951
Corporate activities income	1,420,105	570,500
Other motor sports activities	-	8,900
Sundry income	143,349	278,907
Investment income	23,050	12,819
Unrealized gain on investment	96,852	-
Total other income	----- 1,836,240	----- 1,000,077
Total income	----- 8,088,230	----- 7,261,074

The notes on pages 10 to 34 form an integral part of these financial statements.
Independent Auditor's Report - Pages 3 and 4

HONG KONG, CHINA AUTOMOBILE ASSOCIATION
中國香港汽車會
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)

INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31 DECEMBER 2024
(CONTINUED)

	<u>Notes</u>	<u>2024</u> \$	<u>2023</u> \$
Less : Expenditure			
Advertising and promotion		169,870	44,341
Affiliation fee		70,847	93,092
Auditor's remuneration		83,500	68,000
Bank charges		33,548	41,984
Business registration fee		3,546	4,628
Cleaning		8,538	11,833
Cost of sales		35,556	116,378
Depreciation		515,147	304,868
Entertainment		1,208	23,222
Exchange loss, net		45,721	129,434
Hotline service expense		161,383	168,000
Insurance		143,571	220,707
IT expenses		272,111	207,832
Other motor sports activities		9,650	10,635
Overseas meeting expenses		3,612	-
Postage		17,740	15,348
Printing and stationery		100,882	150,116
Professional fee		520,130	43,544
Provident fund contribution		102,354	174,290
Provision for long service payment		291,422	-
Recruitment expenses		-	9,425
Rent and rates		1,140,891	422,909
Repairs and maintenance		17,347	88,895
Salary and bonus		3,057,732	4,159,804
Staff training and welfare		12,233	3,789
Sundry expenses		52,609	61,288
Towing		88,550	292,150
Travelling		21,356	5,824
Tunnel fee		890	4,265
Uniform		500	1,489
Utilities charges		117,375	145,537
Vehicle expense		24,805	72,235
Total expenditure		7,124,624	7,095,862
Finance costs	6	12,356	-
Surplus before tax	7	951,250	165,212
Income tax expense	8	(103,340)	(24,176)
Surplus for the year		847,910	141,036

Surplus for the year represents the total comprehensive income for the year presented, accordingly, no statement of comprehensive income is presented.

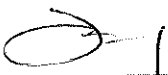
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Independent Auditor's Report - Pages 3 and 4

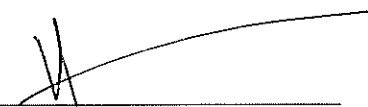
HONG KONG, CHINA AUTOMOBILE ASSOCIATION
中國香港汽車會
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2024

	<u>Notes</u>	<u>2024</u> \$	<u>2023</u> \$
Non-current asset			
Plant and equipment	10	1,665,268	1,526,081
Current assets			
Inventories	11	45,796	51,532
Accounts and other receivables	12	1,688,955	935,884
Financial assets at fair value through profit or loss	13	271,824	174,972
Bank balances and cash		8,532,232	8,513,721
		10,538,807	9,676,109
Deduct:-			
Current liabilities			
Accounts and other payables	14	3,771,279	4,453,062
Lease liabilities	15	328,924	-
Income tax payable	8	139,217	35,877
		4,239,420	4,488,939
Net current assets		6,299,387	5,187,170
		-----	-----
Total assets less current liabilities		7,964,655	6,713,251
Non-current liabilities			
Lease liabilities	15	112,072	-
Provision for long service payment		481,000	189,578
		(593,072)	(189,578)
		-----	-----
Net assets		7,371,583	6,523,673
		=====	=====
Funds			
Accumulated surplus		7,301,583	6,453,673
General reserve		70,000	70,000
		-----	-----
Total funds		7,371,583	6,523,673
		=====	=====

APPROVED BY:-


CHEUNG Kim Hung Julian
General Committee member


YU Siu Fung Frank
General Committee member

The notes on pages 10 to 34 form an integral part of these financial statements.
Independent Auditor's Report - Pages 3 and 4

HONG KONG, CHINA AUTOMOBILE ASSOCIATION
中國香港汽車會
 (A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)

STATEMENT OF CHANGES IN FUNDS
 YEAR ENDED 31 DECEMBER 2024

	<u>General reserve</u> \$	<u>Accumulated surplus</u> \$	<u>Total</u> \$
Balance at 01/01/2023	70,000	6,312,637	6,382,637
Surplus for the year	-	141,036	141,036
Balances at 31/12/2023 and at 01/01/2024	70,000	6,453,673	6,523,673
Surplus for the year	-	847,910	847,910
Balance at 31/12/2024	70,000	7,301,583	7,371,583

The notes on pages 10 to 34 form an integral part of these financial statements.
 Independent Auditor's Report - Pages 3 and 4

HONG KONG, CHINA AUTOMOBILE ASSOCIATION
中國香港汽車會
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)

STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2024

	<u>2024</u>	<u>2023</u>
	\$	\$
Operating activities		
Surplus before tax	951,250	165,212
Adjustments for:		
- Depreciation of plant and equipment	515,147	304,868
- Provision for long service payment	291,422	-
- Interest income	(152,884)	(128,951)
- Investment income	(23,050)	(12,819)
- Unrealized gain on investment	(96,852)	-
- Interest on lease liabilities	12,350	-
- Bank overdrafts interest	6	-
	-----	-----
Operating surplus before working capital changes	1,497,389	328,310
Decrease in inventories	5,736	26,647
Increase in accounts and other receivables	(753,071)	(260,855)
Decrease in accounts and other payables	(681,783)	(1,599,476)
	-----	-----
Net cash from/(used in) operating activities	68,271	(1,505,374)
	-----	-----
Investing activities		
Dividend received	23,050	12,819
Interest received	152,884	128,951
	-----	-----
Cash from investing activities	175,934	141,770
	-----	-----
Financing activities		
Capital element of lease rentals paid	(213,338)	-
Interest element of lease rentals paid	(12,350)	-
Bank overdraft interest paid	(6)	-
	-----	-----
Net cash used in financing activities	(225,694)	-
	-----	-----
Net increase/(decrease) in cash and cash equivalents	18,511	(1,363,604)
Cash and cash equivalents at beginning of the year	8,513,721	9,877,325
	-----	-----
Cash and cash equivalents at end of the year	8,532,232	8,513,721
	=====	=====
Represented by:		
Cash at banks and on hand	4,720,547	4,854,169
Deposits with banks	3,811,685	3,659,552
	-----	-----
	8,532,232	8,513,721
	=====	=====

The notes on pages 10 to 34 form an integral part of these financial statements.
Independent Auditor's Report - Pages 3 and 4

HONG KONG, CHINA AUTOMOBILE ASSOCIATION
中國香港汽車會
 (A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)

NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 2024

1. GENERAL INFORMATION

Hong Kong, China Automobile Association (the “Association”) is incorporated in Hong Kong under the Companies Ordinance as a company limited by guarantee and not having a share capital. During the year, the address of its registered office changed from Marsh Road, Wanchai Reclamation, Hong Kong to 2501, 25/F., Tower A, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong. Subsequent to the reporting period, the address is changed to Marsh Road, Wanchai Reclamation, Hong Kong.

The principal activities of the Association are to represent the interests of motorists, provide automobile related services to its members and organize motor vehicle sporting events.

2. STATEMENT OF COMPLIANCE WITH HKFRS ACCOUNTING STANDARDS

The Association’s financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards (“HKFRSs”), which includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, and the requirements of the Companies Ordinance.

Material accounting policy information is set out in note 3.

In 2024, the Association has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 January 2024. A summary of the changes in accounting policies resulting from the Association’s application of these HKFRSs is set out in note 4.

3. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of preparation of the financial statements

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

(b) Plant and equipment

Plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(b) Plant and equipment (continued)

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method, as follows:-

Owned assets

Leasehold improvements	10 years
Motor vehicles	3 - 8 years
Furniture, fixtures and equipment	5 - 10 years

Right-of-use asset

Leasehold land and building	over the lease term
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The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(c) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Association becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Association transfers substantially all the risks and rewards of ownership of the assets; or the Association neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the assets' carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(d) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(d) Financial assets (continued)

Financial assets of the Association are classified under the following categories:

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

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

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method less loss allowances for expected credit losses.

(ii) Financial assets at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt financial assets at fair value through other comprehensive income unless the Association designates equity financial assets that are not held for trading as at fair value through other comprehensive income on initial recognition.

Financial assets at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. Interest income and dividend income are recognised in profit or loss.

(e) Loss allowances for expected credit losses

The Association recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Association measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(e) Loss allowances for expected credit losses (continued)

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Association measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition and is assigned by using the first in first out cost formula.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(g) Cash and cash equivalents

Cash comprises cash on hand and at banks and demand deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Accounts and other payables

Accounts and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Income tax

Income tax for the year includes current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss, except to the extent that the tax arises from a transaction or event which is recognised outside profit or loss. In the case if the tax relates to items that are recognised outside profit or loss, current tax and deferred tax are also recognised in statement of comprehensive income.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or loss for a period.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively. Temporary differences are 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.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

At the end of each reporting period, the Association reviews and assesses the recognised and unrecognised deferred tax assets and the future taxable profit to determine whether any recognised deferred tax assets should be derecognised and any unrecognised deferred tax assets should be recognised.

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 liabilities are not discounted.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(j) Leases

(i) Definition of 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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Association assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Association allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Association also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Association applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(ii) The Association as a lessee

Right-of-use assets

The cost of right-of-use asset includes:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received; and
- (c) any initial direct costs incurred by the Association.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(j) Leases (continued)

(ii) The Association as a lessee (continued)

Right-of-use assets in which the Association is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the commencement date of a lease, the Association recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Association uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Association remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- (a) the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- (b) the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Association presents lease liabilities as a separate line item on the statement of financial position.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(j) Leases (continued)

(ii) The Association as a lessee (continued)

Lease modifications

The Association accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Association remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Association accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Association allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(k) Revenue recognition

Interest income is recognized on a time proportion basis using the effective interest method.

The Association recognises revenue from contracts with customers when (or as) the Association satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, the Association recognises as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained in accordance with HKFRS 15) that is allocated to that performance obligation, as follows:-

- (i) Subscription fee income is recognized over time on a straight-line basis over the subscription period as the customers simultaneously receive and consume the benefits of goods or services provided by the Association;

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Revenue recognition (continued)

(ii) Technical and breakdown services and sales income, auto transport, insurance commission and marketing income are recognized when the goods and services are delivered or rendered to customers and the when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis;

(iii) Income from motor sports and drives is recognized upon completion of the events; and

(iv) Entrance fee is recognized when the applicant is admitted as a member of the Association.

(l) Foreign currency translation

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. At the end of each reporting period, monetary assets and liabilities in foreign currencies are translated at the foreign exchange rates ruling at that date. Exchange gains and losses are recognised in profit or loss.

(m) Provisions

Provisions are recognized when the Association has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(n) Impairment of non-financial assets

At the end of the reporting period, the Association reviews the carrying amounts of its non-financial assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Association estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they are accrued to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave are not recognised until the time of leave.

(ii) Retirement benefit costs

The Association has joined the Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Ordinance. The Association contributes 5% of the relevant income of staff members under the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Association, in funds under the control of an independent trustee. Payments to the MPF Scheme are charged as an expense as they fall due.

(iii) Employment Ordinance long service payments

Certain of the Association’s employees have completed the required number of years of service to the Association in order to be eligible for long service payments under the Employment Ordinance in the event of the termination of their employment. The Association is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Association to the end of the reporting period.

(p) Related parties

(a) A person or a close member of that person’s family is related to the Association if that person:

- (i) has control or joint control over the Association;
- (ii) has significant influence over the Association; or
- (iii) is a member of the key management personnel of the Association.

(b) An entity is related to the Association if any of the following conditions applies:

- (i) The entity is controlled or jointly controlled by a person identified in (a).
- (ii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity.
- (iii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Association.

4. CHANGES IN MATERIAL ACCOUNTING POLICIES

The Association's management has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 January 2024, including :-

HKAS 1, Classification of Liabilities as Current or Non-current (amendments)
HKAS 1, Non-current Liabilities with Covenants (amendments)
HKFRS 16, Lease Liability in a Sale and Leaseback (amendments)
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements, Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (amendments)
HKAS 7 and HKFRS 7, Supplier Finance Arrangements (amendments)

The application of the amendments to HKFRSs in the current year has had no material impact on the Association's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The Association's management makes assumptions, estimates and judgments in the process of applying the Association's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRSs. The assumptions, estimates and judgments are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgments, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

Certain key assumptions and risk factors in respect of the financial risk management are set out in note 18. There are no other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

6. FINANCE COSTS

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Bank overdrafts interest	6	-
Interest on lease liabilities	12,350	-
	-----	-----
	12,356	-
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2024

7. SURPLUS BEFORE TAX

Surplus before tax is arrived at after charging the following:-

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Employee benefits expense		
- Contributions to defined contribution plan	102,354	174,290
- Salaries, wages and other benefits	3,069,965	4,163,593
	-----	-----
	3,172,319	4,337,883
	=====	=====
Auditor's remuneration	83,500	68,000
Cost of sales	35,556	116,378
Depreciation	515,147	304,868
Operating lease rental charges		
in respect of short-term leases	1,008,760	1,008,760
Provision for long service payment	291,422	-
	=====	=====

8. INCOME TAX IN THE INCOME AND EXPENDITURE ACCOUNT

Hong Kong Profits Tax has been provided at the rate of 8.25% on the first \$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above \$2,000,000 under the two-tiered profits tax rates regime for the year and previous year.

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Tax charge for the year	104,840	26,992
Tax reduction	(1,500)	(3,000)
Under-provision in respect of previous year	-	184
	-----	-----
Income tax expense	103,340	24,176
	=====	=====

8. INCOME TAX IN THE INCOME AND EXPENDITURE ACCOUNT (CONTINUED)

Reconciliation between income tax expense and accounting surplus at applicable tax rates:-

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Surplus before tax	951,250	165,212
	=====	=====
Tax at the applicable tax rate	156,956	27,259
Effect of two-tiered profits tax rate regime	(104,840)	(26,992)
Tax effect of non-taxable revenue	(45,009)	(23,391)
Tax effect of non-deductible expenses	48,085	-
Tax effect of unrecognised temporary differences	49,648	50,116
Tax reduction	(1,500)	(3,000)
Under-provision in respect of previous year	-	184
	-----	-----
Income tax expense	103,340	24,176
	=====	=====

Current taxation in the statement of financial position represents:-

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Provision for Hong Kong Profits Tax for the year	103,340	23,992
Income tax payable in respect of previous year	35,877	11,701
Under-provision in respect of previous year	-	184
	-----	-----
Income tax payable	139,217	35,877
	=====	=====

9. EMOLUMENTS AND OTHER MATTERS RELATING TO GENERAL COMMITTEE MEMBERS

- (a) General Committee members' emoluments disclosed pursuant to section 383 (1) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of members) Regulation for the year is nil (2023: nil).

There were no payments made or benefit provided in respect of the termination of the service of General Committee members, whether in the capacity of General Committee members or in any other capacity while General Committee members.

- (b) There were no loans, quasi-loans and other dealings in favour of General Committee members, controlled bodies corporate and other connected entities.
- (c) General Committee members' material interests in transactions, arrangement or contracts
The General Committee members were of the opinion that no transaction, arrangement and contract of significance in relation to the Association's business to which the Association was a party and in which a General Committee member of the Association had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year and the previous year.
- (d) Guarantees to banks for loans granted to General Committee members of the Association
The Association has not paid or incurred any liability for the purpose of fulfilling the guarantee or discharging the security given to banks for loans granted to the General Committee members during the year and the previous year.
- (e) There were no consideration provided to or receivable by third parties for making available the services of a person as General Committee members or in any other capacity while being a General Committee members.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2024

10. PLANT AND EQUIPMENT

	Owned assets				Right-of-use asset	Total
	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Sub-total	Leasehold land and building	
	\$	\$	\$	\$	\$	\$
Cost:						
At 1 January 2024	2,169,400	565,655	225,477	2,960,532	-	2,960,532
Additions	-	-	-	-	654,334	654,334
At 31 December 2024	2,169,400	565,655	225,477	2,960,532	654,334	3,614,866
Accumulated depreciation:						
At 1 January 2024	865,114	344,039	225,298	1,434,451	-	1,434,451
Charge for the year	216,940	79,917	179	297,036	218,111	515,147
At 31 December 2024	1,082,054	423,956	225,477	1,731,487	218,111	1,949,598
Net book value:						
At 31 December 2024	1,087,346	141,699	-	1,229,045	436,223	1,665,268
Cost:						
At 1 January 2023 and at 31 December 2023	2,169,400	565,655	225,477	2,960,532	-	2,960,532
Accumulated depreciation:						
At 1 January 2023	648,174	256,649	224,760	1,129,583	-	1,129,583
Charge for the year	216,940	87,390	538	304,868	-	304,868
At 31 December 2023	865,114	344,039	225,298	1,434,451	-	1,434,451
Net book value:						
At 31 December 2023	1,304,286	221,616	179	1,526,081	-	1,526,081

NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 2024

11. INVENTORIES

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Car accessories and consumables	45,796	51,532
	=====	=====

12. ACCOUNTS AND OTHER RECEIVABLES

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Accounts receivable	1,018,266	454,887
Deposits	51,497	18,184
Prepayments	335,771	150,813
Temporary payments	283,421	312,000
	-----	-----
	1,688,955	935,884
	=====	=====

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Listed equity securities, at market value		
- in Hong Kong	271,824	174,972
	=====	=====

14. ACCOUNTS AND OTHER PAYABLES

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Insurance premium payables	488,373	725,898
Other payables and accruals	3,208,463	2,799,576
Receipts in advance	74,443	927,588
	-----	-----
	3,771,279	4,453,062
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 2024

15. LEASE LIABILITIES

	<u>2024</u>	<u>2023</u>
	\$	\$
Minimum lease payments due		
- Within 1 year	338,532	-
- Within 2 to 5 years	112,844	-
	451,376	-
Less: future finance charges	(10,380)	-
	-----	-----
Present value of lease liabilities	440,996	-
	=====	=====
Analysed as:		
Current portion	328,924	-
Non-current portion	112,072	-
	-----	-----
	440,996	-
	=====	=====

16. CAPITAL DISCLOSURE

Capital represents accumulated surplus and general reserve stated on the statement of financial position. The Association's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide funding for operation.

The Association manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses.

The Association is a private company incorporated in Hong Kong limited by guarantee and not having a share capital. The liability of the members is limited and every member of the Association undertakes to contribute to the assets of the Association in the event of its being wound up to the extent of not exceeding \$10. The Association's revenue generated from service income and membership fee income. As at 31 December 2024, the Association had 7,381 (2023: 7,252) members.

The Association is not subject to either internally or externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS
 31 DECEMBER 2024

17. OPERATING LEASE COMMITMENTS

At 31 December 2024, the total future minimum lease payments under non-cancellable operating leases for each of the following periods were:-

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Not later than one year	252,190	252,190
	=====	=====

18. FINANCIAL INSTRUMENTS

The Association has classified its financial assets in the following categories:-

	Financial assets at fair value through <u>profit or loss</u>	Financial assets at amortised cost	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>2024</u>			
Listed equity securities	271,824	-	271,824
Accounts receivable	-	1,018,266	1,018,266
Deposits	-	51,497	51,497
Bank balances and cash	-	8,532,232	8,532,232
	-----	-----	-----
	271,824	9,601,995	9,873,819
	=====	=====	=====

	Financial assets at fair value through <u>profit or loss</u>	Financial assets at amortised cost	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>2023</u>			
Listed equity securities	174,972	-	174,972
Accounts receivable	-	454,887	454,887
Deposits	-	18,184	18,184
Bank balances and cash	-	8,513,721	8,513,721
	-----	-----	-----
	174,972	8,986,792	9,161,764
	=====	=====	=====

18. FINANCIAL INSTRUMENTS (CONTINUED)

The Association has classified its financial liabilities in the following category:-

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
<u>Financial liabilities at amortised cost</u>		
Insurance premium payables	488,373	725,898
Other payables and accruals	3,208,463	2,799,576
	-----	-----
	3,696,836	3,525,474
	=====	=====

Except for trading securities which is measured at fair value, all other financial instruments are carried at amounts not materially different from their fair values as at 31 December 2023 and 2024.

The Association is exposed to credit risk, liquidity risk and market risk arising in the normal course of its operation and on its financial instruments. The Association's risk management objectives, policies and processes mainly focus on minimizing the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

(a) Credit risk

The Association is exposed to credit risk on financial assets, mainly attributable to the deposits with banks. However, the credit risk on such liquid fund is limited because the counterparties are authorised financial institutions regulated under Hong Kong Banking Ordinance.

The Association has no significant concentration of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(b) Liquidity risk

The Association is exposed to liquidity risk on financial liabilities. It manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need. The Association ensures that it maintains sufficient cash which is available to meet its liquidity. All financial liabilities of the Association are non-interest bearing and repayable within one year or on demand.

18. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market risk

(i) Interest rate risk

The Association's exposure on fair value interest rate risk mainly arises from its fixed deposits with banks. It also has exposure on cash flow interest rate risk which is mainly arising from its deposits with banks.

The Association mainly holds fixed deposits with banks with maturity within 3 months and the exposure is considered not significant. In consequence, no material exposure on fair value interest rate risk is expected. Even that, the Association closely monitors the fair value fluctuation of the investments and disposes of them in case of significant increase in interest rate is foreseen.

In order to manage the cash flow interest rate risk, the Association will repay the corresponding borrowings when it has surplus funds.

Summary quantitative data

	<u>2024</u>	<u>2023</u>
	\$	\$
<u>Floating-rate financial assets</u>		
Deposits with banks	570,721	953,450
<u>Fixed rate financial assets</u>		
Fixed deposits with banks	3,811,685	3,659,552
	-----	-----
Total interest-bearing assets	4,382,406	4,613,002
	=====	=====

No sensitivity analysis for the Association's exposure to interest rate risk arising from cash at bank is prepared since based on management's assessment the exposure is considered insignificant.

18. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market risk (continued)

(ii) Currency risk

Details of the Association's exposure at the end of reporting period to currency risk arising from recognised assets denominated in a currency other than the functional currency of the Association to which they relate are as follows:-

	<u>USD</u>	<u>RMB</u>	<u>EURO</u>	<u>Others</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>2024</u>				
Bank balances and cash	495,133	54,851	367,846	9,960
	=====	=====	=====	=====
<u>2023</u>				
Bank balances and cash	472,426	67,845	732,967	9,907
	=====	=====	=====	=====

Sensitivity analysis

No sensitivity analysis for the Association's exposure to currency risk arising from financial assets denominated in United States dollar is prepared since the management's assessment of reasonably changes in value of the HK dollar against the US dollar is insignificant as HK dollar is being pegged against with US dollar.

No sensitivity analysis for the Association's exposure to currency risk arising from financial assets denominated in Renminbi is prepared since the historical exchange rate fluctuation on Renminbi is insignificant. Thus, there is no significant exposure expected on Renminbi transactions and balances.

No sensitivity analysis for the Association's exposure to currency risk arising from financial assets denominated in other currencies are prepared since the management's assessment of reasonably changes in value of the HK dollar against the others currencies are insignificant.

(iii) Equity price risk

The investments in equity securities classified as fair value through profit or loss expose the Association to price risk. As the Association's policy is only to invest on such investments by its surplus funds, the exposure may not have significant impact on the Association's financial position.

Summary quantitative data

	<u>2024</u>	<u>2023</u>
	<u>\$</u>	<u>\$</u>
Financial assets at fair value		
through profit or loss		
- Listed equity securities, at market value	271,824	174,972
	=====	=====

18. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Market risk (continued)

(iii) Equity price risk (continued)

Sensitivity analysis

No sensitivity analysis for the Association's exposure to the equity price risk arising from trading securities listed in Hong Kong since based on management's assessment the exposure is considered insignificant.

(d) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- (i) Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- (ii) Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data; and
- (iii) Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data.

Summary quantitative data

	Level 1	
	<u>2024</u>	<u>2023</u>
	\$	\$
Listed equity securities	271,824	174,972

During the year, there were no transfers between instruments in Level 1 and Level 2.

19. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Association's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Association's statement of cash flows as cash flows from financing activities.

	<u>Lease liabilities</u>	
	<u>2024</u>	<u>2023</u>
	\$	\$
At beginning of the year	-	-
Changes from financing cash flows:		
Capital element of lease rentals paid	(213,338)	-
Interest element of lease rentals paid	(12,350)	-
Total changes from financing cash flows	(225,688)	-
	-----	-----
	(225,688)	-
Other changes:		
Interest on lease liabilities	12,350	-
Increase in lease liabilities from entering into new leases during the year	654,334	-
Total other changes	666,684	-
	-----	-----
At end of the year	440,996	-
	=====	=====

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

There were no significant related party transactions undertaken by the Association during the year (2023 : nil).

21. HKFRS ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR

HKFRSs that have been issued but are not yet effective for the year include the following HKFRSs which may be relevant to the Association's operations and financial statements:

	Effective for annual periods beginning on or after
Amendments to HKAS21 and HKFRS 1, <i>Lack of Exchangeability</i>	1 January 2025
Amendments to HKFRS 9 and HKFRS 7, <i>Amendments to the Classification and Measurement of Financial Instruments</i>	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7, <i>Annual improvements to HKFRS Accounting Standard – Volume 11</i>	1 January 2026
HKFRS 18, <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
Amendments to HK Int 5, <i>Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i>	1 January 2027
Amendments to HKFRS 10 and HKAS 28, <i>Sales or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

The Association has not early adopted these HKFRSs. Initial assessment has indicated that the adoption of these HKFRSs would not have a significant impact on the company's financial statements in the year of initial application. The Association will be continuing with the assessment of the impact of these HKFRSs and other significant changes may be identified as a result.

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Association's General Committee on 30 July 2026.