

FTL CAPITAL LIMITED

(incorporated in the British Virgin Islands with limited liability)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2022

FTL CAPITAL LIMITED
FOR THE YEAR ENDED 30 JUNE 2022

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**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF FTL CAPITAL LIMITED**
(incorporated in the British Virgin Islands with limited liability)

Opinion

What we have audited

The financial statements of FTL Capital Limited (the "Company") set out on pages 7 to 25, which comprise:

- the statement of financial position as at 30 June 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30 June 2022, 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").

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF FTL CAPITAL LIMITED (CONTINUED)**
(incorporated in the British Virgin Islands with limited liability)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to recoverability of the amount due from the immediate holding company, FTLife Insurance Company Limited ("FTLife").

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of the amount due from the immediate holding company, FTLife Refer to notes 8 to the financial statements. As at 30 June 2022, the Company has a balance due from its immediate holding company of approximately HK\$1,953 million. We consider the recoverability of the amount due from the immediate holding company to be a key audit matter because of its significance to the financial statements of the Company. The balance represents approximately 99% of the Company's total assets. Furthermore, the Company's ability to meet its financial obligations under the interest-bearing notes issued to independent third party investors depends solely on the timely receipts of loan repayments from the immediate holding company.	Our procedures to address the key audit matter include the following: • We evaluated the management's recoverability assessment including the methodology and historical default rate by examining the historical payment documents; • We read the audited consolidated financial statements of its immediate holding company for the year ended 30 June 2022 and discussed with relevant management to understand the recent developments in the immediate holding company's financial position and solvency position to identify if there are any indicators that may affect its ability to repay the amount due to the Company; and

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF FTL CAPITAL LIMITED (CONTINUED)**
(incorporated in the British Virgin Islands with limited liability)

Key audit matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	We considered whether there were any credit downgrades of the immediate holding company's external credit rating and negative outlook issued by credit agencies. Based upon the procedures performed, we considered that management's recoverability assessment was supportable based on the available evidence.

Other information

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

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

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF FTL CAPITAL LIMITED (CONTINUED)**
(incorporated in the British Virgin Islands with limited liability)

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, 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 HKSAAs 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF FTL CAPITAL LIMITED (CONTINUED)**
(incorporated in the British Virgin Islands with limited liability)

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

As part of an audit in accordance with HKSA's, we exercise professional judgment 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.

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

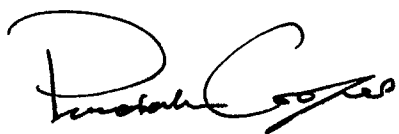
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF FTL CAPITAL LIMITED (CONTINUED)**
(incorporated in the British Virgin Islands with limited liability)

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Tse, Ka Yan Jessica.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 September 2022

FTL CAPITAL LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	For the year ended 30 June 2022 HK\$	For the eighteen months ended 30 June 2021 HK\$
Interest income	3	83,381,197	124,212,187
Interest expense	4	(83,409,653)	(124,144,409)
Net interest (expense)/income		<u>(28,456)</u>	<u>67,778</u>
Other operating expenses		(131,306)	(174,074)
Loss before tax	5	<u>(159,762)</u>	<u>(106,296)</u>
Tax	7	-	-
Loss and total comprehensive income for the year/period		<u><u>(159,762)</u></u>	<u><u>(106,296)</u></u>

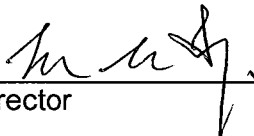
The notes on pages 11 to 25 form part of these financial statements.

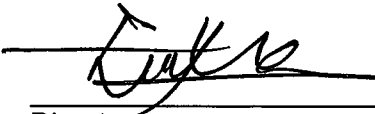
FTL CAPITAL LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

	Notes	At 30 June 2022 HK\$	At 30 June 2021 HK\$
Assets			
Amount due from the immediate holding company	8	1,952,563,835	1,931,933,463
Cash and cash equivalents	9	14,199,160	11,316,847
Total assets		<u>1,966,762,995</u>	<u>1,943,250,310</u>
Liabilities			
Interest-bearing notes	10	(1,973,833,212)	(1,950,137,408)
Accrued expenses		(74,591)	(97,948)
Total liabilities		<u>(1,973,907,803)</u>	<u>(1,950,235,356)</u>
Net liabilities		<u>(7,144,808)</u>	<u>(6,985,046)</u>
Equity			
Share capital	11	8	8
Accumulated losses		(7,144,816)	(6,985,054)
Total shareholder's deficit		<u>(7,144,808)</u>	<u>(6,985,046)</u>

The financial statements were approved and authorised for issue by the board of directors on 21 September 2022.


Director


Director

The notes on pages 11 to 25 form part of these financial statements.

FTL CAPITAL LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022**

	Share capital HK\$	Accumulated losses HK\$	Total shareholder's deficit HK\$
At 1 January 2020	8	(6,878,758)	(6,878,750)
Loss and total comprehensive income for the period	-	(106,296)	(106,296)
At 30 June 2021 and 1 July 2021	8	(6,985,054)	(6,985,046)
Loss and total comprehensive income for the year	-	(159,762)	(159,762)
At 30 June 2022	8	(7,144,816)	(7,144,808)

The notes on pages 11 to 25 form part of these financial statements.

FTL CAPITAL LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2022**

		For the year ended 30 June 2022 HK\$	For the eighteen months ended 30 June 2021 HK\$
	Notes		
Cash flows from operating activities			
Loss for the year/period		(159,762)	(106,296)
Adjustments for:			
Interest income from the immediate holding company	3	(83,381,059)	(124,212,029)
Interest income from cash and cash equivalents	3	(138)	(158)
Interest expense	4	83,409,653	124,144,409
Exchange loss/(gain)		156,263	(24,696)
Operating cashflows before changes in working capital		24,957	(198,770)
Interest paid on interest-bearing notes	9	(80,583,359)	(119,992,590)
Interest received from cash and cash equivalents		138	158
(Decrease)/increase in accrued expenses		(23,357)	18,748
Net outflow used in operating activities		(80,581,621)	(120,172,454)
Cash flows from investing activities			
Interest received from the immediate holding company		83,463,934	124,396,674
Net cash generated from investing activities		83,463,934	124,396,674
Net increase in cash and cash equivalents		2,882,313	4,224,220
Cash and cash equivalents at beginning of year/period		11,316,847	7,092,627
Cash and cash equivalents at end of year/period		14,199,160	11,316,847
Analysis of balances of cash and cash equivalents			
Cash and bank balances	9	14,199,160	11,316,847

The notes on pages 11 to 25 form part of these financial statements.

FTL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

1 Corporate information

The Company was incorporated in the British Virgin Islands as a company with limited liability under the International Business Companies Act on 5 November 2004.

The Company's principal activity is bond issuance.

The Company is a wholly-owned subsidiary of FTLife Insurance Company Limited ("FTLife"), a company incorporated in Bermuda. In the opinion of the directors, the intermediate holding company of the Company is NWS Holdings Limited which is incorporated in Bermuda and listed on the Hong Kong Stock Exchange. The ultimate holding company of the Company is New World Development Company Limited ("NWD") which is incorporated in Hong Kong and listed on the Hong Kong Stock Exchange.

2 New and amended standards and interpretation adopted by the Company

The HKICPA has issued several amendments to standards that are first effective for the current accounting period of the Company. The adoption of these new and amended standards and interpretations which are effective for the year ended 30 June 2022 do not have material impact to the Company.

New and amended standards and interpretation issued but not yet effective or early adopted by the Company

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments which are not yet effective for the year ended 30 June 2022 and have not been early adopted by the Company in these financial statements. These developments include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
Amendments to HKAS 37, Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Amendments to HKAS 1, Classification of Liabilities as Current or Non-current	1 January 2023

These new standards and amendments to standards and interpretation are not expected to have a material impact to the Company in the current or future reporting periods.

2.1 Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars which is also the Company's functional currency.

FTL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

2.1 Basis of preparation (Continued)

The financial statements have been prepared on the going concern basis, notwithstanding the Company had net liabilities of HK\$7,144,808 as at 30 June 2022, as FTLife has confirmed that it will provide adequate financial support to the Company as is necessary to ensure its continuing operation for a period of at least 12 months from 30 June 2022.

On 23 June 2020, the board of directors of the Company resolved to change the financial year end date of the Company from 31 December to 30 June and the accounting period ended 31 December 2020 was to be extended to 30 June 2021. The change is to align the Company's financial year end date with the financial year end of NWS Holdings Limited.

Accordingly, the current financial period covers a twelve months period from 1 July 2021 to 30 June 2022 with the comparative financial period covers an eighteen months period from 1 January 2020 to 30 June 2021.

Consequently, the comparable amount of the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the cash flow statements and related notes are not comparable in so far as they related to a shorter period than the prior period.

2.2 Summary of significant accounting policies

(a) Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(b) Investments and other financial assets

The Company's policies for financial assets are set out below.

Financial assets are recognised/derecognised on the date the Company commits to purchase/sell the asset. They are initially stated at fair value plus directly attributable transaction costs, except for those financial assets measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. These financial assets are subsequently accounted for as follows.

FTL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

2.2 Summary of significant accounting policies (Continued)

(b) Investments and other financial assets (Continued)

Assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

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

Interest income from the financial assets is calculated using the effective interest method.

(c) Credit losses and impairment of financial assets

An entity can reflect risks specific to the cash flows in either the discount rate or the cash shortfalls being discounted.

The Company recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents and amount due from the immediate holding company).

Measurement of ECLs

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

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

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

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

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

FTL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

2.2 Summary of significant accounting policies (Continued)

(c) Credit losses and impairment of financial assets (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

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

The Company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increase in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Company considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. There is a rebuttable presumption that default does not occur later than 90 days past due unless the Company has reasonable and supportable information to support a more lagging default criterion. The Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

At each reporting date, the Company assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

FTL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

2.2 Summary of significant accounting policies (Continued)

(c) Credit losses and impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

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

Write-off policy

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

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

(d) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

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

FTL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

2.2 Summary of significant accounting policies (Continued)

(d) Derecognition of financial assets (Continued)

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(e) Financial liabilities at amortised cost

Financial liabilities representing interest-bearing notes and accrued expenses are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case it is stated at cost.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

(f) Derecognition of financial liabilities

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

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

(g) Income tax

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

FTL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

2.2 Summary of significant accounting policies (Continued)

(g) Income tax (Continued)

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

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

(h) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

(j) Borrowing costs

Borrowing costs are recognised as expenses in the profit or loss in the period in which they are incurred.

FTL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

2.2 Summary of significant accounting policies (Continued)

(k) Related parties

- (a) A person, or a close member of that person's family, is related to the Company if that person:

 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or the Company's parent.
- (b) An entity is related to the Company if any of the following conditions applies:

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

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

FTL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

3 Interest income

	For the year ended 30 June 2022 HK\$	For the eighteen months ended 30 June 2021 HK\$
Interest income from the immediate holding company	83,381,059	124,212,029
Interest income from cash at bank	138	158
	<u>83,381,197</u>	<u>124,212,187</u>

4 Interest expense

	For the year ended 30 June 2022 HK\$	For the eighteen months ended 30 June 2021 HK\$
Interest expense on interest-bearing notes	<u>83,409,653</u>	<u>124,144,409</u>

5 Loss before tax

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

	For the year ended 30 June 2022 HK\$	For the eighteen months ended 30 June 2021 HK\$
Auditors' remuneration (Note)	54,000	57,700
Net foreign exchange	<u>23,039</u>	<u>(6,565)</u>

Note: The amount is solely for statutory audit services. No non-audit services fee was paid to the auditors during the year ended 30 June 2022 (For the eighteen months ended 30 June 2021: HK\$Nil).

6 Directors' remuneration

No director received any remuneration in respect of their services rendered to the Company during the year ended 30 June 2022 (For the eighteen months ended 30 June 2021: HK\$Nil).

FTL CAPITAL LIMITED**NOTES TO FINANCIAL STATEMENTS****7 Tax**

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

	For the year ended 30 June 2022		For the eighteen months ended 30 June 2021	
	HK\$	%	HK\$	%
Loss before tax	(159,762)		(106,296)	
Notional tax on loss before tax	(26,361)	(16.5)	(17,539)	(16.5)
Tax effect of non-deductible expenses	3,600	16.5	-	16.5
Tax effect of unrecognised tax losses	22,761	16.5	17,539	16.5
	-		-	

The Company has accumulated tax losses arising in Hong Kong of HK\$4,019,855 as at 30 June 2022 (As at 30 June 2021: HK\$3,881,909) that are available indefinitely for offsetting against future taxable profits of the Company. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

8 Amount due from the immediate holding company

On 26 April 2013, a loan of US\$250,000,000 (approximately of HK\$1,940,900,000) was issued to the immediate holding company and is unsecured, interest-bearing at 4.215% per annum and repayable on 25 April 2023.

Interest is payable semi-annually in arrears on 25 April and 25 October in each year. As at 30 June 2022, the accrued interest amounted to HK\$15,387,738 (As at 30 June 2021: HK\$15,225,551).

The loan of US\$250,000,000 has a fair value of HK\$1,974,208,800 as at 30 June 2022 (As at 30 June 2021: HK\$2,030,598,270) and is classified as level 2 financial instrument in the fair value hierarchy (As at 30 June 2021: level 2). The fair value of the loan is determined based on its discounted cashflow with the credit risk of the issuer taken into consideration. Further details of fair value classification are discussed in note 10 to the financial statements.

Except for the above, the remaining amount due from the immediate holding company are unsecured, interest-free and repayable on demand. The directors consider their carrying amounts approximate to their fair values at year/period end.

FTL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

9 Cash and cash equivalents

The Company earns interest at floating rates from cash at bank based on daily bank deposit rates.

Reconciliation of liabilities arising from financing activities:

The below table shows the changes in the Company's liabilities from its 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 as financing activities in the cash flow statement.

	Interest- bearing notes HK\$ (Note 10)
At 1 July 2021	1,950,137,408
Changes from financing cash flows:	
Interest paid on interest-bearing notes	(80,583,359)
Total changes from financing cash flows	(80,583,359)
Exchange realignment	20,869,510
Other changes:	
Interest expense (Note 4)	83,409,653
Total other changes	83,409,653
At 30 June 2022	1,973,833,212
At 1 January 2020	1,952,315,077
Changes from financing cash flows:	
Interest paid on interest-bearing notes	(119,992,590)
Total changes from financing cash flows	(119,992,590)
Exchange realignment	(6,329,488)
Other changes:	
Interest expense (Note 4)	124,144,409
Total other changes	124,144,409
At 30 June 2021	1,950,137,408

FTL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

10 Interest-bearing notes

	At 30 June 2022 HK\$	At 30 June 2021 HK\$
4.125% notes due 2023 (Note)	<u>1,973,833,212</u>	<u>1,950,137,408</u>

Note: On 25 April 2013, the Company issued an aggregate principal amount of US\$250,000,000 (approximately HK\$1,940,900,000) of guaranteed bonds with a coupon rate of 4.125% (the "Bonds II") due 25 April 2023 to independent third party investors, whereby the Company raised US\$246,790,284 (approximately HK\$1,915,364,100), net of expenses.

Interest on the Bonds II is repayable on 25 April and 25 October of each year, beginning on 25 October 2013. The Bonds II are fully and unconditionally guaranteed by the immediate holding company. The immediate holding company's guarantee is an unsecured and unsubordinated obligation which ranks equally with all of its other existing and future unsecured and unsubordinated obligations. As required by the insurance laws of Hong Kong and Bermuda, the immediate holding company's guarantee is effectively junior to the liabilities of its long term business, to the extent of the assets maintained by the immediate holding company in respect of its long term business. The Bonds II are listed on the Main Board of the Singapore Exchange Securities Trading Limited and under the provisions of Regulation S of the United States Securities Act.

The Bonds II will be fully matured on 25 April 2023 and shall be repayable within the next twelve months. The effective interest rate of the Bonds II is 4.29% per annum. As at 30 June 2022, the amortised cost of the Bonds II was HK\$1,958,998,206 (As at 30 June 2021: HK\$1,935,455,794) and the accrued interest charges of the Bond II were HK\$14,836,006 (As at 30 June 2021: HK\$14,681,614).

As at 30 June 2022, the fair value of the Bonds II was HK\$1,959,822,071 (As at 30 June 2021: HK\$2,019,991,675)

As defined in HKFRS 13, Fair value measurement, fair value is required to be categorised into the three-level fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market value are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

FTL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

10 Interest-bearing notes (Continued)

For the purpose of HKFRS 13, the fair value of Bonds II is determined based on recent price offered by third party in the market. As Bonds II is not actively traded in the market during the year ended 30 June 2022, the fair value of Bonds II is categorised as Level 2 as at 30 June 2022 (As at 30 June 2021: Level 2).

During the year ended 30 June 2022 and for the eighteen months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Company's policy is to recognise transfers between levels of fair value hierarchy at each reporting date.

11 Share capital

	At 30 June 2022 HK\$	At 30 June 2021 HK\$
Authorised:		
50,000 ordinary shares of US\$1 each	390,000	390,000
Issued and fully paid:		
1 ordinary share of US\$1 each	8	8

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

12 Related party transactions

(a) Details of the material transactions with a related party are as follows:

	For the year ended 30 June 2022 HK\$	For the eighteen months ended 30 June 2021 HK\$
Interest income from the immediate holding company (Note (i))	83,381,059	124,212,029

Note:

- (i) During the year ended 30 June 2022 and for the eighteen months ended 30 June 2021, the Company received interest income from the immediate holding company. Interest is charged at 4.215% per annum on a loan of US\$250,000,000 due from the immediate holding company.

FTL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

12 Related party transaction (Continued)

(b) Compensation of key management personnel of the Company

The Company's key management personnel are the directors, and as disclosed in note 6, they did not receive any remuneration from the Company for their services rendered during the year ended 30 June 2022 (For the eighteen months ended 30 June 2021: HK\$Nil).

13 Financial risk management objectives and policies

The Company's financial instruments comprise amount due from the immediate holding company, cash and cash equivalents, interest-bearing notes and accrued expenses. The main purpose of these financial instruments is to raise finance for the operations of its immediate holding company.

It is, and has been, throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Company's financial instruments is liquidity risk. The board reviews and agrees policies for managing this risk and it is summarised below.

(a) Credit risk

With respect to credit risk arising from the financial assets of the Company, which comprise of cash and cash equivalents and amount due from the immediate holding company, the Company's exposure to credit risk arises from defaults of the counterparties (which refer to a licensed bank in case of cash at bank and FTLife in case of inter-company balances), with a maximum exposure equal to the carrying amount of these instruments. The Company considers that the bank with which it has kept bank balances is generally recognised as highly creditworthy and that the risk of default by this bank is considered remote and minimal. The amount due from the immediate holding company is regularly reviewed and the Company considers credit risk arising from the balance to be low.

(b) Liquidity risk

Liquidity risk is the risk that the Company cannot meet its current obligations as they fall due. The Company considered that the liquidity risk is minimal as the immediate holding company has confirmed its intention to provide continuous financial support to the Company to meet its liabilities as and when they fall due.

FTL CAPITAL LIMITED

NOTES TO FINANCIAL STATEMENTS

13 Financial risk management objectives and policies (Continued)

(b) Liquidity risk (Continued)

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted cash flows, was as follows:

At 30 June 2022

	Contractual undiscounted cashflows				Total HK\$	Carrying amount HK\$
	On demand HK\$	Less than 3 months HK\$	3 to less than 12 months HK\$	Over 1 year HK\$		
Interest-bearing notes	-	-	2,042,509,585	-	2,042,509,585	1,973,833,212
Accrued expenses	-	74,591	-	-	74,591	74,591
	-	74,591	2,042,509,585	-	2,042,584,176	1,973,907,803

At 30 June 2021

	Contractual undiscounted cashflows				Total HK\$	Carrying amount \$
	On demand HK\$	Less than 3 months HK\$	3 to less than 12 months HK\$	Over 1 year HK\$		
Interest-bearing notes	-	-	80,081,534	2,020,981,534	2,101,063,068	1,950,137,408
Accrued expenses	-	97,948	-	-	97,948	97,948
	-	97,948	80,081,534	2,020,981,534	2,101,161,016	1,950,235,356

(c) Foreign currency risk

The Company has exposure to foreign currency risk, which arise from the interest-bearing notes issued in United States dollars. The Company arranged unsecured interest-bearing loan with the immediate holding company, which are also denominated in United States dollars. In respect of the above arrangement, the management considers that the net exposure is kept to an acceptable level.

(d) Capital management

The primary objective of the Company's capital management is to ensure sufficient financial assets are maintained in order to meet its financial liabilities as and when they fall due, and to safeguard the Company's ability to continue as a going concern. The Company has a total shareholder's deficit of HK\$7,144,808 (As at 30 June 2021: HK\$6,985,046) as at 30 June 2022 and the Company's daily operation is supported by the immediate holding company, which has consolidated net assets attributable to shareholder of HK\$11,915,582,000 (2021: HK\$20,465,548,000) as at the end of the reporting period.

FTL CAPITAL LIMITED

ADDITIONAL DISCLOSURES - UNAUDITED

Additional disclosures in response to the requirements of Singapore Exchange Securities Trading Listing Manual are set out below.

Corporate Information

Registered office:

Craigmuir Chambers, Road Town,
Tortola VG 1110, British Virgin Islands

Registrar:

BNP Paribas Securities Services, Luxembourg Branch

Review of operating and financial performance

The Company had no subsidiaries during the period. The Company's primary purpose is to act as a financing subsidiary of its controlling shareholder, FTLife Insurance Company Limited ("FTLife"). It remained as a wholly owned subsidiary of FTLife during the year ended 30 June 2022. The Company has not engaged, since its incorporation, in any material activities other than those incidental to the issue of US\$250,000,000 4.125% notes due 2023.

Save as any likewise (re)financing project similar to the above US\$250,000,000 4.125% notes due 2023 as the Company may issue from time to time, it is the management's intention that the Company will not engage in active business in the foreseeable future.

The directors of the Company are Mr. IP Man Kit, Mr. MA Siu Cheung and Mr. LAM Jim. The secretary of the Company is Ms. SZE Wai Man.

IP Man Kit	<i>(Appointed on 13 September 2022)</i>
CHENG Kwok Sing, Joe	<i>(Appointed on 1 December 2021 and resigned with effect from 13 September 2022)</i>
MA Siu Cheung	
LAM Jim	<i>(Appointed on 1 December 2021)</i>
FANG Lin	<i>(Resigned with effect from 1 December 2021)</i>
CHOW Tak Wing	<i>(Resigned with effect from 1 December 2021)</i>

Mr. Ip Man Kit

Mr. Ip Man Kit, joined FTLife Insurance Company Limited, a wholly-owned subsidiary of NWS Holdings Limited, in February 2022 and is currently its Chief Executive Officer. He has over 30 years' experience in life insurance industry dedicated for AIA. He had held various executives roles in Information Technology, Operations, Project Management, transformation as well as health and wellness business development in Hong Kong and China. Mr. Ip was also very active in industry associations including Medical Insurance Association and Hong Kong Federation of Insurance by being the Chairman and/or member. In recent years, he was heavily involved in the medical insurance reform for the industry and also digitalization development for AIA Hong Kong. Before joining FTLife, his last held position is Chief Operations Officer at AIA Hong Kong. He holds a Bachelor of Arts in Commerce and Economics and Computer Science, University of Toronto, Canada.

FTL CAPITAL LIMITED

ADDITIONAL DISCLOSURES – UNAUDITED (CONTINUED)

Review of operating and financial performance (Continued)

Mr. Joe Cheng

Mr. Cheng was appointed as Director in December 2021. He has over 30 years of experience in life insurance industry focusing in agency channel distribution, group insurance business development (life and medical) and general management with the largest pan Asia life Insurer, AIA Group. Mr. Cheng had held various senior executive positions in Hong Kong, Macau and China. Prior to joining FTLife Insurance Company Limited, Mr. Cheng was the Chief Executive Officer – Group Agency Distribution of AIA Group. He holds a Bachelor of Arts in Industrial Relations and Economics from University of Kent at Canterbury (UK).

Mr. Eric Ma

Mr. Ma is a Director of the Company who joined FTLife in September 2020. Since July 2018, he has been an Executive Director of NWS Holdings Limited (“NWS”), the intermediate holding company of the Company which is listed on the Hong Kong Stock Exchange (Stock Code: 00659). Mr. Ma was Chief Operating Officer of NWS during the period from July to December 2018 and became Chief Executive Officer in January 2019. Mr. Ma is an Executive Director of New World Development Company Limited, the ultimate holding company of the Company which is listed on the Hong Kong Stock Exchange (Stock Code: 00017). Mr. Ma is also a Non-executive Director of China Resources Group.

Mr. Ma was the Acting Chief Executive Officer of Hong Kong-Shenzhen Innovation and Technology Park Limited from February to June 2018. He joined the Government of the HKSAR in January 2014 as the Under Secretary for Development and was subsequently appointed as the Secretary for Development in February 2017 and remained in the post until June 2017. Prior to working with the Government of the HKSAR, Mr. Ma was the Executive Vice-President for Civil and Infrastructure Business (Asia Pacific) of AECOM Asia Company Limited.

Mr. Ma is a Fellow of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, United Kingdom, the Institution of Structural Engineers, United Kingdom, the Chartered Institution of Highways and Transportation, United Kingdom and Royal Institution of Chartered Surveyors, United Kingdom. He is also a Registered Professional Engineer in Hong Kong and a Chartered Engineer in the United Kingdom. Mr. Ma was appointed as a Justice of the Peace in 2014 and was awarded the Gold Bauhinia Star by the Government of the HKSAR in 2017.

Mr. Jim Lam

Mr. Lam is a Director of the Company. He joined NWS in January 2021. Prior to joining the NWS group, Mr. Lam was the director of Finance and Accounts of New World Development Company Limited. Prior to working with the New World Group, he was the chief financial officer of ANTA Sports Products Limited as well as an executive director and the chief financial officer of SOHO China Limited. Mr. Lam is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lam was named one of Hong Kong Investor Relations Association’s Best IR by CFO Large Cap and Institutional Investor’s Best CFOs Buy-side (Consumer) in 2017.

Ms. Sze Wai Man

Ms. Sze is the Company Secretary of the Company. She is a solicitor, Hong Kong Special Administrative Region since 2011.

FTL CAPITAL LIMITED

ADDITIONAL DISCLOSURES - UNAUDITED (CONTINUED)

Review of operating and financial performance (Continued)

Risk management

The risk management policies and processes of the Company are set out in note 13 to the financial statements.

Material contracts

The existing loan due from FTLife, at the end of the year and the repayment of loan interest by FTLife during the year were more particularly set out in note 8 and note 12 to the financial statements regarding "Amount due from the immediate holding company" and "Related party transactions", respectively.

Throughout the year, FTLife, the controlling shareholder of the Company, continued to provide the guarantee for the Company in relation to the 4.125% notes due 25 April 2023. Details are set out in note 10 to the financial statements regarding "Interest-bearing notes".

Save from the foregoing, no contracts of significance to which the Company was a party and in which the Chief Executive Officer, each director or controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interests in shares and debentures

At no time during the year was the Company a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company.

There was no change in directors' interests in shares in or debentures of the Company between the end of the financial period and 21 July 2022.

Opinion on Adequacy of the Company's Internal Controls

The board is of the opinion that the Company's internal controls are adequate to address financial, operational and compliance risks.

Shareholder's information as at 30 June 2022:

Ordinary shareholdings

Issued and paid-up capital	: US\$1 (HK\$8 equivalents)
Class of shares	: Ordinary shares
Voting rights	: One vote per share

The one ordinary share (being the entire issued share capital) is held entirely by FTLife, the immediate holding company of the Company.

Interested person transactions

Save from the existing loan due from FTLife as at 30 June 2022, repayment of loan interest during the year and the guarantee provided by FTLife as disclosed above under the heading of "Material contracts", there has been no interested person transaction happened during the financial period under review.