CHONG HING FINANCE LIMITED
創興財務有限公司

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2016

CHONG HING FINANCE LIMITED
創興財務有限公司

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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CHONG HING FINANCE LIMITED
創興財務有限公司

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2016 of Chong Hing Finance Limited (the "Company").

Principal activities

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

Business

The Company's total operating income (net of interest expense) is analysed and reported by significant business classes as follows:

	2016 HK$	2015 HK$
Treasury activities	175,509	115,505
	175,509	115,505

The retail banking service is mainly the acceptance of fixed deposits from customers. The Company remains inactive in both years.

The treasury business mainly comprises inter-bank transactions with the parent company, Chong Hing Bank Limited.

Results and appropriations

The results of the Company for the year ended 31 December 2016 are set out in the statement of comprehensive income on page 6. The directors do not recommend the payment of a dividend.

Directors

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

Mrs. LEUNG Ko May Yee Margaret, SBS, JP (Chairman)	
Mr. LAU Wai Man	
Mr. TSANG Chiu Wing	(appointed with effect from 22 August 2016)
Mr. WAT Siu Cheung Patrick	(resigned with effect from 1 January 2016)
Mr. LIU Tit Shing Don	(resigned with effect from 13 May 2016)
Mr. CHAN Hoi Kit Frederick	(resigned with effect from 1 April 2017)

In accordance with Article 14(b) of the Company's Articles of Association, Mr. TSANG Chiu Wing shall retire at the first general meeting after his appointment and, being eligible, offer himself for re-election. There being no provisions in the Company's Articles of Association for the retirement of directors by rotation, all the other existing directors shall remain in office.

Mr. WAT Siu Cheung Patrick, Mr. LIU Tit Shing Don and Mr. CHAN Hoi Kit Frederick, who resigned as directors during the aforesaid period, have confirmed that they have no disagreement with the board of directors of the Company and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

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

Directors' interests in shares and debentures of the Company or any other body corporate

At no time during the year was the Company or any of its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors of the Company to hold any interests in the shares or debentures of the Company or any other body corporate.

Management contracts

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

Business review

No business review is presented for the year ended 31 December 2016 as the Company, being a wholly-owned subsidiary of Chong Hing Bank Limited, has been able to claim an exemption under section 388(3) of the Companies Ordinance Cap. 622.

Permitted indemnity provisions

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

Auditor

The financial statements for the year ended 31 December 2016 of the Company have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On Behalf of the Board

Mr. Lau Wai Man
Director
Hong Kong, 21 April 2017

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF CHONG HING FINANCE LIMITED
創興財務有限公司
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The financial statements of Chong Hing Finance Limited (the "Company") set out on pages 6 to 23, which comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows 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 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We 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 MEMBER OF CHONG HING FINANCE LIMITED (CONTINUED)
創興財務有限公司
(incorporated in Hong Kong with limited liability)

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors' 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 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 the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF CHONG HING FINANCE LIMITED (CONTINUED)
創興財務有限公司
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional 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 Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 April 2017

CHONG HING FINANCE LIMITED
創興財務有限公司

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 HK$	2015 HK$
Interest income	5	175,509	115,505
Operating expenses		(191,220)	(132,720)
Loss before taxation	6	(15,711)	(17,215)
Taxation	7	-	-
Total comprehensive income for the year		(15,711)	(17,215)

The notes on pages 10 to 23 are an integral part of these financial statements.

CHONG HING FINANCE LIMITED
創興財務有限公司

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	Notes	2016 HK$	2015 HK$
ASSETS			
Cash and short-term funds	8	44,903,720	44,934,636
Other accounts	9	21,384	7,179
Total assets		44,925,104	44,941,815
LIABILITIES			
Other payables and accruals		16,000	17,000
Total liabilities		16,000	17,000
SHAREHOLDERS' EQUITY			
Share capital	10	25,000,000	25,000,000
Reserves		19,909,104	19,924,815
Total equity		44,909,104	44,924,815
Total liabilities and equity		44,925,104	44,941,815

The financial statements on pages 6 to 23 were approved and authorised for issue by the Board of Directors on 21 April 2017 and are signed on its behalf by:

....	....
Mr. Lau Wai Man	Mr. Tsang Chiu Wing
Director	Director

The notes on pages 10 to 23 are an integral part of these financial statements.

CHONG HING FINANCE LIMITED
創興財務有限公司

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital HK$	General reserve HK$	Retained profits HK$	Total HK$
At 1 January 2015	25,000,000	10,000,000	9,942,030	44,942,030
Total comprehensive income for the year	-	-	(17,215)	(17,215)
At 31 December 2015 / 1 January 2016	25,000,000	10,000,000	9,924,815	44,924,815
Total comprehensive income for the year	-	-	(15,711)	(15,711)
At 31 December 2016	25,000,000	10,000,000	9,909,104	44,909,104

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

The notes on pages 10 to 23 are an integral part of these financial statements.

CHONG HING FINANCE LIMITED
創興財務有限公司

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 HK$	2015 HK$
Operating activities		
Loss before taxation	(15,711)	(17,215)
Adjustments for:		
Net interest income	(175,509)	(115,505)
Operating cash flows before movements in working capital	(191,220)	(132,720)
Increase/decrease in other payables and accruals	(1,000)	1,000
Cash used in operations	(192,220)	(131,720)
Interest received	161,304	114,347
Net cash used in operating activities	(30,916)	(17,373)
Net decrease in cash and cash equivalents	(30,916)	(17,373)
Cash and cash equivalents at 1 January	44,934,636	44,952,009
Cash and cash equivalents at 31 December	44,903,720	44,934,636
Analysis of the balances of cash and cash equivalents		
Cash and balances with Parent Bank	1,907,037	2,099,257
Money at call and short notice with original maturity at or less than three months	42,996,683	42,835,379
	44,903,720	44,934,636

The notes on pages 10 to 23 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General

Chong Hing Finance Limited (the "Company") is a private limited company incorporated in Hong Kong. It is a wholly-owned subsidiary of Chong Hing Bank Limited ("Parent Bank"), a public limited company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited. Its ultimate holding company is Guangzhou Yue Xiu Holdings Limited, a company incorporated in the People's Republic of China. The address of the registered office and principal place of business of the Company is Ground Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong.

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

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The financial statements have been prepared on the historical cost basis and in accordance with HKFRSs issued by the HKICPA. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The principal accounting policies adopted are set out below.

(i) New and amended standards adopted by the Company

The following amendment to standards has been adopted by the Company for the first time for the financial year beginning on or after 1 January 2016:

- Disclosure initiative – amendments to HKAS 1, clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

  Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(i) New and amended standards adopted by the Company (Continued)

The key areas addressed by the changes are as follows:

(i) Materiality: an entity should not aggregate or disaggregate information in a manner that obscures useful information. An entity need not provide disclosures if the information is not material;

(ii) Disaggregation and subtotals: the amendments clarify what additional subtotals are acceptable and how they should be presented;

(iii) Notes: an entity is not required to present the notes to the financial statements in a particular order, and management should tailor the structure of their notes to their circumstances and the needs of their users; the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(iv) Accounting policies: how to identify a significant accounting policy that should be disclosed;

(v) Other comprehensive income from equity accounted investments: other comprehensive income of associates and joint ventures should be separated into the share of items that will subsequently be reclassified to profit or loss and those that will not.

The Company considers the abovementioned amendment does not have a significant effect on the results for the year. Other amendments to HKFRSs effective on 1 January 2016 do not have a material impact on the Company for the year.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(ii) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted by the Company

A number of new standards and amendments to standards and interpretations are not effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

- HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in September 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is assessing HKFRS 9's full impact.

- HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is assessing the impact of HKFRS 15.

There are no other HKFRSs HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Company.

2 Summary of significant accounting policies (Continued)

2.2 Revenue recognition

(i) Interest income

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

2.3 Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(i) Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

2 Summary of significant accounting policies (Continued)

2.3 Financial instruments (Continued)

(i) Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including cash and short-term funds as well as other accounts are carried at amortised cost using effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

(ii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of financial assets of the Company could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Subsequent recoveries of amounts previously written off are credited to statement of comprehensive income.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through statement of comprehensive income to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities, Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

2 Summary of significant accounting policies (Continued)

2.3 Financial instruments (Continued)

(iii) Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees, points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including other payables and accruals are initially measured at fair value, net of transaction cost. These financial liabilities are subsequently measured at amortised cost, using the effective interest method.

(iv) Derecognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in statement of comprehensive income.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in the statement of comprehensive income. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in statement of comprehensive income.

2 Summary of significant accounting policies (Continued)

2.4 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Current and deferred tax is recognised in statement of comprehensive income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which ease, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2.5 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation, Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) Income taxes

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized for tax losses, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax asset has been recognised on the estimated accumulated tax losses of HK$ 522,000 (2015: HK$506,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

4 Financial instruments

(i) Categories of financial instruments

	2016 HK$	2015 HK$ (Restated)
Financial assets		
Loans and receivables (including cash and cash equivalents)	44,925,104	44,941,815
Financial liabilities		
Amortised cost	16,000	17,000

(ii) Financial risk management objectives and policies

The Company's activities are principally related to the use of financial instruments. The directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effectively manner.

4 Financial instruments (Continued)

(ii) Financial risk management objectives and policies (Continued)

Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Company's maximum exposure to credit risk at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. Impairment allowances are made for losses that have been incurred at the end of the reporting period. The main financial assets relate to the bank balances with the Parent Bank and, accordingly, the Company does not consider the credit risk to be significant.

(a) Credit quality

The Company's financial assets are mainly comprised of cash and short-term funds with Parent Bank. Therefore, the credit risk on these liquid funds is limited because the counterparty is the Parent Bank with strong financial position. Other than concentration of credit risk on liquid funds, the Company does not have any other significant concentration of credit risk.

(b) Geographical concentrations of assets and liabilities

All the income of the Company is derived from the Company's operations in Hong Kong and all assets and liabilities are in Hong Kong.

Market risk

Market risk is the risk associated with the movement of foreign exchange rates, interest rates or prices.

(a) Currency risk

The Company does not have significant foreign exchange risk in both years as most of its transactions and balances are denominated in its functional currency. Therefore, management considers that the Company's currency risk is limited and no foreign currency sensitivity analysis is presented accordingly.

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flow risks. Interest margin may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly.

The Company measures the exposures of its assets and liabilities to fluctuations in interest rates primarily by way of interest rate gap analysis which shares the Company's interest rate risk arising from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-generating liabilities.

4 Financial instruments (Continued)

(ii) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(b) Interest rate risk (Continued)

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

	Up to 3 months HK$	Non-interest bearing HK$	Total HK$
At 31 December 2016			
Cash and short-term funds	42,996,683	1,907,037	44,903,720
Other accounts	-	21,384	21,384
Total financial assets	42,996,683	1,928,421	44,925,104
At 31 December 2015			
Cash and short-term funds	42,835,379	2,099,257	44,934,636
Other accounts	-	7,179	7,179
Total financial assets	42,835,379	2,106,436	44,941,815

(c) Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of reporting period. A 100 basis point upward change and a 10 basis point downward change are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

	2016 Change in basis points		2015 Change in basis points	
	+100 HK$	-10 HK$	+100 HK$	-10 HK$
Change in loss after tax	429,967	(42,997)	428,354	(42,835)

(d) Price risk

The Company does not have any investments during the year and is not exposed to price risk.

4 Financial instruments (Continued)

(ii) Financial risk management objectives and policies (Continued)

Liquidity risk

The Company manages the liquidity of its assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are met when due. All payables are repayable on demand.

The directors believes that the Company is able to repay its obligations when they fall due as the Company is fully supported by its Parent Bank, and therefore, the Company does not have any liquidity risk.

(iii) Fair value of financial assets and liabilities

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

5 Interest income

	2016 HK$	2015 HK$
Interest income from deposits with Parent Bank	175,509	115,505

For both years ended 31 December 2016 and 2015, all interest income is derived from financial assets that are not at fair value through profit or loss.

6 Loss before taxation

Auditor's remuneration is borne by the Parent Bank and the directors' remuneration was HK$nil payable in respect of the current year (2015: HK$nil).

7 Taxation

No provision for Hong Kong Profits Tax has been recognised in the financial statements as the Company incurred a tax loss for both years.

The tax charge for the year can be reconciled to the loss before taxation per the statement of comprehensive income as follows:

	2016 HK$	2015 HK$ (Restated)
Loss before taxation	(15,711)	(17,215)
Tax at Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	(2,592)	(2,840)
Tax effect of tax losses not recognised	2,592	2,840
Tax charge for the year	-	-

7 Taxation (Continued)

At the end of the reporting period, the Company has estimated unused tax losses of approximately HK$ 522,000 (2015: HK$506,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. These estimated tax losses have no expiry date but are subject to the approval of the Hong Kong Inland Revenue Department.

8 Cash and short-term funds

	2016 HK$	2015 HK$
Cash and balances with Parent Bank	1,907,037	2,099,257
Money at call and short notice with Parent Bank	42,996,683	42,835,379
	44,903,720	44,934,636

9 Other accounts

Other accounts are as follows:

	2016 HK$	2015 HK$
Interest receivable	21,384	7,179

There were no overdue and rescheduled loans and repossessed assets held by the Company for the years ended 31 December 2016 and 31 December 2015.

There were no impairment allowances recognised for the years ended 31 December 2016 and 31 December 2015.

10 Share capital

	Number of shares	Share capital HK$
Issued and fully paid:		
2,500,000 ordinary shares of HK$10 each	2,500,000	25,000,000

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

11 Related party transactions

During the year, the Company entered into transactions with its Parent Bank in the ordinary course of its business. In the opinion of the directors, the transactions were conducted on an arm's length basis. Transactions entered into by the Company during the year and the balances with the Parent Bank as at 31 December 2016 and 31 December 2015 were as follows:

	2016 HK$	2015 HK$
Cash and short-term funds	44,903,720	44,934,636
Interest receivable	21,384	7,179
Interest income	175,509	115,505

Compensation of key management personnel

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

12 Capital management

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

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

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

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

13 Comparative Amounts

Certain comparative figures have been reclassified to conform with the current period's presentation.

14 Subsequent events

There are no significant events after the reporting date that would have an impact to the financial statements.

15 Approval of financial statements

The financial statements have been approved and authorized for issue by the Board of Directors on 21 April 2017.