

**CHONG HING FINANCE LIMITED**

創興財務有限公司

*(Incorporated in Hong Kong with limited liability)*

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2021**

**CHONG HING FINANCE LIMITED**  
**創興財務有限公司**

**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**CHONG HING FINANCE LIMITED**  
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**DIRECTORS' REPORT**

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

**Principal activities**

The Company is a deposit-taking company registered under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) in Hong Kong and is engaged in the business of deposit-taking and lending.

**Results and appropriations**

The results of the Company for the year ended 31 December 2021 are set out in the statement of comprehensive income on page 7. The directors of the Company do not recommend the payment of a dividend.

**Business review**

The Company is a wholly-owned subsidiary of Chong Hing Bank Limited at the end of the financial year 2021 and therefore the directors of the Company are exempted from preparing a business review as required by section 388(3) and Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) for the year.

**Donation**

During the year, the Company did not make any charitable or other donations (2020: Nil).

**Debenture issued**

No debentures were issued during the year ended 31 December 2021.

**Share issued**

There was no share issued during the year ended 31 December 2021. Details of the share capital of the Company are shown in note 10 to the financial statements.

**Directors**

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

Mr. ZONG Jianxin (*Chief Executive*)  
Mr. LAU Wai Man

There being no provisions in the Company's Articles of Association for the retirement of the directors of the Company by rotation, all the existing directors of the Company shall remain in office.

**Directors' material interests in transactions, arrangements and contracts of significance**

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.

**CHONG HING FINANCE LIMITED**  
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**DIRECTORS' REPORT (CONTINUED)**

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

Chong Hing Bank Limited operates two equity-settled share-based compensation schemes including a share option scheme and a share award scheme which were adopted on 9 May 2012 and 27 February 2020 respectively for the purpose of rewarding and motivating directors and employees of Chong Hing Bank Limited and its subsidiaries.

During the year, no share options have been granted to the directors of the Company under the share option scheme of Chong Hing Bank Limited. On 16 March 2021, Chong Hing Bank Limited had granted 24,311 award shares and 16,612 award shares to Mr. ZONG Jianxin and Mr. LAU Wai Man respectively under the share award scheme of Chong Hing Bank Limited (the "Share Award Scheme").

Chong Hing Bank Limited and Yue Xiu Enterprises (Holdings) Limited (the "Offeror") had jointly issued an announcement dated 18 May 2021 in relation to, among other matters, the proposal for the privatisation of Chong Hing Bank Limited by the Offeror by way of a scheme of arrangement under Section 673 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and for the withdrawal of listing of the shares of Chong Hing Bank Limited on The Stock Exchange of Hong Kong Limited, and the proposal for the Offeror to make an offer to cancel all outstanding share awards granted under the Share Award Scheme held by each outstanding share award holder.

Mr. ZONG Jianxin and Mr. LAU Wai Man had accepted the share award offer made by the Offeror in respect of 150,806 unvested share awards and 74,386 unvested share awards which were outstanding and held by them respectively pursuant to the proposal for privatisation of Chong Hing Bank Limited and such outstanding share awards were cancelled on 27 September 2021. As at 31 December 2021, nil share options and nil share awards were held by the directors of the Company.

Save as disclosed above, at no time during the year ended 31 December 2021 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 acquire benefits by means of acquisition of the shares in, 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.

**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.

**Equity-linked agreements**

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

**CHONG HING FINANCE LIMITED**  
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**DIRECTORS' REPORT (CONTINUED)**

**Auditor**

The financial statements for the year ended 31 December 2021 of the Company have been audited by PricewaterhouseCoopers who shall retire at the forthcoming annual general meeting of the Company.

On Behalf of the Board



Lau Wai Man  
Director  
Hong Kong, 11 April 2022



羅兵咸永道

**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"), which are set out on pages 7 to 21, comprise:

- the statement of financial position as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

*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 2021, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**Basis for Opinion**

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

We 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

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**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

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**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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

*PricewaterhouseCoopers*

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 11 April 2022



**CHONG HING FINANCE LIMITED**  
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**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 HK\$	2020 HK\$
Interest income	5	94,311	578,493
Operating expenses	6	(188,299)	(231,299)
(Loss)/profit before taxation		(93,988)	347,194
Taxation	7	10,000	(37,287)
Total comprehensive (loss)/income for the year		<u>(83,988)</u>	<u>309,907</u>

The notes on pages 11 to 21 are an integral part of these financial statements.

**CHONG HING FINANCE LIMITED**  
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**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2021**

	Note	2021 HK\$	2020 HK\$
<b>ASSETS</b>			
Cash and cash equivalents	8	46,321,953	46,582,741
Other accounts	9	70,096	66,678
Tax recoverable		57,287	-
<b>Total assets</b>		<u>46,449,336</u>	<u>46,649,419</u>
<b>LIABILITIES</b>			
Other payables and accruals		10,609	31,860
Tax payable		-	94,844
<b>Total liabilities</b>		<u>10,609</u>	<u>126,704</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	25,000,000	25,000,000
Reserves		21,438,727	21,522,715
<b>Total equity</b>		<u>46,438,727</u>	<u>46,522,715</u>
<b>Total liabilities and equity</b>		<u>46,449,336</u>	<u>46,649,419</u>

The financial statements on pages 7 to 21 were approved and authorised for issue by the Board of Directors on 11 April 2022 and were signed on its behalf by:



.....  
Zong Jianxin  
Director



.....  
Lau Wai Man  
Director

The notes on pages 11 to 21 are an integral part of these financial statements.

**CHONG HING FINANCE LIMITED**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share capital HK\$	General reserve HK\$	Retained profits HK\$	Total HK\$
<b>At 1 January 2020</b>	25,000,000	10,000,000	11,212,808	46,212,808
Total comprehensive income for the year	-	-	309,907	309,907
<b>At 31 December 2020/1 January 2021</b>	25,000,000	10,000,000	11,522,715	46,522,715
Total comprehensive loss for the year			(83,988)	(83,988)
<b>At 31 December 2021</b>	<u>25,000,000</u>	<u>10,000,000</u>	<u>11,438,727</u>	<u>46,438,727</u>

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

The notes on pages 11 to 21 are an integral part of these financial statements.

**CHONG HING FINANCE LIMITED**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 HK\$	2020 HK\$
<b>Operating activities</b>		
(Loss)/profit before taxation	(93,988)	347,194
Adjustment for:		
Interest income	(94,311)	(578,493)
Operating cash flow before a movement in working capital	(188,299)	(231,299)
(Decrease)/increase in other payables and accruals	(21,251)	21,559
Income tax paid	(142,131)	-
Cash used in operations	(351,681)	(209,740)
Interest received	90,893	639,560
<b>Net cash (used in)/generated from operating activities</b>	(260,788)	429,820
<b>Net (decrease)/increase in cash and cash equivalents</b>	(260,788)	429,820
<b>Cash and cash equivalents at 1 January</b>	46,582,741	46,152,921
<b>Cash and cash equivalents at 31 December</b>	46,321,953	46,582,741
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and balances with Parent Bank	647,710	999,391
Money at call and short notice with Parent Bank with original maturity at or less than three months	45,674,243	45,583,350
	46,321,953	46,582,741

The notes on pages 11 to 21 are an integral part of these financial statements.

**CHONG HING FINANCE LIMITED**  
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**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 limited company incorporated in Hong Kong. The listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited had been withdrawn on 30 September 2021, and it became a wholly-owned subsidiary of Yuexiu Financial Holdings Limited since then. 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 deposit-taking and lending. 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 statement has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the financial statements include applicable disclosures required by the Hong Kong Companies Ordinance.

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**

There are no HKFRSs or interpretations that are effective from 1 January 2021 that have a material impact on the Company.

**(ii) New and revised HKFRSs issued but not yet effective**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**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 Cash and cash equivalents**

Cash and cash equivalents include cash and balances with Parent Bank and money at call and short notice with Parent Bank with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

**2.4 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. Any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of comprehensive income over the period of the financial liabilities using the effective interest method.

*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.

The Company derecognizes financial liabilities when, and only when, they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.5 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 case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

**2.6 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).

**CHONG HING FINANCE LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**2 Summary of significant accounting policies (Continued)**

**2.7 Related Parties**

A related party is a person or entity that is related to the company that is preparing its financial statements.

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

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



**CHONG HING FINANCE LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**3 Critical accounting estimates and judgments**

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**4 Financial instruments**

(i) Categories of financial instruments

	2021 HK\$	2020 HK\$
<b>Financial assets at amortised cost</b>		
Cash and cash equivalents	46,321,953	46,582,741
Interest receivable	13,585	10,167
	<u>46,335,538</u>	<u>46,592,908</u>

(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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

**4 Financial instruments (Continued)**

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

**Credit risk (Continued)**

(a) Credit quality

The Company's financial assets 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. The estimated credit loss for cash and cash equivalent is immaterial.

(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.

**CHONG HING FINANCE LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**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\$
<b>At 31 December 2021</b>			
Cash and cash equivalents	45,674,243	647,710	46,321,953
Interest receivable	-	13,585	13,585
	<u>45,674,243</u>	<u>661,295</u>	<u>46,335,538</u>
<b>At 31 December 2020</b>			
Cash and cash equivalents	45,583,350	999,391	46,582,741
Interest receivable	-	10,167	10,167
	<u>45,583,350</u>	<u>1,09,558</u>	<u>46,592,908</u>

(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.

	2021		2020	
	Change in basis points +100 HK\$	Change in basis points -10 HK\$	Change in basis points +100 HK\$	Change in basis points -10 HK\$
Change in loss after tax	<u>456,742</u>	<u>(45,674)</u>	<u>455,834</u>	<u>(45,583)</u>

(d) Price risk

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

**NOTES TO THE FINANCIAL STATEMENTS**

**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**

	2021 HK\$	2020 HK\$
Interest income from deposits with Parent Bank	94,311	578,493

All interest income for both years is derived from financial assets that are not at fair value through profit or loss.

**6 Operating expenses**

	2021 HK\$	2020 HK\$
Auditor's remuneration	10,609	10,609
Association membership fee	63,750	106,250
Registration fee	113,020	113,020
Other operating expenses	920	1,420
Total operating expenses	188,299	231,299

Director's remuneration is nil for both years.

**CHONG HING FINANCE LIMITED**  
**創興財務有限公司**

**NOTES TO THE FINANCIAL STATEMENTS**

**7 Taxation**

	2021 HK\$	2020 HK\$
Hong Kong Profit Tax		
- Current year	-	57,287
- Over-provision in prior year	(10,000)	(20,000)
	<u>(10,000)</u>	<u>37,287</u>

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

	2021 HK\$	2020 HK\$
(Loss)/profit before taxation	<u>(93,988)</u>	<u>347,194</u>
Tax at Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	(15,508)	57,287
Over provision in prior years	(10,000)	(20,000)
Tax effect of unused tax losses not recognised	15,508	-
Tax (refund)/charge for the year	<u>(10,000)</u>	<u>37,287</u>

At the end of the reporting period, the Company has estimated unused tax losses of approximately HK\$93,988 (2020: nil) to carry forward 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 cash equivalents**

	2021 HK\$	2020 HK\$
Cash and balances with Parent Bank	647,710	999,391
Money at call and short notice with Parent Bank	45,674,243	45,583,350
	<u>46,321,953</u>	<u>46,582,741</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**9 Other accounts**

Other accounts are as follows:

	2021 HK\$	2020 HK\$
Interest receivable	13,585	10,167
Prepayment	56,511	56,511
	<u>70,096</u>	<u>66,678</u>

There were no overdue and rescheduled loans and repossessed assets held by the Company for both years.

There were no impairment allowances recognised for both years.

**10 Share capital**

	2021 HK\$	2020 HK\$
Issued and fully paid: 2,500,000 ordinary shares	<u>25,000,000</u>	<u>25,000,000</u>

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 2021 and 31 December 2020 were as follows:

	2021 HK\$	2020 HK\$
Cash and cash equivalents	46,321,953	46,582,741
Interest receivable	13,585	10,167
Interest income	<u>94,311</u>	<u>578,493</u>

**Compensation of key management personnel**

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

The emoluments of the Directors of the Company disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation are set out below:

**NOTES TO THE FINANCIAL STATEMENTS**

**11 Related party transactions (Continued)**

Directors' remuneration paid or payable in respect of directors' services is HK\$nil (2020: HK\$nil). No retirement benefits amounted to were paid to a director during the year (2020: HK\$nil). During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2020: HK\$nil). No consideration was provided to or receivable by third parties for making available directors' services (2020: HK\$nil).

There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2020: HK\$nil).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2020: None) with the exception of the share option scheme and share award scheme adopted by Chong Hing Bank Limited, the holding company, pursuant to a resolution passed on 9 May 2012 and 27 February 2020 respectively. At the end of the year, the directors of the Company has nil interests with the share option scheme and share award scheme.

**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.