



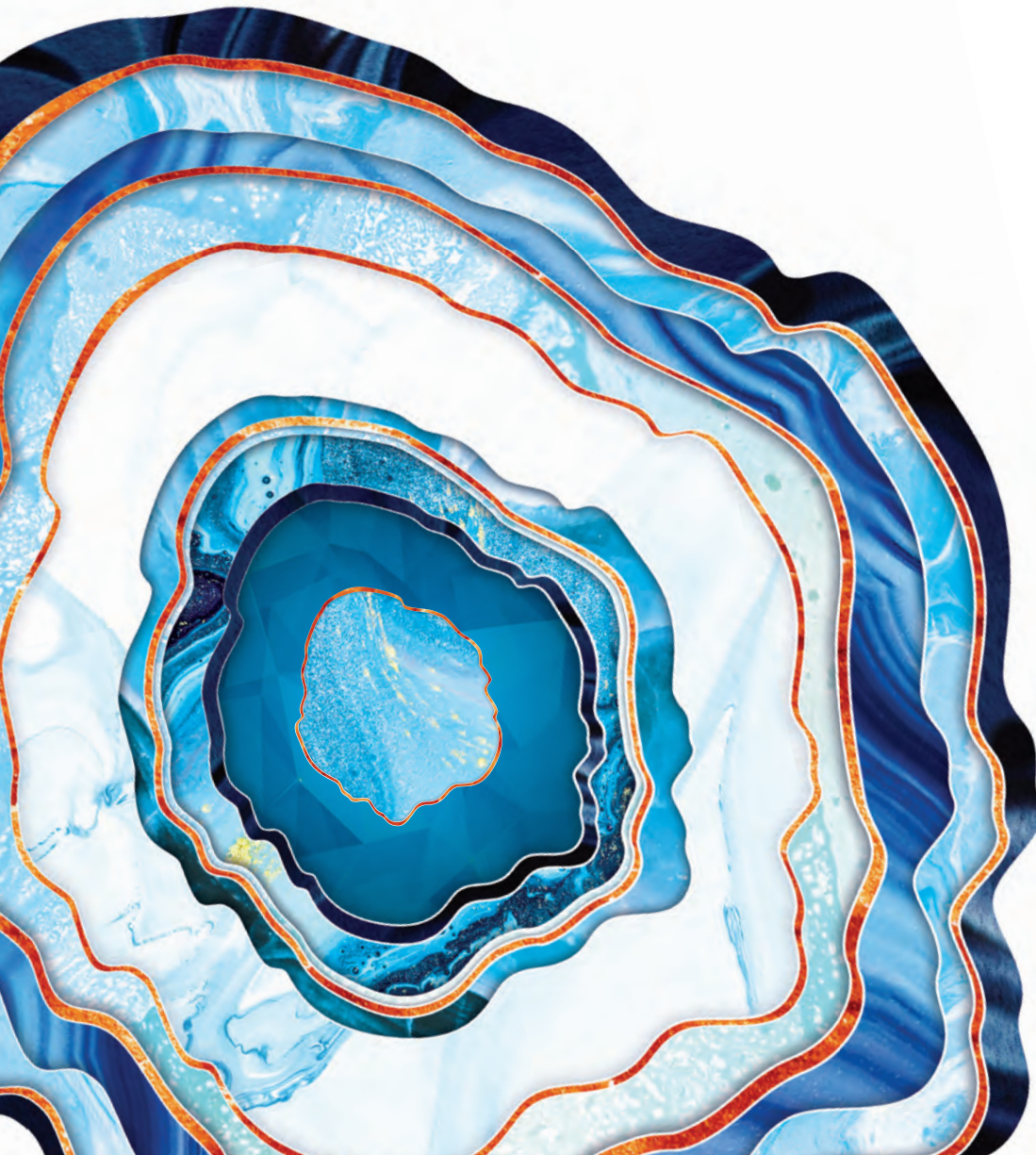
國泰君安國際
GUOTAI JUNAN INTERNATIONAL

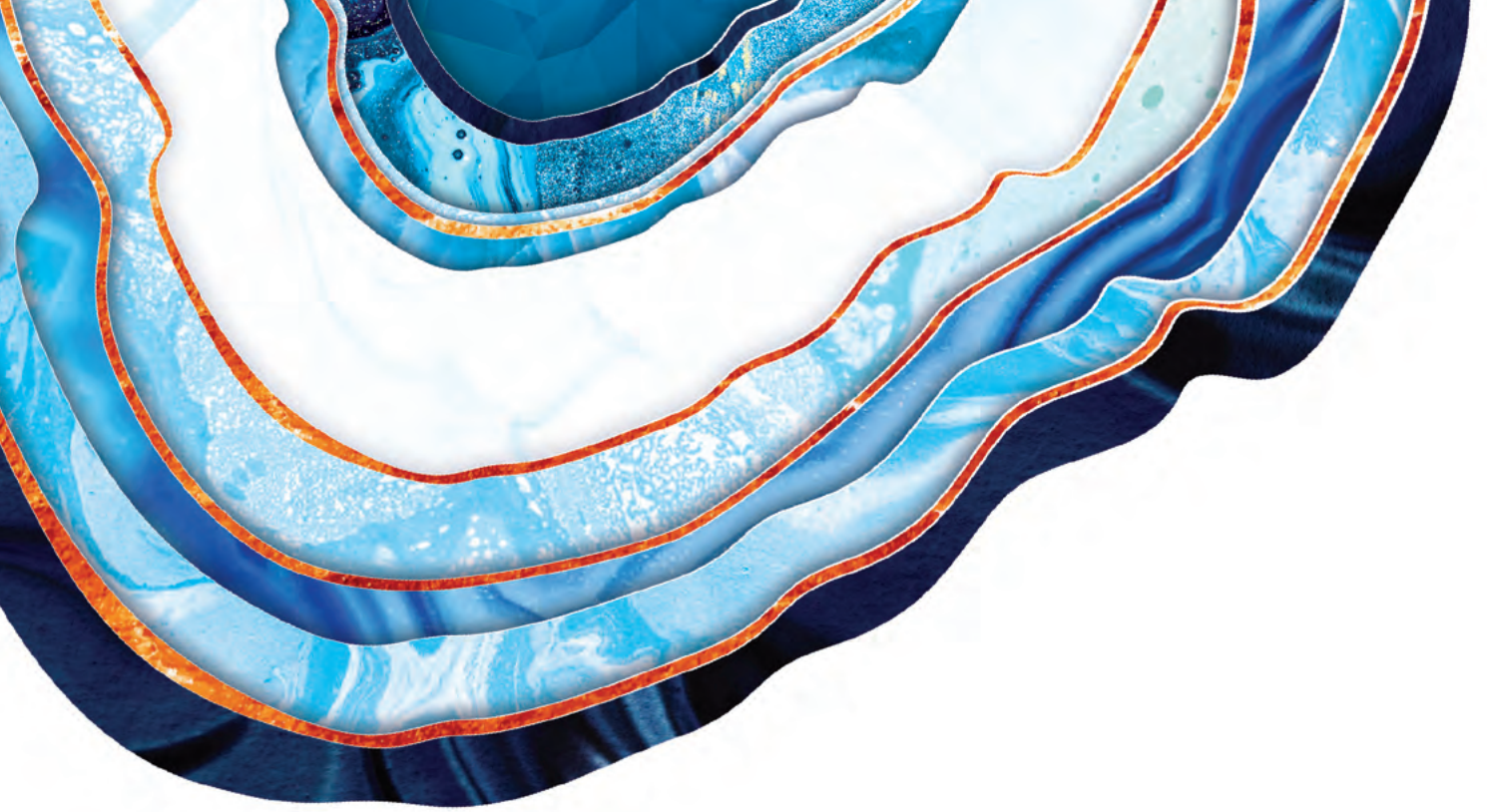
Stock Code 股份代號：1788

2019 ANNUAL REPORT 年報

The Only Thing Does Not Change is
Changing for the Better

歷久彌珍





經過時間長河的洗禮，真正的寶石恒久璀璨，它的內在世界色彩奪目，變化萬千。

國泰君安國際，自成立以來一直秉承審慎、務實的態度，
腳踏實地，以優質的金融服務為客戶創造價值。

公司在堅定核心價值和文化的同時，與時並進，推陳出新，從一家傳統券商轉變成為
業務多元化的財富管理專家，在資本市場中彰顯出眾的實力，熠熠生輝。

國泰君安國際，像一顆寶石，歷經演變，達至恆久。



Baptized in the river of time, a gemstone shines brightly
and eternally along with its dazzling and ever-changing inside.

Since our establishment, Guotai Junan International has been adhering to a prudent, pragmatic
and down-to-earth attitude to create value for clients with high-quality financial services.

While holding firm to our core value and culture, we keep moving forward. In the pursuit of
innovation, we have transformed from a traditional securities broker into a wealth management
expert with diversified businesses and remained outstanding in the capital market.

Guotai Junan International, like a gemstone, we have been through the changes and
committed to bringing you the value that lasts.

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Corporate Profile



Deeply rooted in Hong Kong, one of the world's most vibrant global metropolises, Guotai Junan International Holdings Limited ("Guotai Junan International" or the "Company") (Stock code: 1788.HK) serves as a bridge to connect enterprises and investors between China and the world. The Company provides a range of innovative financial products and services to meet the investment and financing needs of companies and investors from mainland China and overseas, which further facilitates them to catch market opportunity.

Established in Hong Kong in 1995, the Company currently has core businesses including wealth management, brokerage, corporate finance, asset management, loans and financing, financial products, market making and investments. As the Company fully executed its strategy to diversify its business in the recent years, it has shifted its focus from the traditional brokerage to wealth management with a wide range of tailored financial products and services to create attractive returns for investors. Our team of dedicated professionals, who have in-depth knowledge and understanding of capital markets, has established a solid reputation for offering quality financial services and tailored financial products to investors in Hong Kong, China and across the world.

In 2010, Guotai Junan International became the first Chinese securities brokerage house with China Securities Regulatory Commission approval to list its shares through initial public offering ("IPO") on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Currently, the Company is one of the constituents of HSCI, Hang Seng Composite LargeCap & MidCap Index, FTSE HK index, FTSE HK ex H share index and FTSE4Good Index Series.

The Company operates with an effective risk management system for all lines of business to minimize risks and maximize returns for shareholders and investors. Guotai Junan International has been assigned "Baa2/Prime-2" and "BBB+/A-2" rating from Moody's and Standard & Poor's respectively, which is the leading ratings among the Chinese securities houses in Hong Kong.

Our controlling shareholder, Guotai Junan Securities Co., Ltd. ("Guotai Junan Securities", "parent company") (Stock code: 601211.SS/2611.HK) is the comprehensive financial service provider with a long-term sustainable and overall leading position in securities industry in China. Backed by our parent company's strong support in terms of brand name advantages, client network and significant capital base, we play a major role in the international development strategy of Guotai Junan, serving as the gateway for its expansion.

Looking into the future, we will continue to invest in our existing platform and to expand client profiles, so that it can become a leading wealth management platform. With our effective risk management system and wide range of financial services and innovative products, we will commit ourselves to providing quality services for clients with "Integrity, Responsibility, Amicability, Professionalism and Innovation".

Core Values

INTEGRITY

Keeping integrity in mind is the foundation of all communications. We always build our long-term reputation and brand strength upon the utmost ethical standards and integrity.

RESPONSIBILITY

Our clients' trust in Guotai Junan comes from long-term cooperation. We regard clients' requests as our mission and the top priority of the Company's development at all stages.



AMICABILITY

To treat people with amicability and harmony is an excellent tradition in Chinese culture. We not only advocate active team communications and collaborations, but also hope to bring this positive energy to all of our clients, shareholders and stakeholders, to create a more harmonious and effective society.

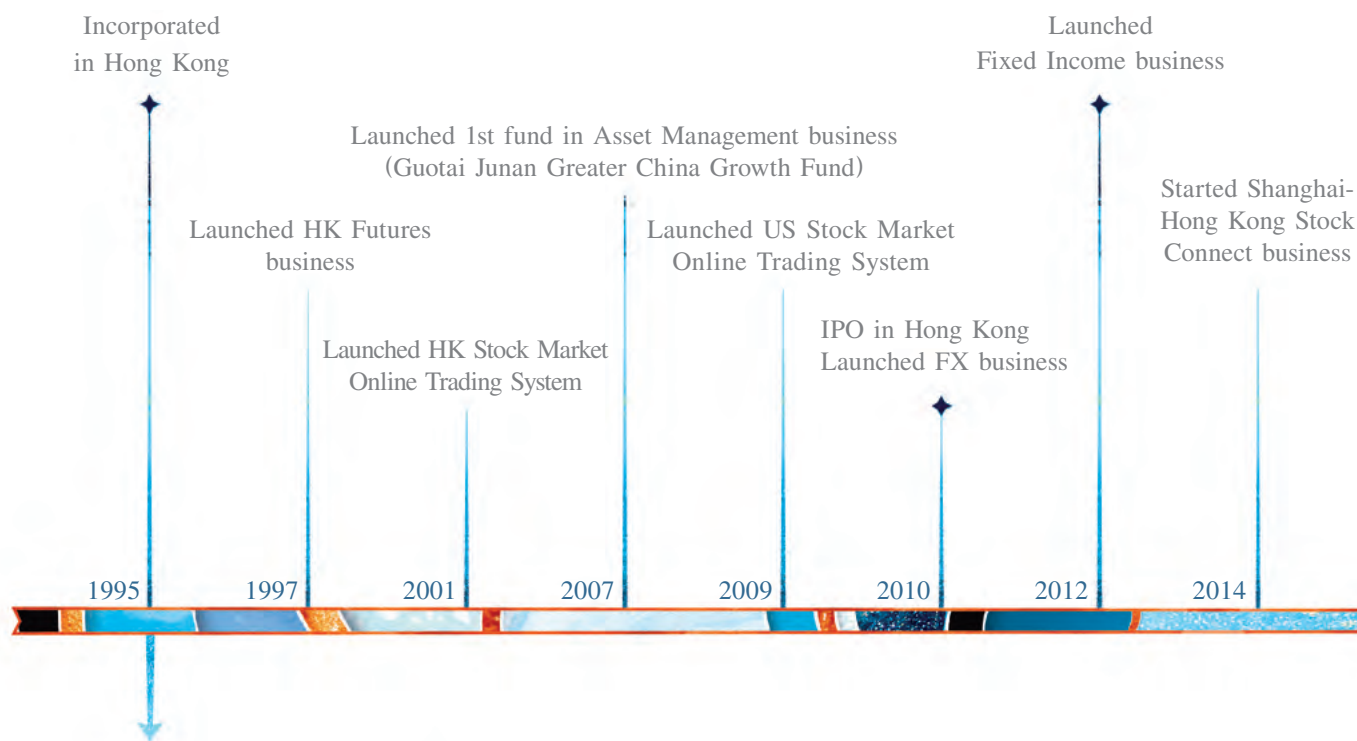
INNOVATION

Innovation is our growth driver, and has been integrated into our wide development perspectives. Our innovation is based on tradition and reality, but we still seek for a breakthrough and will never be satisfied with the status quo. Only by this way can we truly capture the fruitful results brought by innovation.

PROFESSIONALISM

We have a team of high-quality financial talents with global insight, who are not only familiar with and equipped with professional knowledge in various markets, but also committed and dedicated to their everyday work.

Milestones



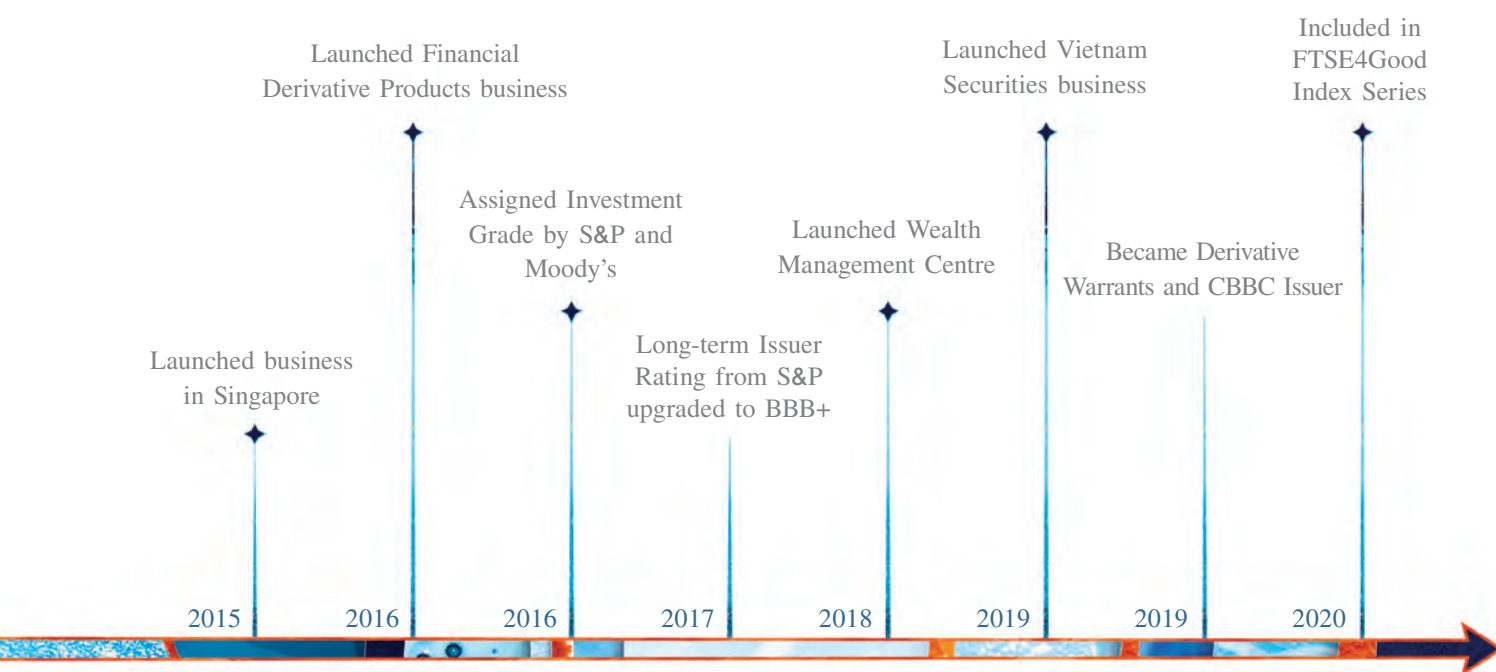
Registered Capital amounted to HKD31.98 million in 1995



Achievements:

- Leveraged on the brand value of "Guotai Junan" with its over 25 years' experience in HK, the Company has gained strong client base from professional investors and financial institutions
- Acquired "Investment Grade" credit ratings from global rating agency
- Refined risk management system and introduced "Risk-adjusted Return" as one of the key performance measures
- Transformed to an unique Chinese investment bank with leading position in debt capital market business
- Provided competitive financial derivative product business, which is well received among high-net-worth and financial institutional clients
- Set up a wealth management platform to provide diversified products and services
- Implemented differentiated pricing mechanism for loan and financing products to attract quality clients
- Explored Singapore and Vietnam markets, which deepened the Company's strategy as the Southeast Asia flagship of Guotai Junan Securities

Milestones



Attributable Net Asset
HKD11.3 billion
at the end of 2019

2020 AND GOING FORWARD

Goals:

- To provide more diversified investment products
- To build a broader sales network as well as hire more specialized investment consultants
- To refine wealth management platform with comprehensive capabilities
- To attract quality clients and invest in quality assets
- To increase commission and fee based income
- To further improve the stability of the Group's earnings

Corporate Information

Board of Directors

Executive Directors

Dr. YIM Fung (*Chairman*)

Mr. WONG Tung Ching

Ms. QI Haiying

Mr. LI Guangjie

Non-executive Directors

Dr. XIE Lebin

Mr. LIU Yiyong

Independent Non-executive Directors

Dr. FU Tingmei

Dr. SONG Ming

Mr. TSANG Yiu Keung

Professor CHAN Ka Keung Ceajer

Members of Audit Committee

Mr. TSANG Yiu Keung (*chairman*)

Dr. FU Tingmei

Dr. SONG Ming

Professor CHAN Ka Keung Ceajer

Members of Remuneration Committee

Dr. FU Tingmei (*chairman*)

Dr. SONG Ming

Mr. TSANG Yiu Keung

Dr. XIE Lebin

Professor CHAN Ka Keung Ceajer

Members of Nomination Committee

Dr. SONG Ming (*chairman*)

Dr. YIM Fung

Mr. TSANG Yiu Keung

Professor CHAN Ka Keung Ceajer

Members of Risk Committee

Professor CHAN Ka Keung Ceajer

(Redesignated as chairman from member on 20 March 2020)

Dr. YIM Fung

(Redesignated as member from chairman on 20 March 2020)

Ms. QI Haiying

Dr. FU Tingmei

Dr. SONG Ming

Mr. TSANG Yiu Keung

Mr. LIU Yiyong

Company Secretary

Ms. FENG Zheng Yao Helen

Registered Office

27/F, Low Block

Grand Millennium Plaza

No. 181 Queen's Road Central

Hong Kong

Auditor

Ernst & Young

Certified Public Accountants

Share Registrar

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre

No. 183 Queen's Road East

Wanchai, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited

Standard Chartered Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

Stock Code

The Stock Exchange of

Hong Kong Limited

01788

Bloomberg

1788 HK

Reuters

1788.HK

ISIN

HK0000065869

SEDOL

B3W1335 HK

Company's Website

www.gtjai.com

Investor Relations Contact

enquiry@gtjas.com.hk

Awards

MAJOR HONORS 2019

In Reverse Chronological Order

In 2019, the Group's brand influence and reputation continued to grow in the financial markets in Southeast Asia such as Hong Kong, Singapore, etc. During the year, the Company received over 20 awards from a number of well-known global media in the industry, such as Bloomberg Businessweek, Asia Risk, Corporate Governance Asia, The Asset, China Financial Market, Ta Kung Pao and Refinitiv Starmine. They all gave high recognition to the businesses of the Company, including wealth management, investment banking, financial products, asset management and research, etc. Meanwhile, the Group's efforts on risk management, corporate governance and investor relations were highly rated as well.

THE ASSET

Country Awards 2019

- Best Equity Deal (Hong Kong IPO)
- Best FIG Bond Deal

- December 2019

THE ASSET

ESG Corporate Awards 2019

- Gold Award – Corporate Governance and Investor Relations

- November 2019

HONG KONG EXCHANGE

Outstanding Chinese Futures Broker Award

- November 2019

TA KUNG PAO

Golden Bauhinia Awards 2019

- Best Investment Value award for Listed Companies

- November 2019

ASIA RISK

Risk Awards 2019

- Hong Kong House of the Year

- September 2019

MERCOMM, INC

ARC Awards on Annual Reports

- Gold Award – Financial services – Brokerage
- Gold Award – Financial services – Venture Capital
- Honor Award – Asset Management

LEAGUE OF AMERICAN COMMUNICATION PROFESSIONALS

Vision Awards on Annual Reports

- Gold – Financial – Capital Market
- Gold – Financial – Diversified Services

- September 2019

SNOWBALL

2019 Hong Kong Stock Market Summit

- Most Valuable Company in Financial Innovation

- September 2019

CHINA FINANCIAL MARKET

2019 Financial Market Awards

- Best Corporate Governance
- Star Investment Bank

- June 2019

CORPORATE GOVERNANCE ASIA

The 9th Asia Excellence Awards

- Asia's Best CEO
- Best Investor Relations Company

- June 2019

BLOOMBERG BUSINESSWEEK

Financial Institution Awards 2019

- Excellence Award in Wealth Management Platform
- Excellence Award in Cross-border Financial Service
- Outstanding Award in Derivatives Provider of the Year

- June 2019

GELONGHUI

The 1st Greater China Best HK Listco Awards

- The Best IR team award

- May 2019

REFINITIV STARMINE

Top Stock Pickers in Hong Kong and Mainland China

- No. 2 in Transportation and Industrials Sector

Top Earning Estimator in Asia

- No. 3 in Transportation Sector

Top Stock Picker in Asia

- No. 3 in Transportation Sector

- April 2019

PHOENIX FINANCE

The 1st HK Financial Institution Value Rank

- 2018 the Most Competitive Wealth Management Institution

- January 2019

ROADSHOW CHINA

The 2nd Excellent Investor Relations

- The Best Information Disclosure award

- January 2019

CHAIRMAN'S STATEMENT



Chairman's Statement



Dear Shareholders,

For the capital market of Hong Kong, 2019 was a challenging year characterized by a variety of risks.

Despite the adversities including the escalated China-US trade conflicts and the social unrest sparked by the proposed extradition law amendment in Hong Kong, the Group managed to evaluate the situation prudently, adjust business structure swiftly, optimize underlying assets resolutely, and improve the composition of its client base mightily. With all these efforts, I am pleased to inform our shareholders of the Company ("Shareholder(s)") that, the Group has successfully completed the transformation and upgrade of its business structure guided by our philosophy of "Seek Development based on Quality and Solidity", and thus lays a firm ground for quality, sustainable and robust development in the future.

In fiscal year 2019, the Group's revenue increased significantly by 40% to HK\$4,246 million, sustaining the momentum of rapid growth. However, the drastic volatility witnessed during the year aggravated the credit risks of certain clients remarkably. For the sake of best practice of global risk management, based on our expectation on the trend of market development, the Group made forward-looking judgment on the potential risks from the credit assets and responded proactively to increase the risk provision substantially, which consequently impacted the profit growth to a certain extent. Nevertheless, the profit attributable to Shareholders delivered a YOY growth of 12% to HK\$895 million, representing a sustainable and rapid growth with promising quality on a pragmatic base. Our equity return to Shareholders outperformed the peers continuously.

Given that the basic earnings per share of the Group increased by 11.4% to HK\$0.117 when compared with that of last year, the board of directors (the "Board") recommended a final dividend of HK\$0.020 per ordinary share of the Company ("Share(s)"), bringing the total dividend of the year to HK\$0.062 including the interim dividend of HK\$0.042 per Share. The dividend yield amounted to 6.4% based on the closing price of Share on 20 March 2020.

The Group's stable dividend policy demonstrates that we have been serious to meet our Shareholders' investment objectives for both growth and income, and we are committed to both creating capital appreciation return for Shareholders and investors, and providing tangible and sizable cash return with sustainable.

BUSINESS REVIEW

Challenging Market Environment

The securities sector of Hong Kong was exposed to challenging market environment in 2019. Firstly, we witnessed both headwinds and tailwinds in the trade war between China and the US. Secondly, the social unrest was sparked by the proposed amendment of extradition law in Hong Kong. Thirdly, China's efforts on deleveraging and making structural adjustments, as well as the strengthened control on foreign exchange under the category of capital, exerted great pressure on the liquidity of corporate, institutional and individual clients in mainland China, and suppressed their demand on overseas assets allocation. All these factors posed great challenges to the securities market and the securities sector in Hong Kong.

A review of the movement of Hang Seng Index ("HSI") indicates a high volatile securities market at Hong Kong in 2019. HSI delivered a strong rally in early 2019 and peaked subsequent to the conclusion of China National People's Congress and the Chinese People's Political Consultative Conference. However, the market turned to slump remarkably after Donald Trump posted his Tweet regarding imposing additional tariffs on 5 May 2019. Then the market recovered to a certain extent, boosted by the good news that the Xi-Trump summit was held in Osaka, Japan and trade and economic talks would be resumed soon after the summit, at the end of May. In mid-July, HSI dropped again sharply due to the escalated social unrest in Hong Kong. The investor confidence was not restored until the end of 2019, when the Phase 1 trade deal agreement was confirmed to be signed by China and the US in near term.

Chairman's Statement

Though HSI closed at 28,190 at the end of 2019, up by 9% when compared with that of 2018, the market turbulence exerted great pressure on equities valuation, and the risk-averse sentiment from investors was driven up. As a result, the growth momentum of IPOs in the equity financing market of Hong Kong slowed down significantly. Though the fund raised through IPOs totaled at HK\$312.9 billion, representing a YOY increase of 9%, only 183 new companies were listed, down by 16% when compared with 218 of 2018, and the aggregate fund raised through market including placing, rights issue and IPOs, slipped substantially to HK\$452 billion, representing a YOY decrease of 17%.

Trading activities in the secondary market also recorded a substantial decrease. In 2019, the average daily turnover of Hong Kong stock market was HK\$87.2 billion, decreasing by 19% when compared with HK\$107.4 billion of 2018.

Consistently Sound Financial Performance

Despite the unfavorable market environment, the Company took proactive measures to address the ever changing market, optimize the business structure and the revenue mix, forge a more diversified revenue sources and increase the proportion of risk neutral business revenues. The Group also made every endeavor to secure more corporate and institutional clients and enhance the related business development, adjust risk portfolios and strengthen risk management and hedging. These efforts enabled us to deliver satisfactory operating results in a challenging year.

The Group's commission from brokerage business managed to increase by 17%, notwithstanding the 19% YOY decrease in the average daily turnover of Hong Kong securities market. Meanwhile, though total amount of fundraising in Hong Kong equity market recorded a YOY decrease of 17%, the Group's revenue from equity financing and underwriting businesses increased by 74% and the revenue from bonds issuance and underwriting also delivered an increase of 23% over last year.

On the basis of enhanced risk management measure, the Group took an active role to develop its market making and investments businesses, put more efforts on the development and sales of structural products, and consequently increased the revenue from financial products, market making and investments businesses by 166%.

In addition, we allocated a substantial amount of resources in the development of wealth management business, and reaped a rapid growth in the AUM of wealth management. We successfully obtained the qualification to issue derivative warrants and callable bull/bear contracts and launched its trading services consequently.

Distinguished Risk Management Capabilities

Along with the efforts to boost revenue growth, the Group attached great importance to risk management. Under the complicated and ever changing market environment, the Group continued to fortify the implementations of its comprehensive risk management framework, mechanism and system, which further improved its risk management capabilities, and consequently posed ourselves at the pole position in risk management's comprehensiveness. In 2019, the Group was named the "Hong Kong Broker of the Year" in the "2019 Risk Award" organized by Asia Risk magazine.

In terms of global credit rating, the Group maintained the rating of "Baa2" by Moody and "BBB+" by Standard & Poor's for long term credit, and rating of "P-2" and "A-2" for short term issuer, which is the leading global ratings among Chinese securities houses in Hong Kong. The credit ratings not only reduced the Group's weighted average cost of capital effectively but also demonstrated the Group's efficacy in risk management, which had been widely acknowledged by the market, highlighting the Group's leading position and core competitiveness in the industry.

Steadily Improved Assets Quality

Heavily impacted by the escalated China-US trade war and the social unrest in Hong Kong, the capital market of Hong Kong fluctuated significantly, driving up the Company's exposure to credit risks. China's efforts on deleveraging and structural reforms also exerted pressure on the overseas liquidity of clients in China, thus exposing us to even higher credit risks.

To take proactive and effective measures to strengthen risk management and control, the Company further optimized both the clientele structure and its credit portfolio, and achieved the goal of the strategy named as Emptying Cage for New Birds, and digested the credit risks in a well-controlled manner. We set aside sufficient provision for the problematic accounts and transactions resolutely, and implemented a series of risk control measures including increasing risk reserves, and enforcing liquidation to stop loss to prevent the risks from spreading, which managed to absorb credit risks. The large provision in 2019 actually helps the Group to cast off the onerous burden, enables it to move forward more quickly, and lays a health and solid ground for its future development.

Expedited Global Development

With respect to the development in international market, the Group adopted a pragmatic manner and strived to achieve our goals on the basis of real business opportunities. In 2019, the Group successfully acquired control interests in Vietnam Investment Securities Company, a public listed securities house in Vietnam, by subscribing for the new issued shares. The acquisition made the Group the very first Chinese securities company securing a foothold in Vietnam, representing an important milestone in exploring international market and diversifying revenue sources. It was not only an expedited step in the process of "Going Abroad" for Guotai Junan, but also a major breakthrough for our Southeast-Asia-focused business planning along the route of "Belt and Road Initiative". The acquisition is expected to be a new growth driver for our profit in the years forthcoming.

Commitment to Corporate Social Responsibilities

The Group's substantial efforts on conducting corporate social responsibilities were widely witnessed and recognized by the international financial market, the investment community and the society. In early 2020, the Group was officially included into the FTSE4Good Index by FTSE Russell of the London Stock Exchange.

PROSPECT

In 2020, the Group expects that the economic growth of China will be hindered by the outbreak of novel coronavirus ("COVID-19"), the prolonged political disputes in Hong Kong will result in an economic recession, and the risks of the China-US trade war escalation will linger around. All these three factors will impact the capital market in Hong Kong and lead to a volatile market inevitably.

However, as per our observation, it seems that the pandemic is largely alleviated in mainland China so far and the dawn is just around the corner. We expect the economic growth in China will gradually stabilize once the impact of pandemic diminishes. Given the promising coordination between the fiscal policy and monetary policy in China, the central government's measures including tax and fee reduction, and reserve ratio and interest rate cut, will certainly play a critical role in restoring the momentum of rapid economic growth. Nevertheless, the final economic growth rate will depend on factors including the speed of recovery of productivity, the execution of the China-US trade agreement, and the overall Sino-US cooperative relationship.

Chairman's Statement

Under such circumstances, the Group will enlarge its investment in the Guangdong-Hong Kong-Macao Greater Bay Area and the "Belt and Road Initiative" region in 2020, expedite the business development in Southeast Asian countries preferably, especially in Singapore and Vietnam, and increase its market presence in Asia Pacific region and Europe, so as to secure a new driver for revenue growth. The Group will leverage on our advantages from "One Guotai Junan", which make us work closely with our parent company with strong competencies and abundant resources, to match and satisfy both the demand for overseas financing and risk management from rapid growing Chinese enterprises as well as the demand for overseas asset allocation from high-net-worth individual clients in China. At the same time, the Company will aim to focus on wealth management business development, and to provide our clients with diversified and differentiated overseas financial products as well as integrated premier financial service solutions.

The Group will strive to enhance its overall strength in business development and capital scale to secure large and medium-size corporate and institutional clients, and enrich its wealth management services and diversify its product mix to increase its revenue engines. The Group will also expedite our business development in Southeast Asian countries including Vietnam to expand both services coverage and client base to drive the revenue growth. Meanwhile, the Group will enhance risk capital management and optimize the performance evaluation to increase the risk adjusted return on capital.

The Group will reinforce the global risk management system. Given our competency in identifying, positioning, measuring, mitigating and hedging risks, we will continue to strengthen and upgrade ourselves to step up our outstanding capabilities in terms of risk control, innovation, execution, response and cross-border financial services.

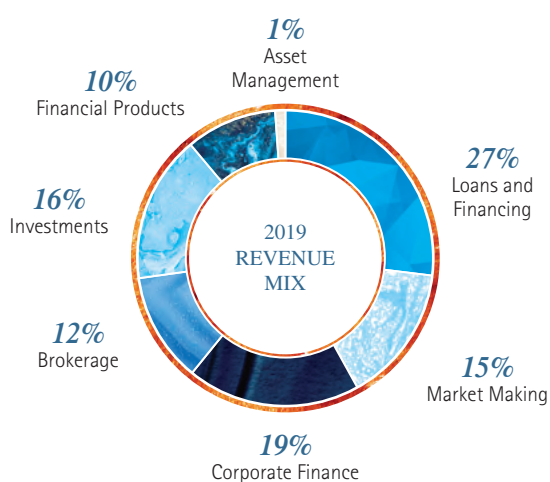
Our distinguished risk management capabilities, transparent corporate governance and optimized incentive mechanism will empower Group for future development. We are committed to forging a comprehensive carrier-level investment bank based on efficiency and risk-return optimization, so as to deliver high quality and sustainable growth, to reward our investors with sound and reliable return, and create value for our clients, staff, shareholders and the society continuously.

Dr. YIM Fung, JP
Chairman

20 March 2020

Financial Highlights

	For the year ended 31 December		Change
	2019 HK\$'000	2018 HK\$'000	
Fee and commission income			
- brokerage	531,233	454,962	16.8%
- corporate finance	809,047	594,970	36.0%
- asset management	36,439	16,716	118.0%
Income from loans and financing	1,134,972	1,307,294	-13.2%
Gain from financial products, market making and investments	1,733,845	651,948	165.9%
Revenue	4,245,536	3,025,890	40.3%
Profit for the year	902,559	849,174	6.3%
Profit attributable to ordinary equity holders of the Company	895,303	796,835	12.4%
Basic earnings per share (HK cents)	11.7	10.5	11.4%
Diluted earnings per share (HK cents)	11.7	10.5	11.4%
Equity per ordinary share (HK\$) (Note 1)	1.47	1.42	3.5%
Dividend per share (HK cents)	6.2	5.3	17.0%
Dividend payout ratio (Note 2)	57%	51%	6 P.P.
Return on Equity ("ROE")	8%	8%	Same
Return on Equity ("ROE") excluding impairment	16%	11%	5 P.P.



Fee and Commission Income **33%**

From corporate finance, brokerage, asset management and financial products business. Total income increased by 26% to HKD1,419 million, representing historical high.

Interest Income **36%**

Interest Income in "Loans and Financing" from retail clients and banks.

Interest Income in "Financial Products" from institutional and high net worth clients.

Investment Income **31%**

Purpose: 1) Market Making to facilitate Debt Capital Market ("DCM") business, mainly in bonds position. 2) Investments to facilitate asset management business in a long term, covering bonds and equities position.

Income Nature: Interest income from coupons of fixed income securities was approximately HK\$841 million, accounted for 20% of the overall revenue, while trading income (recorded by mark-to-market) was approximately HK\$475 million, accounted for 11% of the overall revenue.

Note 1: Based on 7,678,783,690 shares (2018: 7,652,256,690 shares) as at 31 December 2019, being 7,715,673,090 shares issued and fully paid less 36,889,400 shares held under the Company's share award scheme (2018: 7,715,673,090 shares issued and fully paid less 63,416,400 shares held under the Company's share award scheme).

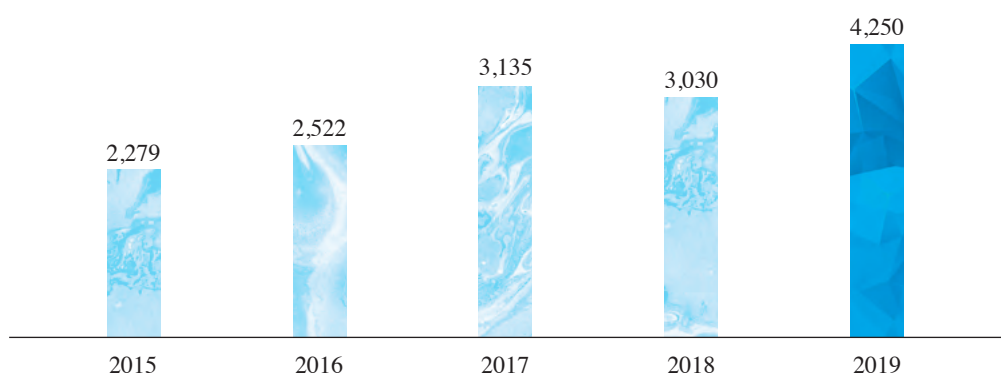
Note 2: Based on 9,598,002,956 shares (2018: 7,652,256,690 shares), being shares outstanding as at 20 March 2020 (2018: 18 March 2019) less shares held under the share award scheme.

Five Years Financial Summary

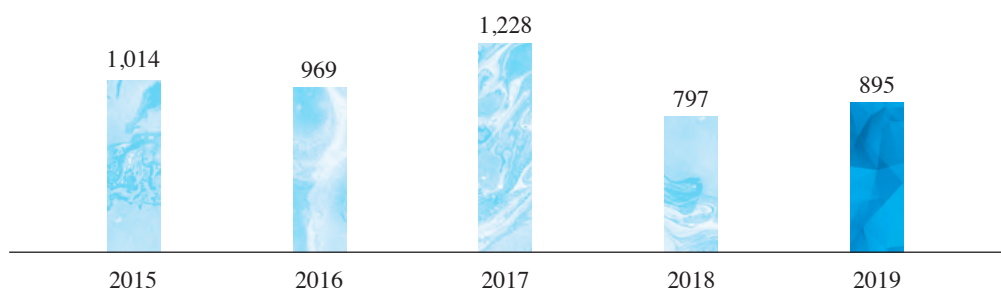
A summary of the published results and assets and liabilities of the Company and its subsidiaries (the "Group") for the last five financial years is set out below:

	For the year ended 31 December				
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Revenue and other income	4,250,171	3,029,822	3,134,792	2,521,795	2,278,507
Profit before tax	1,005,443	983,272	1,559,112	1,188,607	1,168,122
Profit for the year	902,559	849,174	1,334,491	1,026,087	1,015,433
Profit attributable to ordinary equity holders of the Company	895,303	796,835	1,228,174	969,139	1,013,541

Revenue and other income
(HK\$Mil)

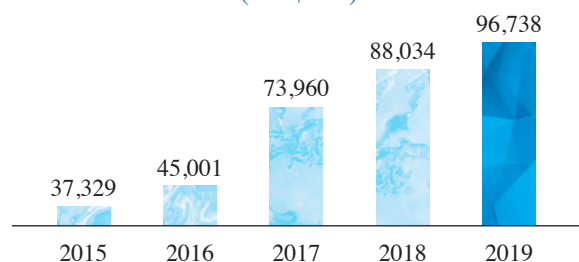
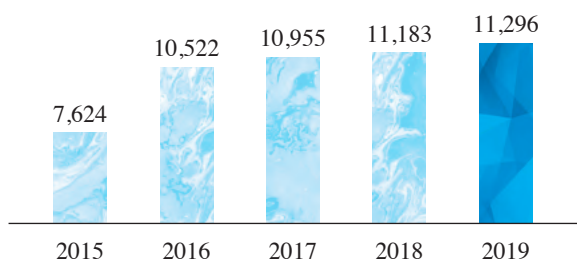
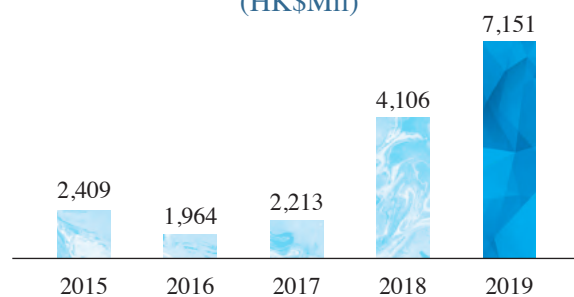


Profit attributable to ordinary equity holders of the Company
(HK\$Mil)



ASSETS AND LIABILITIES

	As at 31 December				
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
Loans and advances to customers	11,715,902	12,275,375	15,583,573	14,538,144	12,375,857
Financial assets at fair value through profit or loss	20,881,154	15,019,421	8,924,271	5,888,774	2,197,965
Financial products	38,110,044	32,842,048	28,246,491	7,424,551	2,429,123
Receivable from reverse repurchase agreements	2,247,913	3,109,006	1,513,177	480,782	509,695
Derivative financial instruments	155,652	76,832	110,461	122,001	24,952
Cash and cash equivalents	7,150,847	4,105,672	2,212,502	1,964,398	2,408,666
Client trust bank balances	11,181,982	14,319,985	12,348,012	12,400,917	14,662,991
Other current assets	4,421,056	5,675,775	4,475,149	1,671,466	2,199,578
Other non-current assets	873,607	610,177	546,748	509,712	520,608
Total assets	96,738,157	88,034,291	73,960,384	45,000,745	37,329,435
Bank borrowings	(11,249,881)	(9,441,083)	(13,781,721)	(8,911,433)	(7,855,662)
Debt securities in issue	(33,499,582)	(25,999,272)	(16,363,891)	(5,823,241)	(2,358,088)
Financial liabilities at fair value through profit or loss	(6,810,580)	(8,731,117)	(9,008,776)	(3,485,520)	(505,340)
Obligations under repurchase agreements	(18,199,226)	(13,156,517)	(6,244,957)	(930,958)	(400,517)
Derivative financial instruments	(149,851)	(23,620)	(27,722)	(130,083)	(29,766)
Other liabilities	(15,417,250)	(19,488,400)	(17,541,891)	(15,185,676)	(18,544,805)
Non-controlling interests	(115,863)	(11,567)	(36,546)	(11,951)	(11,693)
Shareholders' fund	11,295,924	11,182,715	10,954,880	10,521,883	7,623,564

Total assets
(HK\$Mil)Shareholders' fund
(HK\$Mil)Cash and cash equivalents
(HK\$Mil)

MANAGEMENT
DISCUSSION
AND ANALYSIS



Management Discussion and Analysis



Market Review

Hong Kong stock market

In 2019, HSI showed a volatile trend and closed at 28,190 points at the end of the year, representing an increase of approximately 9% as compared to that of the end of 2018, under various factors such as the continued deepening of Sino-US trade dispute and three interest rates cuts by the Federal Reserve. During the first four months of 2019, the Hong Kong stock market performed strongly due to the steady progress of Sino-US trade negotiations. Since mid-late April, with Sino-US trade tension spilling into the technology sector, the capital market was under the impact of uncertainties, HSI dropped gradually and fluctuated continuously. Since June, social events in Hong Kong further weakened the investment sentiment in the Hong Kong stock market. Market sentiment was unable to turn positive until the China Securities Regulatory Commission announced the "full circulation reform" of H-share in November. Along with the announcement in December that Phase One trade agreement was reached between China and the United States, HSI rose gradually and steadily. Nevertheless, the trading volume of Hong Kong stock market declined, and the average daily turnover of the Hong Kong stock market in 2019 experienced a year-on-year decrease of approximately 19% to HK\$87.2 billion.

For IPOs in 2019, there were 183 companies newly listed in Hong Kong, representing a decrease of 16% as compared to 2018. With the listing of sizable new economy companies in Hong Kong, the total amount of Hong Kong IPO fundraising in 2019 reached HK\$312.9 billion, representing a year-on-year growth of approximately 9%, which was ranked the top of the world again. However, the total fundraising amount of the Hong Kong stock market decreased by 17% year-on-year to HK\$452.0 billion due to the low market investment sentiment.

US dollar-denominated bond market

Following the downward adjustment in the prices of US dollar-denominated bonds in 2018, due to factors such as easing of global monetary policies, the performance of the primary market and the secondary market of Chinese-issued US dollar-denominated bonds rebounded in 2019. For bond issuance, issuance of overseas bonds remained as one of the important means of financing for Chinese enterprises, therefore the demand for new bond issuance and refinancing was gradually released during the year under review. According to Bloomberg's data, Asia (ex-Japan) G3 currency (USD, Euro and Yen) bond issuance amounted to US\$338.6 billion in total in 2019, representing an increase of approximately 27% year-on-year. For secondary market, risk appetite of investors gradually recovered and resulted in the repatriation of funds to the market. During the year under review, credit spreads of relevant indices for Chinese-issued US dollar-denominated bonds narrowed, bond yields dropped and bond prices rose steadily. Overall, the market experienced an upward trend.

Business Review

Expanded and optimized wealth management platform to enrich investment portfolios of high-net-worth clients

During the year under review, the Group continued to expand and optimize its wealth management platform to provide clients with comprehensive and quality products and services, and grasped the opportunity to launch new products for market expansion, which attracted quality clients from Hong Kong, Mainland China and overseas. The asset under management of new clients from wealth management business increased significantly, reaching over HK\$19.0 billion at the end of the year. In November, the Company became the third licensed issuer of listed structured products with Chinese-funded background in Hong Kong, and officially launched its warrants and callable bull/bear contracts products, thus providing clients with more choices with different risk appetites for their investment portfolios. Our new products received overwhelming response from clients. The expansion of the wealth management platform boosted the overall development of the Group's business, which was conducive to the risk-neutral income growth of the Group and further increased the risk-adjusted return on net assets.

Management Discussion and Analysis

Completed the acquisition of a Vietnam-based financial services company and became the first Chinese securities firm entering the Vietnam market

At the end of 2019, the Group completed the strategic investment acquisition of Vietnam Investment Securities Company ("IVS"). In this transaction, the Company subscribed for the new shares issued by IVS at a consideration close to its net asset value and became its substantial shareholder. IVS is a Vietnam-based financial institution listed on the Hanoi Stock Exchange. Its major businesses include securities brokerage, securities research and securities investment advisory, etc. Since December 2019, our clients have been able to invest in the stock market in Vietnam through our brokerage services. The Group considered that the acquisition of IVS would enrich the investment choices of the Group's clients, further optimize the Group's existing business structure, help the Company expand the business development in Southeast Asia after securing its footprints in Hong Kong and Singapore, and grasp the growing opportunities arising from the Belt and Road Initiative.

Optimized client structure and assisted high-quality enterprises to go global

During the year under review, given the continuous strategic adjustment, the Group actively explored opportunities to collaborate with large state-owned enterprises and institutional clients based on its outstanding service experience and global reputation accumulated in the international market. The client structure was remarkably improved whilst the overall risks were significantly reduced. In April 2019, the Company entered into a strategic cooperation agreement with China Forestry Group Corporation, the largest timber operator in the world, to provide it and its treasury center in Hong Kong with diversified financial products and services, assisting it in investment, financing and business development overseas.

Continuous expansion of the influence of the "Guotai Junan" brand

In 2019, the Group's brand influence and reputation continued to grow in the financial markets in Southeast Asia such as Hong Kong, Singapore, etc. During the year, the Company received over 20 awards from a number of well-known global media in the industry, such as Bloomberg Businessweek, Asia Risk, Corporate Governance Asia, The Asset, China Financial Market, Ta Kung Pao and Refinitiv Starmine. They all gave high recognition to the businesses of the Company, including wealth management, investment banking, financial products, asset management and research, etc. Meanwhile, the Group's efforts on risk management, corporate governance and investor relations were highly rated as well.

Results Overview

The Group reports to the Shareholders that total profit attributable to Shareholders of approximately HK\$895 million was recorded for the year ended 31 December 2019 (2018: approximately HK\$797 million), representing an increase of approximately 12.4% as compared with last year. The Board recommends a final dividend of HK\$0.020 per Share for the year ended 31 December 2019 (2018: a final dividend of HK\$0.020 per Share). Together with the interim dividend of HK\$0.042 per Share paid on 19 September 2019, the total dividends for the year ended 31 December 2019 amounting to HK\$0.062 per Share (2018: HK\$0.053 per Share).

During the year under review, the Group recorded a total revenue of approximately HK\$4.246 billion (2018: HK\$3.026 billion), representing a significant increase of 40.3% as compared with last year, among which, the revenue of financial products, market making and investments and corporate finance maintained rapid growth, representing a year-on-year increase of 166% to approximately HK\$1.734 billion and 36% to approximately HK\$809 million, respectively. In addition, despite the decline in trading volume of the Hong Kong stock market, the revenue of brokerage business still achieved an increase of 17% to HK\$531 million as the wealth management business attracted high-net-worth clients.

Management Discussion and Analysis

Given the strategic adjustment in recent years, the Group's income structure in the financial year 2019 became more balanced, with fees and commission income accounting for 33%, interest income accounting for 36%, and investment income accounting for 31%. During the year under review, boosting the steady growth in income of corporate finance, asset management and brokerage business, the Group's fees and commission income increased by 26% year-on-year to a record high of HK\$1.419 billion, which is in line with the Group's sustainable development strategy as a financial service provider.

Breakdown of Revenue

	For the year ended 31 December			
	2019		2018	
	HK\$'000	%	HK\$'000	%
Fees and commission income				
– brokerage	531,233	12.5%	454,962	15.0%
– corporate finance	809,047	19.1%	594,970	19.7%
– asset management	36,439	0.9%	16,716	0.6%
Income from loans and financing	1,134,972	26.7%	1,307,294	43.2%
Gain from financial products, market making and investments	1,733,845	40.8%	651,948	21.5%
Total	4,245,536	100.0%	3,025,890	100.0%

Brokerage

Although the average daily trading volume of the Hong Kong stock market decreased by 19% year-on-year in 2019, the Group's brokerage business recorded a revenue of approximately HK\$531 million (2018: approximately HK\$455 million), representing a year-on-year increase of 17%, among which, brokerage commissions from securities trading increased by approximately 23% year-on-year to HK\$453 million. During the year under review, the Group's wealth management continued to attract quality clients, and the asset under management of new clients from wealth management business also increased gradually, thus driving the brokerage related trading activities.

Corporate finance

	For the year ended 31 December			
	2019		2018	
	HK\$'000	%	HK\$'000	%
Placing, underwriting and sub-underwriting commission				
– debt capital market	594,446	73.5%	483,303	81.2%
– equity capital market	136,326	16.8%	78,219	13.2%
Consultancy and financial advisory fee	78,275	9.7%	33,448	5.6%
Total	809,047	100.0%	594,970	100.0%

Management Discussion and Analysis

Debt capital market

During the year under review, the Group continued to maintain its leading position in the debt capital market in Hong Kong, and the number of bonds underwritten in the primary market and the fundraising amount also reached a new high, with the income from underwriting fees increased by 23% year-on-year to approximately HK\$594 million (2018: approximately HK\$483 million). During the year under review, the debt capital market team completed a total of 189 debt issuances (2018: 142) and assisted corporations raising funds of nearly HK\$423.3 billion (2018: HK\$319.7 billion) in the bond market. In 2019, the Group maintained its leading position in Chinese-issued US dollar-denominated bond issuance market in terms of market share, and ranked second and fourth in the Bloomberg's Asia (ex-Japan) G3 Currency Corporate High-Yield Bond Underwritten League Table (彭博亞洲(除日本外) G3貨幣企業高收益債券承銷排行榜) in terms of number and amount underwritten, respectively.

Equity capital market, consultancy and financial advisory

During the year under review, the Group's income from the equity capital market increased significantly by 74% year-on-year to approximately HK\$136 million (2018: approximately HK\$78.2 million). During the year, the Group secured its presence in major sectors, including real estate, property management, finance and energy participated in 31 equity underwriting projects (2018: 18) in primary and secondary markets, assisting corporation raising funds of approximately HK\$44.11 billion in total. During the year under review, the Group's advisory and financing consultancy fee income also increased significantly by 134% year-on-year to approximately HK\$78.3 million (2018: approximately HK\$33.4 million). During the year, the Group completed eight IPO sponsorship projects (2018: three). According to Dealogic's data, the Group was ranked fourth in the market in terms of the number of IPO sponsorship projects.

Asset management

	For the year ended 31 December			
	2019		2018	
	HK\$'000	%	HK\$'000	%
Asset management				
- management fee	12,772	35.1%	12,338	73.8%
- performance fee	23,667	64.9%	4,378	26.2%
Total	36,439	100.0%	16,716	100.0%

During the year under review, benefiting from the performance of global stock and fixed income markets, the Group's management fee and performance fee income from its asset management business increased substantially by 118% year-on-year to HK\$36.4 million. In 2019, the Group's asset management team launched four fund products in total, and the total asset under management of clients reached HK\$8.3 billion as at the end of the year, of which bonds and equity linked funds amounted to approximately HK\$4.6 billion and HK\$3.7 billion, respectively.

Management Discussion and Analysis

During the year under review, Guotai Junan Asia High Income Bond Fund, under the Group's management, recorded a yield of 18.7%, becoming one of the best performing China funds among the offshore private Greater China bond funds in 2019, and won the "Best Fund Performance" of the 2019 Offshore China Fund Awards jointly organised by China Asset Management Association of Hong Kong and Bloomberg. The fund was the sole winner in this category.

Loans and financing

	For the year ended 31 December			
	2019		2018	
	HK\$'000	%	HK\$'000	%
Customers and counterparty financing	742,388	65.4%	1,013,992	77.6%
Banks and others	392,584	34.6%	293,302	22.4%
Total	1,134,972	100.0%	1,307,294	100.0%

In 2019, the Group's income from loans and financing business decreased by 13% to approximately HK\$1.135 billion (2018: approximately HK\$1.307 billion).

In recent years, the Group continued to optimize the loans and financing business structure. Since 2017, the Group has taken the lead in adjusting the proportion of margin financing with collateral from small- and mid-cap stocks as well as increased the income from risk-neutral business to achieve diversified and stable growth of overall income. During the year under review, the strategic adjustments made by the Group has become effective, the proportion of margin financing income with large cap stocks and US dollar-denominated bonds as collaterals significantly increased. Due to the decline in profit margin of loans resulting from the increase of risk neutral business, interest income from loan financing to clients decreased by 27% year-on-year to HK\$742 million. However, the income recorded in the second half of the year stabilized and rebounded as compared to that of the first half of the year. The management considered that the decline in financing income from customers and counterparties was within the expectation and in line with the business transformation strategy of the Group in recent years, and in favour of improving risk-adjusted return on capital and quality of earnings.

Due to the increase in Hong Kong Interbank Offered Rate (HIBOR) during the year under review, the Group's interest income from banks and others increased by 34% to approximately HK\$393 million.

Financial products, market making and investments

	For the year ended 31 December			
	2019		2018	
	HK\$'000	%	HK\$'000	%
Financial products	418,447	24.1%	641,667	98.4%
Market making	649,252	37.5%	52,098	8.0%
Investments	666,146	38.4%	(41,817)	(6.4%)
Total	1,733,845	100.0%	651,948	100.0%

During the year under review, the Group's total income from financial products, market making and investments increased by 166% year-on-year to approximately HK\$1.734 billion (2018: approximately HK\$652 million).

Management Discussion and Analysis

Financial products

In 2019, the income from financial products decreased by 35% year-on-year to HK\$418 million. During the year, given the rise of indices of Chinese-issued US dollar-denominated bond market, return on the related assets declined, and the growth of financing needs of institutional clients gradually slowed down. Moreover, the Group also effectively controlled the risk appetite by increasing the proportion of risk-neutral notes business and the fee-based income. On the other hand, the Group further expanded its funding sources to lower financing costs continuously so that it could offer clients with diversified and customized products with stronger market competitiveness, thus helping the clients achieve a better return on investment.

Market making

To facilitate the development of the debt capital market business, the Group provides market making services for debt securities. During the year under review, since the Chinese-issued US dollar-denominated bond market gradually recovered, the Group's market making income significantly increased to approximately HK\$649 million (2018: approximately HK\$52.10 million).

Investments

For the long-term development of asset management and other businesses, the Group provides supports by investing under a prudent risk management system. Benefiting from the performance of the global stock and fixed income markets, the Company's investment income was recorded at HK\$666 million (2018: a loss of approximately HK\$41.8 million). During the year under review, the market making and investments income amounted to approximately HK\$1.315 billion, among which interest income from coupons of debt securities amounted to approximately HK\$840 million while trading income (recorded by mark-to-market) amounted to approximately HK\$475 million.

Financial Position

As at 31 December 2019, the Group's total assets increased by 10% to approximately HK\$96.738 billion (2018: approximately HK\$88.034 billion), and the Group's total liabilities increased by 11% to HK\$85.326 billion (2018: approximately HK\$76.840 billion). The equity attributable to holders of Shares increased by 4% to approximately HK\$11.296 billion as at 31 December 2019 (2018: approximately HK\$10.832 billion). The leverage ratio (defined as total assets less accounts payable to clients divided by total equity) was 7.46 times as at 31 December 2019 (2018: 6.54 times).

Liquidity, Financial Resources and Capital Structure

As at 31 December 2019, the net current assets of the Group increased by 12% to HK\$9.43 billion (2018: HK\$8.39 billion). As at 31 December 2019, the Group's current ratio was 1.12 times (2018: 1.12 times) and gearing ratio (defined as the sum of bank borrowings and debt securities in issue at amortised cost divided by total equity) was 1.57 times (2018: 1.44 times).

The Group had a net cash inflow of HK\$3,112 million for the year ended 31 December 2019 (2018: HK\$1,890 million). As at 31 December 2019, the Group's bank balance was HK\$7,217 million (2018: HK\$4,106 million), and outstanding bank and other borrowings amounted to HK\$11,201 million (2018: HK\$9,441 million).

The Company, through its subsidiaries, maintained a US\$15 billion Guaranteed Structured Note Programme under which unlisted notes denominated in any currency as determined by the issuer may be issued from time to time. On 12 July 2019, the Company also successfully renewed the Medium Term Note Programme of up to HK\$15 billion (or the equivalent in other currencies at the date of issue), pursuant to which both listed and unlisted notes may be issued. On 14 January 2019, the Company issued 4.25% US\$200 million notes due 2022 pursuant to the Medium Term Note Programme. As at 31 December 2019, the structured notes and medium term notes issued and outstanding amounted to US\$3.5 billion (2018: US\$3.7 billion) and HK\$5.8 billion (2018: HK\$2.8 billion), respectively.

Taking into account the un-utilized facilities from various financial institutions and sufficient un-issued quota of the above-mentioned note programmes, we believe the Group's operating cash flow is adequate and sufficient to finance our recurring working capital requirements and to meet any investment opportunities that may arise in the future.

The Group monitors its capital structure from time to time to ensure the compliance of the capital requirements under the Securities and Futures (Financial Resources) Rules (Cap. 571N) by its licensed subsidiaries and to support the development of new business. All licensed corporations within the Group have complied with their respective liquid capital requirements during the year and up to the date of this report.

Save as disclosed above, there was no other equity or debt instrument issued by the Group for the year ended 31 December 2019.

Material Acquisitions, Disposals and Significant Investments

For the year ended 31 December 2019, the Group had no material acquisition and disposal of subsidiaries and associated companies. As at 31 December 2019, the Group did not hold any significant investment.

Charges on the Group's Assets

No asset of the Group was subject to any charge as at 31 December 2019 and 2018.

Capital Commitments, Other Commitments and Contingent Liabilities

Details of capital commitments and other commitments of the Group are set out in note 36 to the financial information.

The Group did not have any material contingent liabilities as at 31 December 2019.

Prospects

Since the beginning of 2020, the pandemic caused by COVID-19 becomes a global focus. Many countries have adopted measures such as public activities cancellation, travel restriction, and cities lockdown, etc. The global economy and financial markets are facing pressures and challenges. Despite the United States Federal Reserve continued to cut interest rates and launched quantitative easing plans to alleviate the impact of COVID-19 on the economy, the global markets fluctuated and tumbled in March. Investors have greater concerns about the global credit and debt crisis that may be caused by the global economic recession.

In recent years, the Group has continuously optimized its risk management system and strengthened its implementation. In 2019, the Group increased the amount of provision for impairment of the possible risk of loan assets, meanwhile, increased the proportion of risk-neutral businesses, significantly solidifying the risk management capability of the balance sheet. The Group's overall income became more balance and stable due to the increase of fee-based income. The Group is well prepared with its prudent risk management system, down-to-earth operating style, and balance and sustainable business strategy, which will help us to achieve a cross-cycle growth in the volatile market condition in 2020.

Despite the impact of COVID-19 on the market and the economy, the Company remains confident in the economic development of the Mainland China under a continuously opening up environment in medium to long run. The Group will further expand and strengthen its edge and influence by its quality financial service platform, and enhance its wealth management services and global asset allocation capabilities, providing clients with one-stop comprehensive investment and financing solutions.

Management Discussion and Analysis

Looking ahead, the Group's focus are as follows:

Develop institutional and corporate clients. By focusing on strategic partners such as major state-owned enterprises, the Group will step up its efforts to develop institutional and corporate client markets. Leveraging on its brand advantages and market experience built up for years, the Group will further refine its product chain and service quality, and bring returns to clients with diversified quality financial services.

Strengthen the synergy between wealth management and other businesses. The development of wealth management business will facilitate the growth and expansion of the Group's high-net-worth individual client base and bring new opportunities to corporate finance and asset management businesses. On the other hand, the Group's businesses, such as fixed income, financial products, corporate financing and asset management, are able to offer clients with more investment objectives and products, and continue to meet the diversified needs of our clients, thereby achieving a win-win situation for the Company and clients.

Sharpen core competencies of financial products. The customized and specialized financial products have put the Company in the leading position in the market of structured products. Together with the Group's funding edge over its peers, the financial products business has become one of our core competencies in recent years. The Company will continue to provide clients with differentiated, customized and specialized financial products, actively seek cooperation with its parent company, and explore new opportunities in the cross-border financial product market.

Consolidate the depth of development in Southeast Asia. After securing a foothold in the Singapore market, the Group became the first Chinese securities company to expand into the Vietnam market last year. Looking forward, the Group will continue to take the "Belt and Road Initiative" as an opportunity to expedite steps of exploring Southeast Asian markets, and further facilitate global development through its subsidiaries in Vietnam and Singapore. The Group determines to be a professional partner for Mainland Chinese clients who want to invest globally and for overseas clients who want to invest in China.

The Group will adhere to its solid and steady operation strategy, and also seize market opportunities in a timely manner to move forward. Furthermore, the Group will continue to improve its risk management measures and strengthen its implementation, as well as consolidate and enhance its outstanding risk management capabilities through timely identification, measurement, hedging and risk mitigation. The Group aims to increase the risk-adjusted net asset return rate with steady and solid compound growth to reward our clients and investors for their continuous supports.

Employees and Remuneration Policies

Staff is an integral part of the success of the Company. Competitive remuneration packages are offered to employees by reference to prevailing market rate and individual merits. As at 31 December 2019, we had 560 employees in total (excluding our self-employed account executives). Salaries are reviewed on an annual basis and discretionary bonus is paid on an annual basis with reference to the Group's performance and individual performance. Share options and Share awards have been granted to the directors of the Company (the "Directors") and employees in recognition and acknowledgement of their contributions made or to be made to the Group. Other benefits offered by the Group include mandatory provident fund scheme and medical and dental insurance. Details of the remuneration of employees are set out in note 6 to the financial statements in this report.

Risk Management Report



In the 2019, the global economy became unstable under the tremendous pressure of Sino-US trade dispute, the volatile stock market and the new regulations on overall supervision of the financial market in the PRC, the Company continued to show a prudent attitude towards the market and manage the risks. In face of the continuous exposure to the existing financial risks in 2019, the Company devoted more effort to proactive risk management and risk mitigation. Under the risk management framework approved by the Board, the Company firmly managed its business risks based on a comprehensive risk management system, risk limits metrics and accurate measurement of risks. With effective risk management controls, the Group's operations were efficient during the reporting year, whilst the risks taken by us were within the risk appetite of the Group.

Risk Management Structure

Our Company has established an organizational risk management hierarchy. The Board, at the top of organizational risk management hierarchy, is responsible for overseeing the firm-wide risk framework and risk management policy. The Board has established and delegated the Risk Committee to assist in the implementation of risk framework, review and approve the Group's risk management strategies, risk appetite, risk tolerance and material risk limits. The Risk Committee holds meetings at least twice a year to review the effectiveness of the overall risk management structure and policies and material risk issues. The management shall, when necessary, report to the Board from time to time on material risk issues which may affect the Group's performance. The Risk Management Committee, a management-tier committee which under the Risk Committee, shall report on all potential material risks that identified, changes and respective risk mitigation actions taken to enhance the risk management process.

Risk Management Report

The Risk Management Department is the key department for risk management and responsible for identifying, assessing, monitoring and reporting risks arising from the business activities of the Company. Risk Management Department measures and quantifies the business risks through the risk management systems and internal risk measurement models, including but not limited to the value at risk (VaR), stress testing, internal rating and sensitivity analysis. The Group sets top-down risk limit system covering various business financial risks to cope with different level of authorization, risk appetite and risk tolerance of the Company.

Credit Risk

Credit risk occurs when the Group commits to, or enters into, an agreement with any borrower or counterparty. The Group manages credit risk by conducting risk assessment on borrowers or counterparties, which may include assessing their repayment sources, underlying collaterals, and the expected impact of current and future economy on the borrower or counterparty.

The Group formulates credit risk policies, designs risk limit metrics, sets key risk thresholds, and performs independent risk monitoring and limit management. The Risk Management Department assesses the key credit risk exposure under both normal and stress scenarios, and manages credit risk by establishing and monitoring loan exposure/credit limits, internal credit ratings and the hierarchical approval system reflects the different level of authorization and reporting mechanisms from top to bottom.

The Group established monitoring measures for loan business, including pre-lending approval, real time monitoring, executing margin calls and forced liquidations, setting loan limit per each client and per each stock collateral, and conducting regular stress tests, etc. Should the borrowers fail to fulfill their obligation, the business line and control units will firmly carry out the loss recovery actions under the procedures of the Group. Where losses are unlikely to be recovered and provisions for impairment of expected losses are required pursuant to relevant accounting standards, such provisions for impairment would be set out in the financial statements of the Group.

Regarding the risk of the counterparties, the Group monitored the margin call process in accordance with the credit terms under the trading master agreement entered into with the counterparties. In addition, the Group assesses counterparty's credit risk through assigning internal credit ratings and set counterparty limits according to counterparty's types, credit ratings and business demand.

Fixed Income Securities Credit Rating

The carrying amounts at the end of the year are categorised by rating distribution as follows:

Financial assets held for trading – fixed income securities	As at 31 December 2019 HKD'000	%
AAA to A-	1,744,679	10%
BBB+ to BBB-	5,289,536	29%
BB+ to BB-	3,251,265	18%
B+ and below	2,957,167	16%
No Rating (note d)	4,911,581	27%
Total	18,154,228	100%

Notes:

- a) The Group refers the credit ratings of its fixed income securities to the credit ratings of the fixed income securities or the fixed income issuers granted by Moody's, Standard & Poor's and Fitch rating agencies.
- b) The fixed income securities' ratings are chosen as the average ratings granted by Moody's, Standard & Poor's and Fitch Ratings (if any); "No Rating" is recorded when no rating has been granted by any of the three agencies. Of which, "AAA to A-" represents products with ratings of Aaa~A3 by Moody's, AAA~A-by Standard & Poor's and Fitch Ratings; "BBB+ to BBB-" represents products with ratings of Baa1~Baa3 by Moody's, BBB+~BBB-by Standard & Poor's and Fitch Ratings; "BB+ to BB-" represents products with ratings of Ba1~Ba3 by Moody's, BB+~BB-by Standard & Poor's and Fitch Ratings; "B+ and below" represents products with ratings of B1 and below by Moody's and B+ and below by Standard & Poor's and Fitch Ratings.
- c) The aggregate credit ratings of fixed income securities investment portfolio included listed and unlisted fixed income investments.
- d) The unrated investment includes an investment of RMB1.38 billion in preferred shares. The securities issuer is a company incorporated in Hong Kong with limited liability and is principally engaged in investment and financing business. The Issuer's parent is a company incorporated in Beijing, the PRC and is a state-owned enterprise. It is principally engaged in cultivating, developing, and utilizing natural resources, travel and tourism, international trading and logistics businesses. For details, please refer to the announcement issued by the Company on 6 June 2019.

Margin and Term Loans Credit Rating

Please refer to note 16 to the financial statements in this report for details of margin and term loans analysis by the Group's internal rating and the total value of securities pledged as collateral in respect of the margin loans.

Market Risk

The Group is exposed to market risk, which refers to the risk on the changes of fair value or future cash flows of a financial instrument due to market price fluctuations. Market risk is originated from open positions which are exposed to the volatility of general and specific market movements such as interest rates, foreign exchange rates and securities prices.

In response to this risk, the Risk Committee is responsible for reviewing and approving the overall risk management strategies, risk appetite, risk tolerance, important risk limits and the risk management policy of the Group. The Company sets appropriate risk limits based on the nature of different businesses, such as transaction limits, VaR limits, concentration limits, sensitivity limits and stop loss limits. The Risk Management Department is responsible for day-to-day identification, measurement, monitoring, control the overall market risk, and report to the Risk Management Committee and Risk Committee on a regular basis. The Group has established policies and procedures for monitoring and controlling the market risk which is originated from the ordinary and usual course of business. Stress tests are conducted on a regular and case by case basis.

The Group's interest rate risk mainly sources from the volatility of fair value of financial instruments held by the Group which are sensitive to the interest rate risk, resulting from market interest rate negative fluctuation. Other price risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate because of change in market price. The Group adopts sensitivity analysis to measure the interest rate risk and other price risk. Please refer to note 42 to the financial statements in this report for details of interest rate sensitivity and price sensitivity analysis.

Risk Management Report

Operational Risk

Operational risk refers to losses resulting from inadequate or ineffective internal processes, personnels and systems, or from other events. Since operational risk is embodied in every activities within the Group, the Group relies on all employees to maintain an effective internal control environment and manage operational risk within their respective roles. Operational risk must be managed by all employees as part of our day-to-day activities.

The Risk Management Committee, the management-tier committee, is responsible for defining the group-wide operational risk strategy, approving and periodically reviewing the corporate Operational Risk Management Framework, and ensuring the operational risks are managed properly. Each business line and supporting function is responsible for identifying, assessing, monitoring, controlling, mitigating, reporting and escalating operational risks specific to its business, products and activities under the Group's Operational Risk Management Framework. The Risk Management Department assists the management in discharging their responsibilities for understanding and managing operational risk and ensuring the development and consistent application of operational risk policies, processes and procedures throughout the Group.

Liquidity Risk

Liquidity risk is originated from the Company's inability to meet contractual or contingent financial obligations when they fall due. Such risk also involves all operations and activities. Hence, Asset and Liability Committee is designated to oversee liquidity risk and the Risk Management Department, Finance Department and Treasury Department are designated to perform daily monitoring and control of liquidity position.

The Group has asset and liability management measures in place in managing its liquidity through its diversified sources of funding (both short-term and long-term), such as bank loans, rights issue, placement, and medium term note program, etc.

The Group's licensed subsidiaries are subject to specific statutory liquidity requirements as prescribed in the Securities and Futures (Financial Resources) Rules (Cap.571N of the Laws of Hong Kong). The Group has put in place a monitoring system to ensure that it maintains sufficient liquidity to fund its financial obligations. As a safeguard measure, the Group has also maintained stand-by banking facilities to meet any emergent operational needs.

Please refer to note 42 to the financial statements in this report for details of the maturity profile of the Group's financial liabilities.

Model Risk

Model refers to a quantitative method, system or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into quantitative estimates. The use of models invariably presents model risk, which is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. Model risk can lead to financial loss, poor business and strategic decision-making, or damage to organization's reputation. As models were increasingly complex and widely used, we were also exposed to more significant model risks amid business development and risk management.

We were fully aware of the importance of model risk and had developed a corporate model management framework. We specified the responsibilities of each department in our three-line defense management mechanism, and categorized the models in accordance with the complexity and impact of them. We also strengthened model management step by step, and managed the model life cycle, from the development, validation, use limitation and update, through a series of internal control measures such as approval, review and testing.

Legal and Compliance Risks

Legal risk includes the financial and reputational impacts on the Company which is originated from (1) defective contracts, documents or deal structures which may lead to contractual or legal claims against the Group; (2) the inability or failure to manage litigation or other dispute proceedings effectively; and (3) legal consequences of compliance risk. This risk may also be caused by change of laws.

Compliance risk refers to the risk of impairment of our integrity. It is originated from failure to comply with our values and compliance risk-related laws, regulations and standards relating to specific financial services provided by the business units, which may damage our reputation and lead to legal or regulatory sanctions and/or financial losses.

The Group manages legal and compliance risks through a comprehensive set of control systems and procedures to deal with external and internal risks. Business and operational departments are responsible for proactive identification and management of legal and compliance risks within the Group. Legal Department and Compliance Department are responsible for setting policies and procedures for the Company and providing independent supervision on and guidance to business departments. The Risk Committee is the primary body to oversee the legal and compliance risks, while Legal Department and Compliance Departments prepare reports on key risks regularly for the Risk Committee's review.

Concentration Risk

Concentrations may arise with respect to specific exposures, industries, countries, geographic regions, products, asset classes, and any other category that within the Group's definition of concentration risk (such as tenor, currency, funding source or issuer). The Group manages concentration risk across all business lines, including brokerage, margin financing, financial products, corporate finance, asset management, and sales and trading.

The concentration risk management is one of the key concerns as the Group's businesses and products have become much more sophisticated and diversified. The Risk Management Department monitors the key and relevant concentration risk regularly and reports the material ones to the Risk Committee. Risk appetite and tolerance are set for relevant and material concentrations and concentration risk is identified, measured, monitored and controlled continuously and effectively.

Strategic Risk

Strategic risk refers to factors which may affect the development direction, corporate culture, competitiveness or corporate efficiency of an enterprise as a whole. Such risk is embedded in every operating unit while other key types of risk may also affect strategic risk. We manage strategic risk by the following principles: (1) proactively consider strategic risk during the strategic planning process; (2) set strategies within the context of our overall risk appetite; and (3) monitor the performance of our strategic plan and analyse the yearly progress.

Our strategic plan, capital plan, financial operating plan and risk appetite are reviewed and approved annually by the Board. Major strategic actions, such as capital activities, material acquisitions and disposals, must be reviewed and approved by the Board.

Risk Management Report

Reputational Risk

Reputational risk refers to negative public opinions or comments in relation to the Company's operations, management and other behaviors or external events, which cause/may cause damage of, and have adverse impact on, the Company's reputation and brand image ultimately.

The Group will continue to proactively optimize its policies, systems and process of reputational risk management by adhering to the principles of comprehensiveness, transparency, prospective and effectiveness. By inclusion of reputational risk management into its comprehensive risk management system, the Company ensures preventive approach and contingency plan of reputational risk are in place. The Company applies accurate identification, prudent assessment, dynamic monitoring, promptly response and fully control on reputational risk in terms of management and operations, with an aim to prevent any incidents that may affect the reputation of the Company.

Unknown Risk

Unknown risk refers to a situation where we are unable to identify or not even aware of certain risks which we are exposed to. Such risks are generally referred to as "unknown unknowns" and the Company requires to continuously review and examine its risk identification and assessment ability, and cultivate a robust risk culture (i.e. managing risk is everyone's duties) and encourage discussions and recommendations on risk management.

Corporate Governance Report



The Company is committed to maintaining a high standard of corporate governance. The Board strongly believes that good corporate governance is essential for effective management, a healthy corporate culture, sustainable business growth and enhancing Shareholders' value. The Company adopted all principles and code provisions of the Corporate Governance Code set out in Appendix 14 (the "CG Code") to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange as its own code of corporate governance. Throughout the year 2019, the Company has complied with all principles and code provisions of the CG Code, except for code provision A.2.1, details of which are set out in the paragraph headed "Chairman and Chief Executive Officer" in this Corporate Governance Report.

Looking ahead, we will keep our corporate governance practices under continual review to ensure consistent application, make updates and improvements following the developments of the CG Code.

Board Composition

The Board currently comprises four executive directors (the "Executive Director(s)", being Dr. YIM Fung ("Chairman"), Mr. WONG Tung Ching, Ms. QI Haiying, Mr. LI Guangjie, two non-executive directors (the "Non-executive Director(s)", being Dr. XIE Lebin and Mr. LIU Yiyong and four independent non-executive directors (the "Independent Non-executive Director(s)", being Dr. FU Tingmei, Dr. SONG Ming, Mr. TSANG Yiu Keung and Professor CHAN Ka Keung Ceajer. There is a balanced composition of executive and non-executive Directors (including independent non-executive Directors) with a strong independent element on the Board, non-executive Directors constitute more than half of the Board and independent non-executive Directors constitute not less than one-third.

Corporate Governance Report

The Company has received from each Independent Non-executive Director a confirmation of his independence pursuant to the criterion set out in Rule 3.13 of the Listing Rules and considers that all Independent Non-executive Directors are independent.

Dr. FU Tingmei, Dr. SONG Ming and Mr. Tsang Yiu Keung, our Independent Non-executive Directors, have served the Board for more than nine years. The Board considers that they have continued to exercise independent judgment on the matters of the Company and there is no evidence that the length of tenure is having adverse impact on their independence. The Board therefore considers that Dr. FU Tingmei, Dr. SONG Ming and Mr. Tsang Yiu Keung remain independent, notwithstanding the length of their tenure.

None of the Directors has any financial, business, family or other material/relevant relationship with each other. Brief biographical particulars of the Directors are set out from pages 104 to 107 of this annual report.

Responsibilities and Delegation

The Board, under the leadership of Chairman, is accountable to Shareholders and the Company as a whole, and primarily responsible for formulating overall strategic plans and key policies of the Group, supervising business and financial performance, and ensuring effective corporate governance practices with appropriate risk and control measures in place so as to enhance Shareholders' value. The Board has delegated certain of the functions to its committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Risk Committee, while the duties of managing daily operations of the Group are vested in Executive Directors and senior management. Matters such as approval of financial statements, declaration of dividend, capital restructure and issuance of securities, merger and acquisitions, major investments, connected transactions, appointment and removal of directors and auditors, remuneration of directors and senior management, etc. are specifically reserved to the Board.

The Company has arranged Directors' & Officers' Liability Insurance for its directors and officers in respect of possible legal proceedings and other claims against them arising from their office and execution of their powers, duties and responsibilities. The directors and officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

Appointment and Re-election of Directors

All Directors, including Non-executive Directors, have a specific term of appointment which is not more than three years. Each of the Directors has entered into a service agreement or a letter of appointment with the Company and shall be subject to retirement by rotation for re-election at the annual general meeting of the Company (the "AGM") at least once every three years. In accordance with the articles of association of the Company ("Articles of Association"), one-third of the Directors (if the number is not three or a multiple of three, then the number nearest to one-third) shall retire from office at each AGM and be eligible for re-election by Shareholders. The retiring Directors should be those who have been the longest in the office since their last re-election. In addition, any Director appointed either to fill a casual vacancy or as an addition to the Board shall hold the office only until the next following AGM and shall then be eligible for re-election by Shareholders.

Chairman and Chief Executive Officer

Dr. YIM Fung has been performing both of the roles of Chairman and chief executive officer of the Company ("Chief Executive Officer") since 24 August 2012. Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Directors believe that Dr. YIM can provide strong and consistent leadership in the development and execution of the Group's business strategies which is beneficial to the Group. Notwithstanding the roles of Chairman and Chief Executive Officer are vested in the

same individual, all major decisions are either made by the Board or in consultation with the Board and the senior management of the Company. As there are four Independent Non-executive Directors in the Board, the Directors consider that there is sufficient balance of power and the current arrangement maintains a competitive position of the Company.

Board Meetings

The Board meets at least four times a year and at about quarterly interval. Notice of at least 14 days is given for a regular Board meeting so as to give all Directors an opportunity to attend. Agenda accompanying board papers are circulated to all Directors normally a week before the meeting and in any event not less than 3 days before the meeting. Draft and final version of minutes of each Board meeting are circulated to Directors for their comment and record respectively.

All Board members have separate and independent access to management, and are provided with full and timely information about the Group for them to perform their duties and responsibilities. Besides, all Board members are provided with monthly management updates and accounts which contain periodic financials with summaries of key events, outlook and business related matters of the Group. All Directors are entitled to seek independent professional advice on performing their duties at the Company's expense.

Attendance Record at Board Meetings, Board Committee Meetings and General Meetings

The number of meetings of the Board, its committees and general meetings held in 2019 and the attendance record of each Director at the meetings is set out below:

	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Risk Committee Meeting	Annual General Meeting	Extraordinary General Meeting
No. of meetings held	4	3	1	1	2	1	1
Executive Directors							
Dr. YIM Fung	4/4	–	1/1	–	2/2	1/1	1/1
Mr. WONG Tung Ching	4/4	–	–	–	–	1/1	1/1
Ms. QI Haiying	4/4	–	–	–	2/2	1/1	1/1
Mr. LI Guangjie	4/4	–	–	–	–	1/1	1/1
Non-executive Directors							
Dr. XIE Lebin	3/4	–	–	1/1	–	1/1	1/1
Mr. LIU Yiyong	4/4	–	–	–	2/2	1/1	1/1
Independent Non-executive Directors							
Dr. FU Tingmei	4/4	3/3	–	1/1	2/2	1/1	1/1
Dr. SONG Ming	4/4	3/3	1/1	1/1	2/2	1/1	1/1
Mr. TSANG Yiu Keung	3/4	3/3	0/1	0/1	2/2	1/1	0/1
Professor CHAN Ka Keung Ceajer	4/4	3/3	1/1	1/1	2/2	1/1	1/1

In addition to the above-mentioned meetings, the Chairman of the Board also had a meeting with the Non-executive Directors and the Independent Non-executive Directors without Executive Directors presence.

Directors' Training and Professional Development

Each newly appointed Director is provided with a comprehensive and tailored induction training which covers, among others, information about the Group's operations and business, the roles and responsibilities of the Board and its key committees, the Company's governance structure and practices, and relevant rules and regulations. On an ongoing basis, all Directors are encouraged to participate in continuous professional development to develop and refresh their

Corporate Governance Report

knowledge and skills. The Company also updates the Directors from time to time on the development of the Listing Rules and other applicable laws, rules and regulations, news on corporate governance issues and development trend of corporate governance, in order to enhance their awareness of good corporate governance practices. During the year, the Company has arranged an in-house training for the Directors covering the topics of recent regulatory trend in relation to sustainability development.

A summary of the training record received from each Director for the year ended 31 December 2019 is set out below:

Name of Director	Type of training Reading materials ⁽¹⁾	Attending seminars/ workshops/forums/ conferences ⁽²⁾
<i>Executive Directors</i>		
Dr. YIM Fung	✓	✓
Mr. WONG Tung Ching	✓	✓
Ms. QI Haiying	✓	✓
Mr. LI Guangjie	✓	✓
<i>Non-executive Directors</i>		
Dr. XIE Lebin	✓	✓
Mr. LIU Yiyong	✓	✓
<i>Independent Non-executive Directors</i>		
Dr. FU Tingmei	✓	✓
Dr. SONG Ming	✓	✓
Mr. TSANG Yiu Keung	✓	✓
Professor CHAN Ka Keung Ceajer	✓	✓

Notes:

- (1) Reading materials relevant to the industry, regulatory updates and monthly management reports. etc.
- (2) Attending seminars/workshops/forums/conferences relevant to the industry, business and directors' duties.

Corporate Governance Functions

The Board is responsible for, and has reviewed and performed during the year, the corporate governance duties, including:

- (a) to develop and review the Company's policies and practice on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practice on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual which applicable to employees and Directors; and
- (e) to review the Company's compliance with the CG Code and disclosure in this report.

Board Committees

Under the Board, there are four board committees, namely Audit Committee, Remuneration Committee, Nomination Committee and Risk Committee. All these committees perform their distinct roles in accordance with their respective terms of reference.

Nomination Committee

The Nomination Committee comprises four Directors, including one Executive Director, being Dr. YIM Fung and three Independent Non-executive Directors, being Dr. SONG Ming (chairman), Mr. TSANG Yiu Keung and Professor CHAN Ka Keung Ceajer.

Under its terms of reference, the duties of the Nomination Committee include, but not limited to, setting out the nomination procedures and the process and criteria to select and recommend candidates for directorship, reviewing the structure and size and composition of the Board, assessing the independence of independent non-executive directors, and making recommendations to the Board on the selection of individuals nominated for directorships. The full terms of reference of the Nomination Committee are available on the websites of both the Company and the Stock Exchange.

The meeting attendance of each member of the Nomination Committee is set out in the paragraph headed "Attendance Record at Board Meetings, Board Committee Meetings and General Meetings" of this report.

During the year, the Nomination Committee reviewed the structure, size and composition of the Board and opined that it has the skills, experience and diversity perspective appropriate to the requirements of the Company's business. The Nomination Committee also reviewed and recommended to the Board in relation to the re-election of the retiring directors at the AGM held in 2019 as well as assessed the independency of the Independent Non-executive Directors.

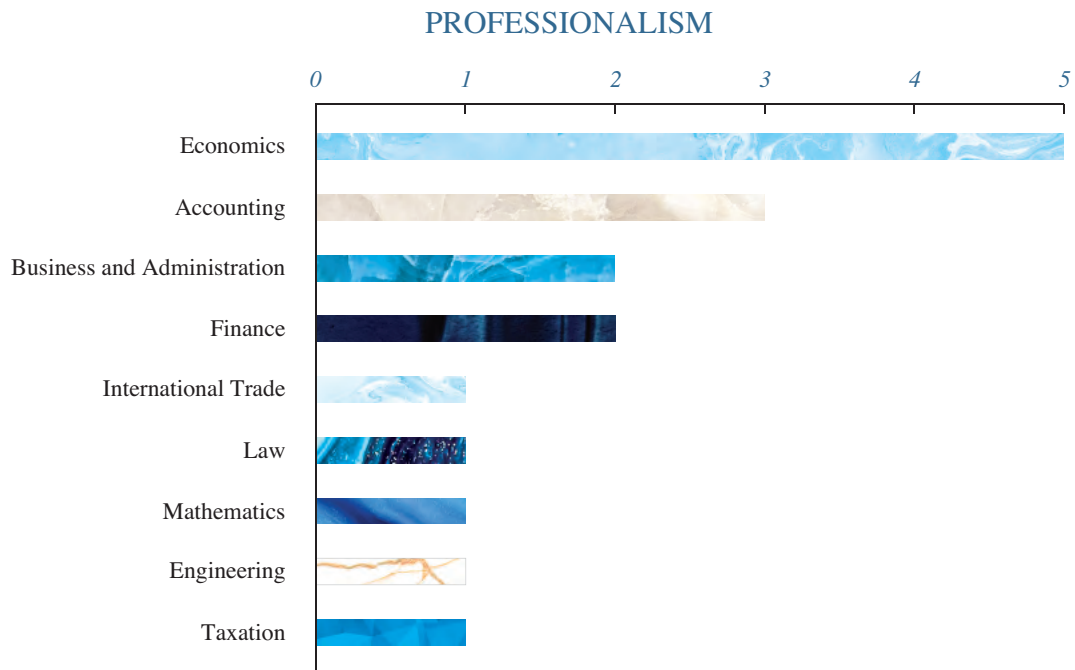
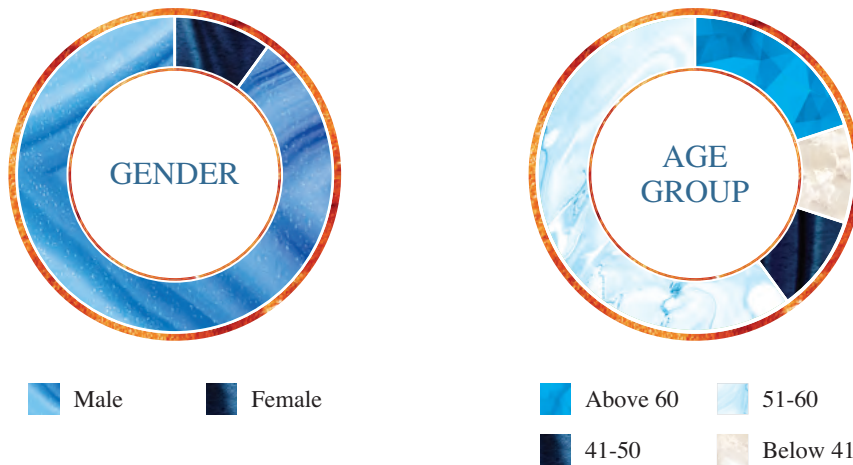
Nomination Policy

The Board has adopted the nomination policy, with a view to give an adequate consideration on a balanced composition of the Board, the policy sets out the ways to identify potential candidates, selection criteria, selection process and appointment or re-appointment procedures with regard to the nomination and appointment of directors. The selection criteria in assessing the suitability of potential candidates includes, but not limited to, their professionalism and personal ethics, board experience, expertise, time commitment, measurable objectives set out in the board diversity policy. The Nomination Committee may use any process it considers appropriate for evaluating and shortlisting candidates, which may include, personal interviews, background checks, written submission by the candidates and third party references. The selection process for each of their appointments shall be evaluated using a substantially similar process and shall be fair and transparent. The Nomination Committee is responsible for reviewing this policy to ensure the effectiveness of this policy.

Corporate Governance Report

Board Diversity

The Board has adopted the board diversity policy, which is available on the Company's website. The Company recognises the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company seeks to achieve board diversity with a number of aspects includes, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity of the Board. The Nomination Committee is responsible for reviewing this policy to ensure the effectiveness of this policy. During the year, the Nomination Committee has reviewed the Board diversity based on these aspects and considered that it has a balanced diversity. The diversity aspects of the Board are analysed as follows:



Remuneration Committee

The Remuneration Committee comprises five Directors, including four Independent Non-executive Directors, being Dr. FU Tingmei (chairman), Dr. SONG Ming, Mr. TSANG Yiu Keung, Professor CHAN Ka Keung Ceajer and one Non-executive Director, being Dr. XIE Lebin.

The Company adopted the model whereby the Remuneration Committee is responsible for determining, with delegated responsibility, the remuneration package of individual executive directors and senior management according to the terms of its terms of reference. Under its terms of reference, which has been amended on 18 March 2019, the duties of the Remuneration Committee also include, but not limited to, making recommendation to the Board on the remuneration matters for non-executive directors, setting up of formal and transparent procedure for developing remuneration policy. The full terms of reference of the Remuneration Committee are available on the websites of both the Company and the Stock Exchange.

No Director or any of his/her associates is allowed to determine his/her own remuneration. In determining the remuneration of Executive Directors and senior management, the Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and their responsibilities, employment conditions, desirability of performance-based remuneration and the performance of the Company as well as the individual Executive Director or senior management.

The meeting attendance of each member of the Remuneration Committee is set out in the paragraph headed "Attendance Record at Board Meetings, Board Committee Meetings and General Meetings" of this report.

The major work performed by the Remuneration Committee during the year included:

- (a) assessed the performance of Executive Directors, reviewed and approved the proposal for 2019 remuneration of Executive Directors and senior management;
- (b) reviewed and made recommendation to the Board on the granting of share options and share awards to Executive Directors and employees;
- (c) reviewed and made recommendation to the Board on the terms of renewal of Executive Directors' services agreements; and
- (d) reviewed and made recommendation to the Board on the amendments to its terms of reference.

The remuneration of senior management by band for the year ended 31 December 2019 is set out below:

Remuneration Bands	Number of individuals
HK\$11,000,000 or below	2
HK\$11,000,001 to HK\$17,000,000	3

The particulars regarding Directors' and chief executives' emoluments are set out in note 37 to the financial statements.

Corporate Governance Report

Audit Committee

The Audit Committee comprises four Independent Non-executive Directors, namely Mr. TSANG Yiu Keung (chairman), Dr. FU Tingmei, Dr. SONG Ming and Professor CHAN Ka Keung Ceajer, all of them are equipped with commercial and financial skills and experiences required for understanding of accounting information. The chairman of the Audit Committee has professional accounting qualification.

Under its terms of reference, the duties of the Audit Committee include, but not limited to, making recommendations on the appointment of external auditor and monitoring the independence and objectivity of external audit, overseeing the integrity of financial information and financial reporting system, supervising the internal control system and internal audit functions and ensuring such functions are adequately resources. The full terms of reference of the Audit Committee are available on the websites of both the Company and the Stock Exchange.

The meeting attendance of each member of the Audit Committee is set out in the paragraph headed "Attendance Record at Board Meetings, Board Committee Meetings and General Meetings" of this report.

The major work performed by the Audit Committee during the year included:

- (a) reviewed the 2018 annual results (including annual financial statements, annual report and final results announcement) and 2019 interim results (including interim financial statements, interim report and interim results announcement) and recommended the same to the Board for approval;
- (b) reviewed reports submitted by external auditor on their statutory audit of the 2018 annual financial statements and their review of the 2019 interim financial statements, and made recommendations on the control matters in relation to accounting, internal audit, financial reporting functions;
- (c) reviewed the external auditor's statutory audit plan for 2019, reporting obligations and its engagement letters;
- (d) reviewed the independence and objectivity of the external auditor, the scope and nature of audit and non-audit services and related audit and non-audit fees;
- (e) reviewed the representation letters submitted by each departments on its effectiveness of internal control functions;
- (f) reviewed reports submitted by internal auditor on the efficiency of internal control system of the Group, including the audit findings and recommendations, and the implementation status of related audit recommendations;
- (g) reviewed the adequacy on staffing and resources of the internal audit functions and the internal audit plan for 2020;
- (h) reviewed the adequacy on staffing and resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function; and
- (i) reviewed the continuing connected transactions undertaken by the Group and the letter on continuing connected transactions issued by the external auditor.

Internal Control

The Board acknowledges its responsibility of overseeing the Group's systems on risk management and internal control and reviews their effectiveness through meetings of the Risk Committee and the Audit Committee at least twice a year and at least three times a year respectively. To facilitate the effective and efficient operations and to ensure compliance with relevant laws and regulations, the Group emphasizes the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposures. The Group's system of internal control is designed to provide a reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives. The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Group is committed to the identification, monitoring and management of risks associated with business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound risk management system and periodic review of the Group's performance by the Audit Committee and the Risk Committee of the Board.

Internal Audit

The Company has an independent internal audit team, which plays an important role in providing objective assurance to the Board that a sound internal control system is maintained and operated by management. The head of the internal audit team directly reports to the Audit Committee on audit matters. By adopting a risk-based approach to evaluate risk level on control environment, the internal audit team makes their audit schedules annually in consultation with, but independent of, the management, and the audit plan is submitted to the Audit Committee for approval. The head of the internal audit team shall periodically present audit reports and express opinion to the Audit Committee on the internal control of the audit units. The annual audit work plan covers major activities and processes of the Group's operating business. Moreover, special reviews shall be conducted on request of the Audit Committee or the management.

The Audit Committee has reviewed the adequacy of resources, qualifications and experience of staff of the internal audit functions, and their training programmes and budget, and considered that the staffing is adequate and the staffs are competent to carry out their roles and responsibilities, and the performance of the internal audit functions for the year under review was efficient.

External Auditor

During the year ended 31 December 2019, Ernst & Young was appointed as the external auditor of the Group. The remuneration paid/payable to the external auditor is set out as follows:

Services rendered	Fees paid/payable HK\$'000
Audit services	3,438
Interim review	980
Anti-money laundering advisory services	2,451
Tax and other consultancy services	1,009
	7,878

Corporate Governance Report

Risk Committee

The Risk Committee comprises seven Directors, including two Executive Directors, being Dr. YIM Fung (chairman) and Ms. QI Haiying, and one Non-executive Director, being Mr. LIU Yiyong, and four Independent Non-executive Directors, being Dr. FU Tingmei, Dr. SONG Ming, Mr. TSANG Yiu Keung and Professor CHAN Ka Keung Ceajer. On 20 March 2020, Dr. YIM Fung was redesignated as member from chairman of the Risk Committee while Professor CHAN Ka Keung Ceajer was redesignated as chairman from member of the Risk Committee.

Under its terms of reference, the duties of the Risk Committee include, but not limited to, overseeing management in design, implementation and monitoring of risk management system and ensuring it has an effective system, advising the Board on the Group's overall risk appetite and principles, approving the Group's risk policies and risk tolerance, and reviewing major investigation findings on risk management matters as well as significant risk control failing or weakness where identified.

The meeting attendance of each member of the Risk Committee is set out in the paragraph headed "Attendance Record at Board meetings, Board Committee Meetings and General Meetings" of this report.

During the year, the Risk Committee has discussed with management to ensure that management has performed its duty to have effective risk management system, including the changes, since last review, the nature and extent of significant risks faced by the Group and its ability to respond to the changes.

Risk Management

The Board has overall responsibility of evaluating and determining the risk appetite and risk tolerance that the Group is willing to take in achieving its strategic objectives, maintaining a sound risk management system and reviewing its effectiveness on regular basis.

The Risk Committee has approved the risk framework of the Group, which sets out the risk culture and governance, defining the risk appetite and risk limit, key risk types and overall risk management process. The risk framework serves as an outline of the Group's overall risk management system and process, which facilitates the Board to identify and assess the nature and extent of significant risks, the Group's ability to respond to changes in its business and the external environment, as well as the scope and quality of management's ongoing risk monitoring and related internal control measures.

The Group's risk management framework is embodied by the three-tier system, the Risk Committee, which delegated by the Board, being the first-tier level, whereas the Risk Management Committee, the Asset and Liability Committee, the Investment Committee, the Corporate Finance and Equity Capital Market Committee, and the Credit Committee, composed of management members from frontline and internal control functions, being the second-tier level, along with the third-tier committees under the Risk Management Committee, i.e. the Product Committee, the Information Technology, Cybersecurity and Electronic Trading Steering Committee, and the Anti-Money Laundering Committee, which manage day-to-day specific risks, shall report to the Risk Committee through the Chief Risk Officer on all significant risks, material changes and the associated mitigating actions to enhance the accountability and quality of risk management process. For details, please refer to the section headed "Risk Management Report" in this annual report.

Review of Risk Management and Internal Control Effectiveness

For the year ended 31 December 2019, the Board has conducted reviews of the effectiveness of the Group's risk management and internal control systems through two meetings of the Risk Committee and three meetings of the Audit Committee respectively, covering all material controls, including financial, operational and compliance controls, and is of the view that the Group's risk management and internal control systems are effective and adequate to safeguard the interests of Shareholders and the Company as a whole.

Whistleblowing

The Company has its internal complaint handling policy sets out in the compliance manual which provides employees with reporting channels and guidance to raise concerns about possible improprieties in any matter related to the Company.

Handling and Dissemination of Inside Information

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) ("SFO"), the Group has a policy on disclosure of inside information with various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notification to the Directors and relevant employees, and disseminating information to specific persons on a need-to-know basis. In all cases, great care is taken to ensure that no inside information is disclosed to selected outsiders.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") sets out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. On specific enquiry made by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year of 2019.

Company Secretary

The Company Secretary, Ms. FENG Zheng Yao Helen was appointed by the Board. She is an employee of the Company and responsible for facilitating the Board's processes and communications among Board members, Shareholders and management. She has confirmed her compliance with the requirements of at least 15 hours of relevant professional training under Rule 3.29 of the Listing Rules during the year of 2019.

Communication with Shareholders

The Board recognises the importance of effective communication with Shareholders and maintains an on-going dialogue to ensure Shareholders are provided with timely information about the Company. Shareholders are encouraged active participation in communication with the Company and exercise their Shareholders' rights in an informed manner.

We also encourage two-way communications with both Shareholders and investors through social media platforms such as WeChat, LinkedIn, Facebook as well as Youtube, while the Company's general meetings remain the most traditional platform for face-to-face communication between the Board and Shareholders. Separate resolutions are proposed on each motion at the general meetings.

The Company endeavors to disclose all material information to public in a timely manner. The Company maintains a corporate website (www.gtjai.com) where important information about its activities such as annual and interim reports, announcements, business development and operations, corporate governance practices and other information are available for public's access. The Company has adopted its investor relations policy which sets out the communication methods to accelerate its relationship with investors, media and the public.

Corporate Governance Report

Dividend Policy

The Company endeavors to reward Shareholders with stable dividend income whilst retain adequate reserves for its future development. We aim to distribute to Shareholders with regular dividends semi-annually with a certain percentage of net profit after tax of the Group and may be supplemented by special dividends from special income. From 2016 to 2019, the annual dividend payments amounted to 50% to 57% of net profit after tax of the Group. The Board considers that it would be appropriate to target a payout ratio between 30% and 50%, and subject to the economic conditions as well as the Company's position.

Constitutional Documents

There was no change to the constitutional documents of the Company during the year 2019.

Directors' Responsibilities on Financial Statements

The Directors acknowledge their responsibilities of supervising the preparation of financial statements of each financial period which shall consistently adopt suitable accounting policies and to comply with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants and to reflect the financial position, the results and cash flow of the Company during the year in a true and fair manner.

Shareholders' Rights

Subject to applicable laws and regulations, including but not limited to, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "CO"), the Listing Rules, and the Articles of Association as amended from time to time, Shareholder(s) may call general meeting, put forward proposals at AGM and direct enquiries to the Board in accordance with the following procedures:

Convening an Extraordinary General Meeting by Shareholders

Shareholder(s) holding at the date of the requisition not less than one-twentieth of the paid up capital of the Company may request the Directors to convene an extraordinary general meeting pursuant to Section 566 to 568 of the CO.

In accordance with sections 566 of the CO, the Directors are required to call a general meeting if the Company has received requests to do so from Shareholder(s) representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meeting. Such requests must state the general nature of the business to be dealt with at the meeting; and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such requests may be sent to the Company and attention to the Board or the Company Secretary in hard copy form (by depositing at the registered office of the Company at 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong) or in electronic form (by fax: 2509-0030); and must be authenticated by the person or persons making it. In accordance with Section 567 of the CO, the Directors must call a meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the CO and such meeting must be held on a date not more than 28 days after the date of the notice convening the meeting.

Putting Forward Proposals at AGM

To put forward a resolution at AGM, Shareholder(s) is/are requested to follow the requirements and procedures set out in Section 615 and 616 of the CO.

Section 615 of the CO provides that the Company must give notice of a resolution if it has received requested to do so from (a) the Shareholder(s) representing at least 2.5% of the total voting rights of all the Shareholders who have a right to vote on the resolution at the AGM to which the requests relate; or (b) at least 50 Shareholders who have the rights to vote on the resolution at the AGM to which the requests relate.

Such requests (a) may be sent to the Company and attention to the Board or the Company Secretary in hard copy form (by depositing at the registered office of the Company at 27/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong) or in electronic form (by fax: 2509-0030); (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than (i) 6 weeks before the AGM to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. Section 616 of the CO provides that the Company that is required under Section 615 of the CO to give notice of a resolution must send a copy of it at the Company's own expense to each Shareholder entitled to receive notice of the AGM (a) in the same manner as the notice of the meeting; and (b) at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

The procedures for Shareholders to propose a person for election as a Director can be found on the website of the Company at www.gtjai.com.

Procedures for Directing Shareholders' Enquiries to the Board

Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary at the contact details below:

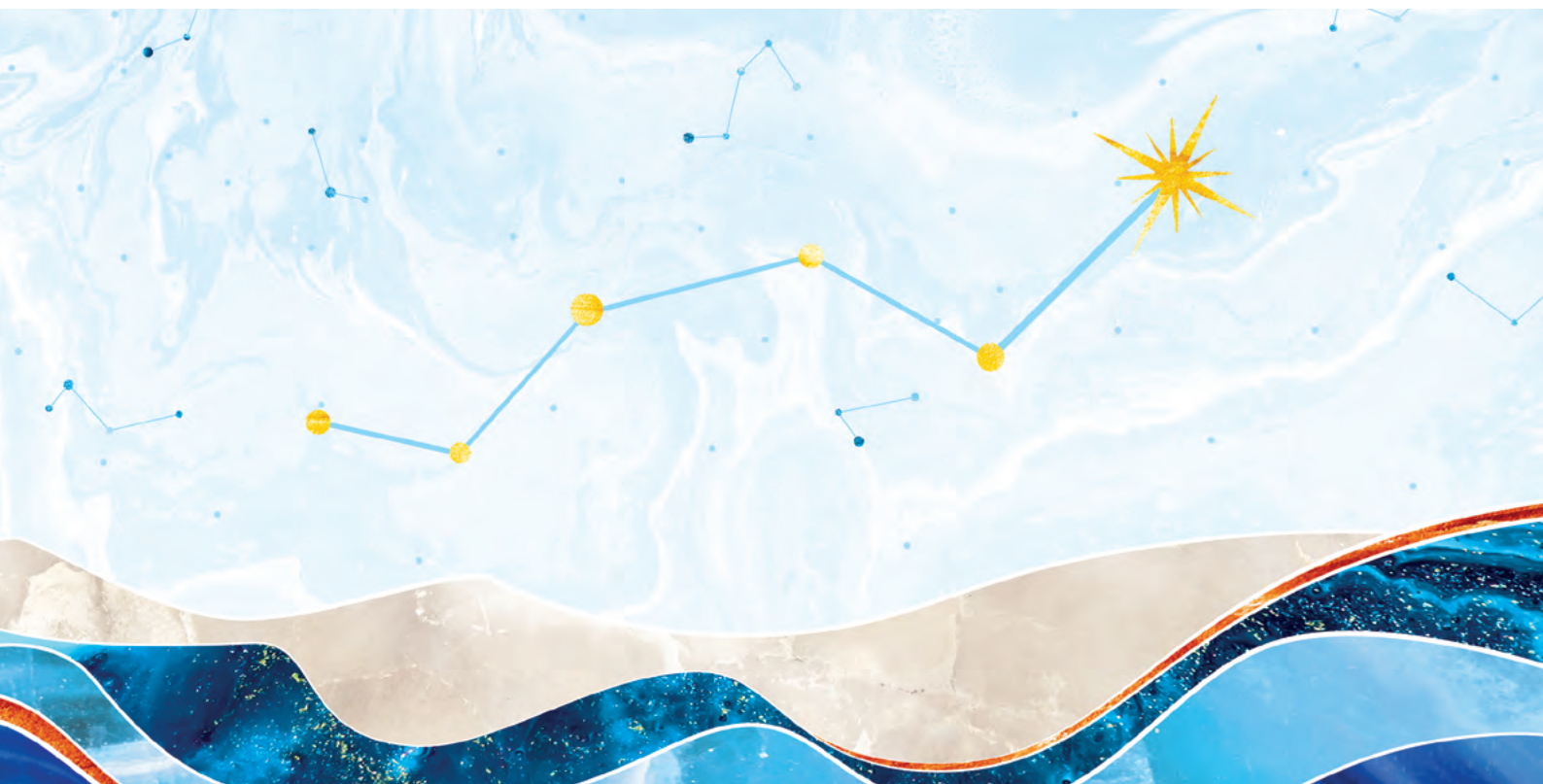
Registered office: 27/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
Email: comsec@gtjas.com.hk
Tel: (852) 2509-9118
Fax: (852) 2509-0030

Share Registration Related Matters

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, Shareholders can contact the Share Registrar, at the contact details below:

Name: Computershare Hong Kong Investor Services Limited
Address: Shops 1712-1716, 17th Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong
Email: hkinfo@computershare.com.hk
Tel: (852) 2862-8555
Fax: (852) 2865-0990

Biographies of the Directors and Senior Management



Executive Directors

Dr. YIM Fung, JP, aged 57, the Chairman since August 2012 and an Executive Director and the Chief Executive Officer of the Company since March 2010. He was the vice-chairman of the Company during the period from March 2010 to August 2012. Dr. YIM is concurrently a member of the Risk Committee and the Nomination Committee of the Company. In December 2019, Dr. YIM was appointed as a director of Vietnam Investment Securities Company (stock code: IVS.HN), a subsidiary of the Company which is listed on the Hanoi Stock Exchange in Vietnam. Dr. YIM is a director of various subsidiaries of the Company. In addition, he is also a director of the controlling shareholders of the Company, namely Guotai Junan Holdings Limited and Guotai Junan Financial Holdings Limited and its various subsidiaries. Dr. YIM joined the Group in 1993. He has over 28 years experience in the securities industry. Dr. YIM is a Senior Economist and holds a doctorate degree in Economics from the Graduate School of the Chinese Academy of Social Sciences and a bachelor's degree in Environmental Engineering from the Tsinghua University. Dr. YIM is currently an independent non-executive director of Shenzhen International Holdings Limited (stock code: 152.HK). Dr. YIM was an independent non-executive director of Beijing Urban Construction Design & Development Group Co., Limited (stock code: 1599.HK) during the period from 2013 to 30 December 2019. At present, he is a member of the 13th National Committee of the Chinese People's Political Consultative Conference, a director and vice chairman of the Hong Kong Chinese Enterprises Association, the honorary life president of Chinese Securities Association of Hong Kong, a deputy director of International Strategy Committee of Securities Association of China, a director and standing committee member of the Chinese General Chamber of Commerce Hong Kong, the president of Hong Kong China Chamber of Commerce and the life president of Tsinghua Alumni Association of Hong Kong.

Biographies of the Directors and Senior Management

Mr. WONG Tung Ching, aged 48, an Executive Director since March 2010 and the Deputy Chief Executive Officer of the Company since December 2013. He is responsible for overall business and management of corporate finance, equity capital markets and institutional business of the Group. Mr. WONG is also a director of various subsidiaries of the Company. Mr. WONG joined the Group in 2000. He obtained a master's degree in Business Administration from the University of Lincolnshire & Humberside (now known as the University of Lincoln) in 2001 and a higher diploma in International Trading from the Shenzhen University in 1992.

Ms. QI Haiying, aged 38, an Executive Director and the Deputy Chief Executive Officer of the Company since March 2015 and is responsible for the overall operation of the fixed income, currencies and commodities business, equity derivatives business, asset management, treasury and Singapore business of the Group. Ms. QI is concurrently a member of the Risk Committee of the Company and a director of various subsidiaries of the Company. In addition, she is also a director of Guotai Junan Investments (Hong Kong) Limited, a fellow subsidiary of the Company. Between 2004 and 2012, Ms. QI worked for Shenzhen Supervision Bureau of the China Securities Regulatory Commission and was responsible for regulatory supervision of securities companies and listed companies. In 2012, Ms. QI joined Guotai Junan Securities Company Limited (stock code: 2611.HK; 601211.SS), the parent of the Company, and held the positions as deputy general manager in Compliance Department and Strategic Management Department respectively and subsequently joined the Group in March 2015. Ms. QI holds a master's degree in Financial Economics from the London School of Economics and Political Science (LSE) and a bachelor's degree in International Economics and Trade from the University of International Business and Economics (UIBE) in China. At present, Ms. QI is a director and vice president of the Chinese Securities Association of Hong Kong Company Limited, the vice chairman of the Hong Kong Chinese Enterprises Association-Youth Committee, a member of the 3rd committee of All-China Financial Youth Federation, a member of the Chinese Financial Association of Hong Kong, a committee member of the Tianjin Youth Federation and a member of Shaanxi Overseas Friendship Association.

Mr. LI Guangjie, aged 51, an Executive Director since March 2010 and the Chief Financial Officer of the Company since December 2017. In July 2018 and December 2019, Mr. LI is appointed as a director and the chairman of Vietnam Investment Securities Company (stock code: IVS.HN) respectively, a subsidiary of the Company which is listed on the Hanoi Stock Exchange in Vietnam. In addition, Mr. LI is also a director of various subsidiaries of the Company. Mr. LI joined the Group in 2001. Mr. LI used to work for Shenzhen Jinpeng Certified Public Accountants as the deputy head of appraisal department. He has over 28 years experience in accounting, audit, taxation and asset appraisal. Mr. LI holds a master's degree in Economics from the Central University of Finance and Economics and a bachelor's degree in Economics from the Shenzhen University. He is an Economist and a member of the Chinese Institute of Certified Public Accountants and the Chinese Certified Tax Agents Association.

Non-executive Directors

Dr. XIE Lebin, aged 52, a Non-executive Director since June 2017. Dr. XIE is concurrently a member of Remuneration Committee of the Company. At present, Dr. XIE is also the chief risk officer, the chief financial officer and the general manager of the Planning and Finance Department of Guotai Junan Securities Co., Ltd (stock code: 2611.HK/601211.SS) ("Guotai Junan Securities"), the parent of the Company. Since 2012, he was also appointed as a director of Guotai Junan Innovation Investment Co., Ltd, a subsidiary of Guotai Junan Securities. Dr. XIE used to work at the Investment Banking Department of Wanguo Securities Co., Ltd. from 1993 to 1995 and served as an executive director of the Investment Banking Department of J&A Securities Co., Ltd from 1995 to 1999, respectively. He held various positions at Guotai Junan Securities since 1999, including as a deputy general manager of the Shanghai Investigation and Auditing Department, a deputy general manager, an executive deputy general manager and the general manager of the Investigation and Auditing Headquarters and as the deputy chief financial officer and the general manager of the Planning and Finance Department, respectively.

Biographies of the Directors and Senior Management

Dr. XIE obtained a doctorate degree and a master's degree in Economics from the East China Normal University in Shanghai in 2010 and 1993 respectively, and a bachelor's degree in Economics from the Shanghai Fisheries University (currently known as the Shanghai Ocean University) in 1990. Dr. XIE was accredited the International Certified Internal Auditors' Certificate by the International Institute of Internal Auditors in 2009.

Mr. LIU Yiyong, aged 56, a Non-executive Director since June 2017. Mr. LIU is also a member of Risk Committee of the Company. At present, Mr. LIU is the general manager of the Compliance Department of Guotai Junan Securities Co., Ltd (stock code: 2611.HK/601211.SS) ("Guotai Junan Securities"), the parent of the Company. Mr. LIU served as a senior staff member of the Securities Supervisory Division of Shenzhen Branch of the People's Bank of China from 1994 to 1997, a principal staff member of the Non-bank Financial Institutions Department of Shenzhen Branch of the People's Bank of China from 1997 to 1998, a principal staff member of the Institutions Inspection Office of Shenzhen Supervision Bureau of China Securities Regulatory Commission from 1998 to 2002, and a staff member of the Market Division II of China Foreign Exchange Trade System from 2006 to 2009, respectively. Since 2009, Mr. LIU held various positions at Guotai Junan Securities, including a deputy general manager, an executive deputy general manager and the general manager of the Compliance Department, respectively.

Mr. LIU studied in the Graduate School of the People's Bank of China from 1991 to 1994 and obtained a master's degree in Economics. Mr. LIU subsequently obtained a master's degree in Public Administration from the Columbia University in 2003.

Independent Non-executive Directors

Dr. FU Tingmei, aged 53, an Independent Non-executive Director since June 2010. Dr. FU is also the chairman of the Remuneration Committee as well as a member of the Audit Committee and Risk Committee of the Company. Dr. FU has extensive experiences in investment, finance, law and business management. Between 1992 and 2003, he conducted many corporate finance transactions in several investment banking firms based in Hong Kong, including serving as a director of Peregrine Capital Limited, and a deputy managing director and subsequently a managing director of BNP Paribas Peregrine Capital Limited. Dr. FU is currently engaged in private investment business. Presently, he is also an independent non-executive director of Postal Savings Bank of China Co., Ltd (stock code: 1658.HK), China Resources Pharmaceutical Group Limited (stock code: 3320.HK) and COFCO Meat Holdings Limited (stock code: 1610.HK). He was an independent non-executive director of Beijing Enterprises Holdings Limited (stock code: 392.HK) from 2008 to 2017 and CPMC Holdings Limited (stock code: 906.HK) from 2008 to 2 July 2019, respectively. Dr. FU graduated from the University of London with a doctorate degree and a master's degree in Law in 1993 and 1989, respectively.

Dr. SONG Ming, aged 58, an Independent Non-executive Director since June 2010. Dr. SONG is also the chairman of the Nomination Committee and a member of the Audit Committee, the Remuneration Committee and the Risk Committee of the Company. Dr. SONG has over 25 years experience in research of banking regulations and management, financial market, and macroeconomics. Dr. SONG is currently the dean of the School of Economics and Management at the Wuhan University. He is also an independent non-executive director of The United Laboratories International Holdings Limited (Stock code: 3933.HK), Wuzhou International Holdings Limited (stock code: 1369.HK), Great Wall Pan Asia Holdings Limited (formerly known as Armada Holdings Limited) (stock code: 583.HK), and an independent director of Tande Co., Ltd (stock code: 600665.SS), respectively. Dr. SONG holds a doctorate degree in Economics from the Ohio State University, a master's degree of Science in Mathematics from the Huazhong University of Science and Technology and a bachelor's degree of Science in Mathematics from the Zhejiang University.

Biographies of the Directors and Senior Management

Mr. TSANG Yiu Keung, aged 66, an Independent Non-executive Director since 2010. Mr. TSANG is also the chairman of the Audit Committee and a member of the Remuneration Committee, the Nomination Committee and the Risk Committee of the Company. Mr. TSANG joined KPMG in 1975 and retired as a senior banking partner in 2003. At present, Mr. TSANG is an independent non-executive director of L. K. Technology Holdings Limited (stock code: 558.HK). Mr. TSANG was an independent non-executive director of China CITIC Bank International Limited, a licensed bank in Hong Kong, and CITIC International Financial Holdings Limited, from 2004 to 2017. Mr. TSANG holds a higher diploma in Accountancy from the Hong Kong Polytechnic University. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators.

Professor CHAN Ka Keung Ceajer, *GBS, SBS, JP*, aged 63, an Independent Non-executive Director since August 2018. Professor CHAN is concurrently the chairman of the Risk Committee and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. At present, He is also an adjunct professor and the senior advisor to the dean of the Business School of the Hong Kong University of Science and Technology ("HKUST"). He was appointed as the secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region from 2007 to June 2017. Prior to that, he was the dean of the HKUST Business School. Before joining the HKUST in 1993, Professor CHAN taught for nine years at the Ohio State University in the United States. Professor CHAN was a non-executive director of MTR Corporation Limited (stock code: 66.HK) from 2007 to July 2017. He is currently an independent non-executive director of Langham Hospitality Investments and Langham Hospitality Investments Limited (stock code: 1270.HK). He is also a chairman of WeLab Bank Limited (formerly known as "WeLab Digital Limited"), a senior advisor of WeLab Holdings Limited, an independent non-executive director of CMB International Capital Corporation Limited and Greater Bay Area Homeland Investments Limited, a non-executive director of The Hong Kong Mortgage Corporation Limited and a member of the Competition Commission of Hong Kong.

Professor CHAN holds a bachelor's degree in Economics from the Wesleyan University and followed by M.B.A. and Ph.D. in Finance from the University of Chicago. He has expertise in asset pricing analysis, trading strategy evaluation and market efficiency and has published numerous articles on these topics.

Senior Management

Mr. LAI Changhua, aged 53, the Chief Risk Officer of the Company since December 2017 and responsible for overall risk management of the Group (including compliance and legal matters). He joined the Group in October 2015. Before that, Mr. LAI held a management role in the risk management departments of several international investment banks, with over 20 years experience in financial markets and risk management. Mr. LAI holds a master's degree in Economics from the Nankai University, a master's degree in Business Administration from the Western Sydney University, and a bachelor's degree in Engineering from the Sichuan University. He is also a certified FRM (Financial Risk Manager) and PRM (Professional Risk Manager).

Report of the Directors



The Directors have pleasure in presenting to Shareholders this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Principal Activities and Business Review

The Company is an investment holding company and its subsidiaries are principally engaged in wealth management, brokerage, corporate finance, asset management, loans and financing, financial products and market making and investments. There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of the business review as required by Schedule 5 of the CO, including a description of the principal risks and uncertainties facing the Group, important events affecting the Group that have occurred since the end of this financial year and an indication of likely future development in the Group's business are set out in the sections of "Chairman's Statement", "Management Discussion and Analysis", "Risk Management Report" and "Notes to the Financial Statements" in this annual report.

Results and Dividends

The results of the Group for the year ended 31 December 2019 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 130 of this annual report.

The Board recommended the payment of a final dividend of HK\$0.020 per Share for the year ended 31 December 2019 (2018: a final dividend of HK\$0.020 per Share), which is subject to the approval by Shareholders at the forthcoming AGM, and will be payable on Monday, 15 June 2020 to Shareholders whose names appear on the register of members of the company on Friday, 29 May 2020. Together with an interim dividend of HK\$0.042 per Share which was paid on 19 September 2019, the total dividends for the year ended 31 December 2019 will amount to HK\$0.062 per Share (2018: HK\$0.053).

Segment Information

Detailed segment information of the Group's revenue and segment results is showed in note 4 to the financial statements of this annual report.

Summary of Financial Information

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extract from the audited financial statements as appropriate, is set out on pages 74 and 75 of this annual report. This summary is not part of the audited financial statements.

Particular of Subsidiaries

Particulars of the Company's subsidiaries are set out in note 1 to the financial statements of this annual report.

Shares/Debentures Issued

Details of movements in share capital of the Company and the number of Shares in issue during the year are set out in note 31 to the financial statements of this annual report. On 17 March 2020, a total of 1,919,219,266 Shares have been allotted and issued by the Company pursuant to the rights issue of rights shares at the subscription price of HK\$1.45 each on the basis of one rights share for every three existing Shares on the record date of 7 February 2020. The gross proceeds raised from the rights issue are approximately HK\$2,782.87 million before expenses.

Details of issued debentures of the Company during the year are set out in note 27 to the financial statements and the paragraph headed "Liquidity, Financial Resources and Capital Structure" under the section of "Management Discussion and Analysis" of this annual report.

Distributable Reserves

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the provisions of Sections 291, 297 and 299 of the CO, amounted to HK\$273,461,000 of which HK\$192,698,000 has been proposed as final dividend for the year. Details of movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on pages 134 to 135.

Donations

During the year, the Group made charitable donations amounting to HK\$50,000.

Major Customers and Suppliers

In the year under review, both the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total sales and purchases respectively.

Report of the Directors

Purchase, Sale or Redemption of the Company's Securities

The Company redeemed all of its outstanding subordinate perpetual securities issued in 2016 (the "Securities") with an aggregate principle amount of US\$45,000,000 during the reporting year, the price payable per US\$1,000 principal amount of the Securities equals to US\$1,000 together with accrued distribution payments.

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019 other than act as an agent for the trustee of the share award scheme of the Company (the "Share Award Scheme").

Directors

The list of the Directors is set out under the section of "Corporate Information" on page 66 of this annual report.

In accordance with Article 99(A) of the Articles of Association, Dr. YIM Fung, Ms. QI Haiying, Mr. LI Guangjie and Dr. SONG Ming will retire by rotation at the forthcoming AGM, all of them being eligible, and offer themselves for re-election.

Directors' and Senior Management Biographies

Biographical details of the Directors and senior management of the Company are set out on pages 104 to 107 of this report.

Emoluments of Directors and Chief Executives and the Five Highest Paid Employees

Details of the Directors' and chief executives' emoluments and the five highest paid employees of the Group are set out in notes 37 and 40 to the financial statements respectively.

Directors of Subsidiaries

The names of directors who have served on the boards of the subsidiaries of the Company for the year ended 31 December 2019 and up to the date of this annual report are set out below:

(in alphabetical order)

CHAN Ka Wah	LO Kwong Shun Wilson	WANG Junhong
CHAN Lap Tak Jeffrey	NG Pui Nee	WONG Anthony
CHIU Simon Siu Hung	Nguyễn Thanh Tú	WONG George Ka Kui
DAI Bo	OEI Su Chi Ian	WONG Tung Ching
DUANMU Zhenyu	ONG Wei Hiam	YAU Deirdre
LAI Changhua	QI Haiying	YEUNG Tze Fung
LAI Kai Hung	SHAO Yu Long	YIM Fung
LEE Ming Chuan Eric	SIN Hau Yi	ZHANG Gaobo
LI Guangjie	TAY Shu Wei Yvonne	ZHANG Jinhui

Change of Information of Directors

Dr. YIM Fung was appointed as a director of Vietnam Investment Securities Company (stock code: IVS.HN) with effect from 6 December 2019. Dr. YIM has resigned as an independent non-executive director of Beijing Urban Construction Design & Development Group Co., Limited (stock code: 1599.HK) on 30 December 2019.

Mr. LI Guangjie was appointed as the chairman of the board of Vietnam Investment Securities Company (stock code: IVS.HN) with effect from 6 December 2019.

Professor CHAN Ka Keung Ceajer was appointed as an independent non-executive director of CMB International Capital Corporation Limited and Greater Bay Area Homeland Investments Limited on 1 January 2020 and 17 January 2020 respectively.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' Service Contracts

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Material Interests in Transaction, Arrangement, Contract

None of the Directors or his/her connected entity had a material interest, whether directly or indirectly, in any transactions, arrangements, or contracts of significance in relation to the business of the Group where were entered into by the Group and subsisting during, or at the end of, the year.

Directors' Interest in Competing Businesses

None of the Directors and their associates had any interest in an entity whose business competes or is likely compete, either directly or indirectly, with the Group's business during the year.

Management Contracts

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

Directors' and Chief Executives' Interest in the Shares and Underlying Shares of the Company or Any Associated Corporation

As at 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Report of the Directors

Long position in the Shares and underlying shares of the Company

Name of Directors	Capacity	Number of Shares	Number of awarded Shares (Note 1)	Number of underlying shares in relation to share options	Total	Percentage of Shares in issue (Note 2)
YIM Fung	Personal interest	68,546,955	1,488,000	2,300,000	72,334,955	0.94%
WONG Tung Ching	Personal interest	13,399,564	1,093,000	2,300,000	16,792,564	0.22%
QI Haiying	Personal interest	4,562,000	1,450,000	2,300,000	8,312,000	0.11%
LI Guangjie	Personal interest	9,435,970	979,000	2,300,000	12,714,970	0.16%
FU Tingmei	Personal interest	1,512,096	–	–	1,512,096	0.02%
SONG Ming	Personal interest	1,512,096	–	–	1,512,096	0.02%
TSANG Yiu Keung	Personal interest	1,512,096	–	–	1,512,096	0.02%

Notes:

1. The awarded Shares were unvested and held by the trustee of the Share Award Scheme. Details are set out in paragraph headed "Share Award Scheme" under this section and note 33 to the financial statements.
2. The percentage was calculated based on 7,715,673,090 Shares in issue on 31 December 2019.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Shared-based Compensation Scheme

The Company operates two equity-settled share-based compensation schemes including a share option scheme (the "Share Option Scheme") and a Share Award Scheme. Details of which are set out in the paragraphs below.

Share Option Scheme

The Company adopted the Share Option Scheme on 19 June 2010. The purpose of the Share Option Scheme is to provide the people working for the interests of the Group with an opportunity to obtain equity interest in the Company, thus linking their interests of the Group and thereby providing them with an incentive to work better for the interests of the Group.

The participants of the Share Option Scheme are the directors (whether executive or non-executive and whether independent or not) and employees of the Group who, in the absolute opinion of the Board, have contributed to the Company or the Group.

The total number of Shares that may be issued upon exercise of all share options granted and to be granted must not in aggregate exceed 10% of the Shares in issue at the date of adoption of the Share Option Scheme (i.e. 164,000,000 Shares). As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme was 75,277,696 (of which options to subscribe for 72,520,558 Shares had been granted and were outstanding), representing approximately 0.78% of the Shares in issue.

The maximum number of Shares issued and to be issued upon exercise of share options granted and to be granted (including both exercised, cancelled and outstanding options) pursuant to the Share Option Scheme and any other share option schemes to: (A) each participant in the 12-month period up to and including the date of grant, shall not exceed 1% of the total number of Shares in issue; and (B) a participant who is a substantial shareholder or an independent non-executive director, or any of their respective associates in the 12-month period up to and including the date of grant (i) representing in aggregate shall not exceed 0.1% of the total number of Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of each grant, shall not in excess of HK\$5,000,000. Any further grant of share options in excess of the above limits is subject to shareholder approval in general meeting.

The exercise period of share option granted under the Share Option Scheme is determined by the Board at its absolute discretion, and shall expire no later than the 10th anniversary of date on which the share option is granted.

There is neither any minimum period for which a share option must be held, nor any performance target which required to be achieved before the share option can be exercised unless otherwise determined by the Board and specified at the time of the offer.

The consideration of HK\$1 for the acceptance of the grant shall be remitted in favour of the Company within 28 days from the date of offer or other period as may be determined by the Board.

The exercise price of share options is determined by the Board in its absolute discretion, and shall be at least the higher of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer; and (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five consecutive days on which Shares are traded on the Stock Exchange immediately preceding the date of offer.

The Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption (i.e. 18 June 2020) unless otherwise terminated in accordance with the terms stipulated therein.

Report of the Directors

Movements of the share options under the Share Option Scheme for the year ended 31 December 2019 are set out as follows, details of which are set out in note 32 of the financial statements:

Name of participants	At 1 January 2019	Number of share options				At 31 December 2019	Exercise price (HK\$)	Date of grant (Note 3)	Exercise period (Note 3)
		Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year				
<i>Directors</i>									
YIM Fung	800,000	–	–	–	–	800,000	2.440	13/07/2017	13/07/2018–12/07/2027
	500,000	–	–	–	–	500,000	1.720	04/07/2018	04/07/2019–03/07/2028
	–	1,000,000	–	–	–	1,000,000	1.450	11/09/2019	11/09/2020–10/09/2029
WONG Tung Ching	800,000	–	–	–	–	800,000	2.440	13/07/2017	13/07/2018–12/07/2027
	500,000	–	–	–	–	500,000	1.720	04/07/2018	04/07/2019–03/07/2028
	–	1,000,000	–	–	–	1,000,000	1.450	11/09/2019	11/09/2020–10/09/2029
QI Haiying	9,000,000 (Note 1)	–	–	(9,000,000)	–	–	4.854 (Note 1)	11/06/2015	11/06/2016–10/06/2025
	800,000	–	–	–	–	800,000	2.440	13/07/2017	13/07/2018–12/07/2027
	500,000	–	–	–	–	500,000	1.720	04/07/2018	04/07/2019–03/07/2028
LI Guangjie	–	1,000,000	–	–	–	1,000,000	1.450	11/09/2019	11/09/2020–10/09/2029
	800,000	–	–	–	–	800,000	2.440	13/07/2017	13/07/2018–12/07/2027
	500,000	–	–	–	–	500,000	1.720	04/07/2018	04/07/2019–03/07/2028
	–	1,000,000	–	–	–	1,000,000	1.450	11/09/2019	11/09/2020–10/09/2029
	14,200,000	4,000,000	–	(9,000,000)	–	9,200,000			
<i>Employees (in aggregate)</i>									
	3,596,768 (Note 1)	–	–	–	–	3,596,768	0.827 (Note 1)	24/04/2012	10/06/2012–09/06/2021
	33,797,535 (Note 1)	–	–	–	–	33,797,535	1.264 (Note 1)	10/01/2014	10/01/2015–09/01/2024
	6,400,000	–	–	–	–	6,400,000	2.440	13/07/2017	13/07/2018–12/07/2027
	7,850,000	–	–	–	(150,000)	7,700,000	1.720	04/07/2018	04/07/2019–03/07/2028
	–	14,200,000	–	–	–	14,200,000	1.450	11/09/2019	11/09/2020–10/09/2029
	51,644,303	14,200,000	–	–	(150,000)	65,694,303			
Total	65,844,303	18,200,000 (Note 2)	–	(9,000,000)	(150,000)	74,894,303			

Notes:

- The number of outstanding share options and the exercise price may be subject to adjustment in case of reorganization of the capital structure of the Company. Pursuant to the announcements dated 29 September 2014 and 9 July 2015, the Company adjusted respectively the number of outstanding share options and the exercise price with reference to the terms of the Share Option Scheme and the supplementary guidance attached to the letter of the Stock Exchange relating to share option scheme dated 5 September 2005.
- Share options to subscribe for 18,200,000 Shares were granted and accepted. The closing share price was HK\$1.370 per Share on 10 September 2019, being the date immediately before the day on which such options were granted.
- In respect of the share options granted on 24 April 2012, one-third of the share options has been vested evenly on 10 June 2012, 10 June 2013 and 10 June 2014 and exercisable until 9 June 2021.

In respect of the share options granted on 10 January 2014, one-third of the share options has been vested evenly on 10 January 2015, 10 January 2016 and 10 January 2017 and exercisable until 9 January 2024.

In respect of the share options granted on 13 July 2017, one-third of the share options has been vested evenly on 13 July 2018 and 13 July 2019 and shall be vested on 13 July 2020 and exercisable until 12 July 2027.

In respect of the share options granted on 4 July 2018, one-third of the share options has been vested evenly on 4 July 2019 and shall be vested 4 July 2020 and 4 July 2021 and exercisable until 3 July 2028.

In respect of the share options granted on 11 September 2019, one-third of the share options shall be vested evenly on 11 September 2020, 11 September 2021 and 11 September 2022 and exercisable until 10 September 2029.

Share Award Scheme

The Company adopted the Share Award Scheme on 27 October 2011 (as amended on 30 October 2014 and 25 November 2015 subsequently) and shall be valid until 26 October 2021 unless otherwise terminated by the Board.

The purpose of the Share Award Scheme are (i) to recognise the contributions by certain employees and directors of any member of the Group and to give incentives in order to retain them for the continuing operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

The maximum number of Shares which can be awarded under the Share Award Scheme is 10% of the Shares in issue as at the adoption date (i.e. 164,000,000 Shares), and the maximum number of the Shares which may be awarded to a grantee in the 12-month period up to and including the date of award shall not in aggregate exceed 1% of the Shares in issue as at the adoption date (i.e. 16,400,000 Shares).

When a grantee has satisfied all vesting conditions, which might include performance, operating and financial targets and other criteria, as determined by the Board at the time of making the award and become entitled to the Shares forming the subject of the award, the trustee shall then transfer respective awarded Shares to that employee or director at no cost.

No payment to purchase Shares shall be made, and no instruction to acquire Shares shall be given, to the trustee of the Share Award Scheme where any Director is in possession of inside information in relation to the Company or where dealing in securities by Directors are prohibited under any codes or rules and applicable laws from time to time.

Before the Shares are transferred to the grantee, the voting rights and powers of any Shares held by the trustee shall be exercised by the trustee who shall abstain from voting.

As of 31 December 2019, the Company had awarded in aggregate of 161,491,000 Shares since 27 October 2011, representing 98.47% of the limit of the Share Award Scheme.

During the year, 34,872,000 Shares were awarded, 3,826,000 Shares were lapsed and 29,027,000 Shares were vested. As at 31 December 2019, 30,945,000 Shares were unvested. Details of the Share Award Scheme are set out in note 33 to the financial statements of this annual report.

Equity-Linked Agreements

Save as the Share Option Scheme as disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year or subsisted at the end of the year.

Report of the Directors

Directors' Rights to Acquire Shares or Debentures

Save as the Share Option Scheme and the Share Award Scheme disclosed above, for the year ended 31 December 2019, none of the Company or any of its subsidiaries was a party to any arrangement to enable Directors to acquire benefits by means of acquisition of Shares in, or debt securities (including debentures) of, the Company or its associated corporations and none of the Directors, their spouses or children under the age of 18 had any rights to subscribe for equity or debt securities of the Company or its associated corporations, or had exercised any such rights.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as is known to any Director or chief executive of the Company, as at 31 December 2019, the following persons (not being a Director) who had interests or short positions in the Shares or underlying shares of the Company which had been disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Number of Shares (Long positions)	Percentage of Shares in issue (Note 2)
Guotai Junan Holdings Limited	Beneficial owner	5,283,657,800	68.48%
Guotai Junan Financial Holdings Limited (Note 1)	Interested in controlled corporation	5,283,657,800	68.48%
Guotai Junan Securities Company Limited (Note 1)	Interested in controlled corporation	5,283,657,800	68.48%

Notes:

1. Guotai Junan Holdings Limited is a wholly-owned subsidiary of Guotai Junan Financial Holdings Limited, which in turn is a wholly-owned subsidiary of Guotai Junan Securities Company Limited and accordingly, Guotai Junan Financial Holdings Limited and Guotai Junan Securities Company Limited are deemed to be interested in these 5,283,657,800 Shares.
2. The percentage was calculated based on 7,715,673,090 Shares in issue on 31 December 2019.

Save as disclosed above, as at 31 December 2019, the Company has not been notified by any persons (other than the Directors or the chief executives of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Continuing Connected Transactions

On 19 March 2018, the Company entered into a master services agreement ("Master Services Agreement") with Guotai Junan Securities Company Limited ("GTJA"), pursuant to which the Company and GTJA agreed that each of them may, and may procure the Company (and its members, collectively referred to as the "Group") and GTJA (and its members, collectively referred to as the "GTJA Group") respectively, to provide services of 1) brokerage transactions, 2) investment management and advisory services transactions, 3) consulting services transactions, 4) corporate finance transactions, and 5) investment and finance transactions, to each other in accordance with the terms of the Master Services Agreement for a term of 3 years from 1 January 2018 to 31 December 2020. As GTJA is a controlling shareholder of

the Company and therefore is a connected person of the Company, the transactions contemplated under the Master Services Agreement constitute continuing connected transactions of the Company and are expected to be of a recurrent nature and may occur on a regular and continuous basis in the ordinary and usual course of business of the Group. The transactions contemplated under the Master Services Agreement are subject to reporting, announcement, annual review and independent Shareholders' approval requirement as one of the applicable percentage ratios exceeds 5% under the Listing Rules. The Master Services Agreement and the transactions contemplated thereunder were approved by the independent Shareholders on 16 April 2018. For further details, please refer to circular dated 26 March 2018. The annual caps in respect of the income attributable to the Group arising from corporate finance services provided to GTJA Group hereof were revised by the 2019 Supplemental Agreement (as described hereunder below) during the year.

The Group and GTJA Group shall, from time to time during the term of the Master Services Agreement, enter into separate operational agreements in respect of the provision of any services, provided that such operational agreements and their terms shall be subject to and shall not exceed the terms of the Master Services Agreement.

The annual caps in respect of continuing connected transactions contemplated under the Master Services Agreement for three years ended 31 December 2018, and 2019 and ending 31 December 2020 are shown as below:

	For year ended 31 December 2018 (HK\$ million)	For year ended 31 December 2019 (HK\$ million)	For year ending 31 December 2020 (HK\$ million)
Annual caps in respect of income attributable to the Group arising from:			
1 Brokerage services provided to GTJA Group	19	26	35
2 Investment management and advisory services provided to GTJA Group	2	3	4
3 Consulting services provided to GTJA Group	2	2	2
4 Corporate finance services provided to GTJA Group	17	19*	21*
Total	40	50	62
Annual caps in respect of expenses incurred by the Group arising from:			
1 Brokerage services from GTJA Group	20	23	25
2 Investment management and advisory services provided by GTJA Group	18	34	59
3 Consulting services from of GTJA Group	29	38	51
4 Corporate finance services provided by GTJA Group	32	38	45
Total	99	133	180

Report of the Directors

	For year ended 31 December 2018 (HK\$ billion)	For year ended 31 December 2019 (HK\$ billion)	For year ending 31 December 2020 (HK\$ billion)
Annual caps in respect of principal-to-principal investment and finance transactions between the Group and GTJA Group:			
1 Bonds traded	2.7	3.6	4.1
2 Structured products sold by the Group	3.9	5.9	10.6
3 Structured products purchased by the Group	1.6	1.6	1.6
Total	8.2	11.1	16.3

* These annual caps were revised by the 2019 Supplemental Agreement.

On 22 July 2019, the Company entered into a supplemental agreement ("2019 Supplemental Agreement") with GTJA to revise the annual caps in respect of the income attributable to the Group arising from corporate finance services provided to GTJA Group for the two years ended on 31 December 2019 and ending on 31 December 2020 as set out in the Master Services Agreement, due to the increasing demand for cross-border financial services and corporate finance advisory services including the participation in GTJA's share placement completed on 17 April 2019, the aggregate income attributable to the Group arising from the corporate finance services provided by the Group to GTJA Group for the first five months in 2019 represented an utilization rate of approximately 97.9% of the approved annual cap of that year as set out in the Master Services Agreement. Based on the historical transaction figures and the business developing trend, it was estimated that the said income was likely exceed the approved annual caps as set out in the Master Services Agreement. As GTJA is a controlling shareholder of the Company and therefore is a connected person of the Company, the transactions contemplated under the 2019 Supplemental Agreement constitute continuing connected transactions of the Company and are expected to be of a recurrent nature and may occur on a regular and continuous basis in the ordinary and usual course of business of the Group. The transactions contemplated under the 2019 Supplemental Agreement are subject to reporting, announcement, annual review and independent Shareholders' approval requirement as the Company proposed to revise the annual caps for continuing connected transaction with one of the applicable percentage ratios exceeds 5% under the Listing Rules. The 2019 Supplemental Agreement and the transactions contemplated thereunder were approved by the independent Shareholders on 3 September 2019. For further details, please refer to circular dated 16 August 2019.

The revised annual caps in respect of continuing connected transactions contemplated under the 2019 Supplemental Agreement for the two years ended on 31 December 2019 and ending on 31 December 2020 are shown as below:

	For year ended 31 December 2019 (HK\$ million)	For year ending 31 December 2020 (HK\$ million)
Annual caps in respect of income attributable to the Group arising from corporate finance services provided to GTJA Group		
Approved annual caps as set out in the Master Services Agreement	19	21
Revised annual caps	133	233

Details of the related party transactions undertaken by the Group in the normal course of business are set out in note 41 to the financial statements, some of those transactions constituted non-exempted continuing connected transactions under the Listing Rules, for which the Company has complied with applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The Independent Non-executive Directors have reviewed and confirmed that the aforesaid continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors engaged the auditor of the Company to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("HKSAE 3000") and with reference to Practice Note 740 "Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules" ("PN740") issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has reported to the Directors in accordance with HKSAE 3000 and with reference to PN740 that the transactions (i) had been approved by the Board; (ii) were in accordance with the pricing policies of the Company; (iii) had been entered into in accordance with the relevant agreements governing such transactions; and (iv) had not exceeded the relevant CAPs.

Disclosure Pursuant to Rule 13.21 of the Listing Rules

On 21 August 2017, the Company (as guarantor) and Guotai Junan (Hong Kong) Limited, a wholly-owned subsidiary of the Company (as borrower), entered into a facility agreement with a group of financial institutions (as lenders) (the "Lenders") in respect of a HK\$/US\$ dual currency revolving loan facility in an aggregate amount equal to HK\$8,000 million (the "Loan") for a term of 3 years (the "Facility Agreement"). Under the Facility Agreement, it will be an event of default if Guotai Junan Securities Co., Ltd., the controlling shareholder of the Company, is not, or ceases (directly or indirectly) to be the single largest legal and beneficial holder of Shares or does not, or cease to, control the Company. In case of an event of default occurred, the Lenders may, by notice to borrower: (i) cancel all or part of the Loan; and/or (ii) declare all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Facility Agreement be immediately due and payable; and/or (iii) declare that all or part of the Loan become payable on demand.

Report of the Directors

Permitted Indemnity

Subject to the CO and under the Articles of Association, every Director is entitled to be indemnified out of the assets of the Company against all losses and liabilities which he or she may sustain or incur in or about the execution or discharge of his or her duties and/or the exercise of his or her powers and/or otherwise in connection with his or her duties, powers or office. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors and officers.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the total number of issued Shares was held by the public throughout the year ended 31 December 2019 and up to the date of this report.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 91 to 103 of this report.

Compliance with Laws and Regulations

The major laws and regulations that have a significant impact on the Group's business include the CO, the SFO, the Anti-money Laundering and Counter-terrorist Financing (Financial Institutions) Ordinance (Cap. 615 of the Laws of Hong Kong) and the Listing Rules. Throughout the year of 2019 and as at the date of this report, as far as the Board and management are aware, there was no material breach of, or non-compliance with, the applicable laws and regulations by the Group that has a significant impact on its businesses and operations.

Environmental, Social and Corporate Responsibility

The Group is committed to discharging its corporate social responsibility and enhancing its ability on environmental, social and governance issues. In order to preserve our environment, we have consistently implemented different measures in day-to-day business and we are granted with the "Green Office and Eco-Healthy Workplace" label.

The participation of stakeholders is essential for the development of the Group. The Group has attached great importance to the expectations and needs of various stakeholders and strengthened the existing communication mechanism. This year, we have engaged an independent consultant to collect advices from our stakeholders (such as employees, clients, service providers, business partners, non-profit organizations and general public) by way of online survey. For details, please refer to the "2019 Environmental, Social and Governance Report" to be issued by the Company.

Auditor

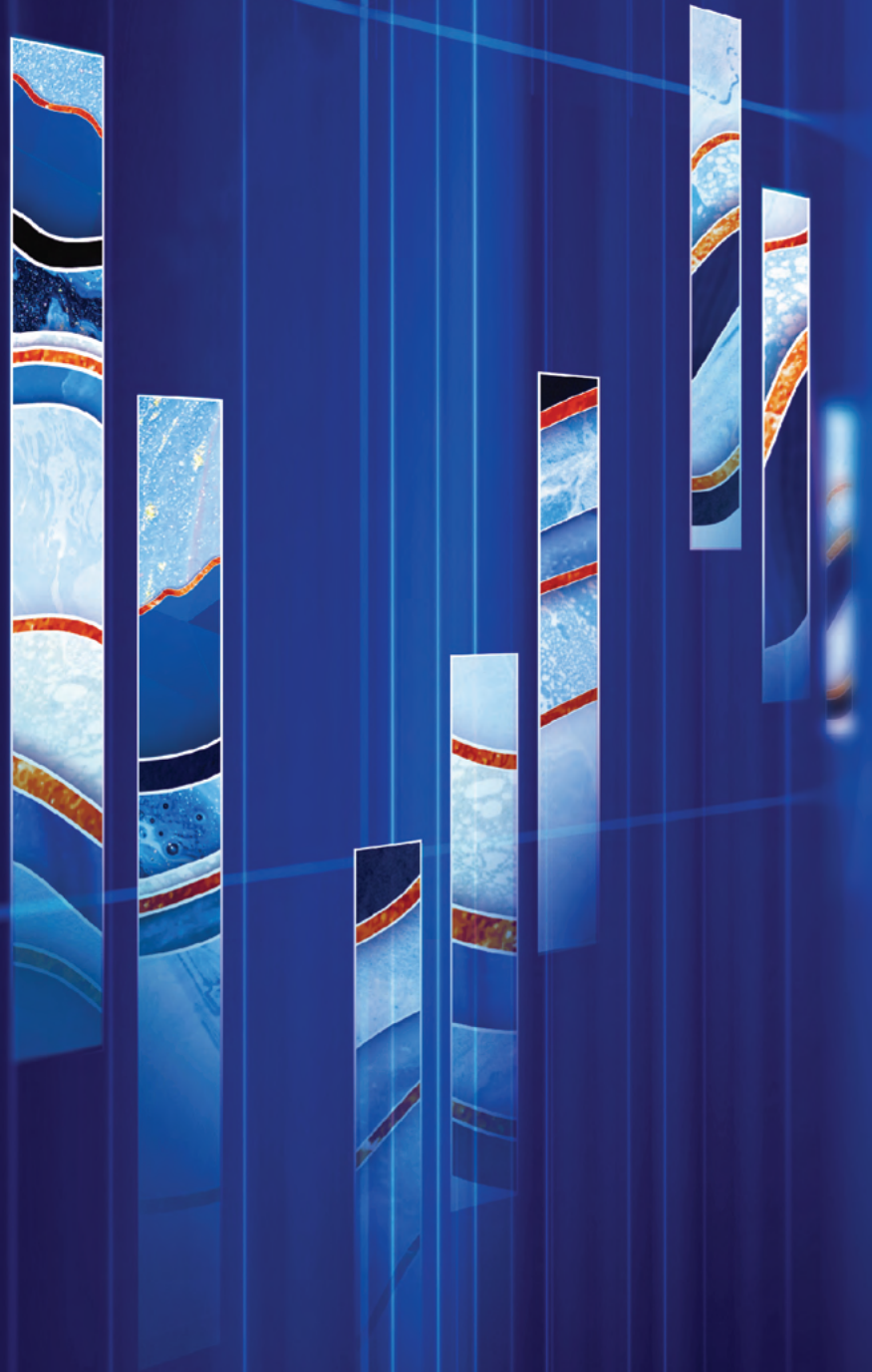
The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by Ernst & Young who will retire at the Company's forthcoming AGM. A resolution to appoint the auditor of the Company and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

By order of the Board
Dr. YIM Fung, JP
Chairman

Hong Kong, 20 March 2020

Financial Statement

財務報表



Independent Auditor's Report

獨立核數師報告



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TO THE MEMBERS OF
GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)

致國泰君安國際控股有限公司成員

(於香港註冊成立的有限公司)

Opinion

We have audited the consolidated financial statements of Guotai Junan International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 130 to 304, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated 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 consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

意見

我們已審計列載於第130頁至第304頁的國泰君安國際控股有限公司(「貴公司」)及其附屬公司(以下統稱「貴集團」)的綜合財務報表，此綜合財務報表包括於二零一九年十二月三十一日的綜合財務狀況表與截至該日止年度的綜合損益及其他全面收益表、綜合權益變動表和綜合現金流量表，以及綜合財務報表附註，包括主要會計政策概要。

我們認為，該等綜合財務報表已根據香港會計師公會(「香港會計師公會」)頒佈的《香港財務報告準則》(「香港財務報告準則」)真實而中肯地反映了貴集團於二零一九年十二月三十一日的綜合財務狀況及截至該日止年度的綜合財務表現及綜合現金流量，並已遵照香港《公司條例》妥為擬備。

意見的基礎

我們已根據香港會計師公會頒佈的《香港審計準則》(「香港審計準則」)進行審計。我們在該等準則下承擔的責任已在本報告「核數師就審計綜合財務報表承擔的責任」部分中作進一步闡述。根據香港會計師公會頒佈的《專業會計師道德守則》(以下簡稱「守則」)，我們獨立於貴集團，並已履行守則中的其他專業道德責任。我們相信，我們所獲得的審計憑證能充足及適當地為我們的審計意見提供基礎。

Independent Auditor's Report

獨立核數師報告

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

關鍵審計事項

關鍵審計事項是根據我們的專業判斷，認為對本期綜合財務報表的審計最為重要的事項。這些事項是在對綜合財務報表整體進行審計並形成意見的背景下來處理的，我們不對這些事項提供單獨的意見。我們對下述各事項在審計中是如何應對的描述也以此為背景。

我們已經履行了本報告「核數師就審計綜合財務報表承擔的責任」一節闡述的責任，包括與這些關鍵審計事項相關的責任。因此，我們的審計工作包括執行為應對評估的綜合財務報表重大錯誤陳述風險而設計的審計程序。我們執行審計程序的結果，包括應對下述關鍵審計事項所執行的程序，為隨附綜合財務報表發表審計意見提供了基礎。

Key audit matter 關鍵審計事項	How our audit addressed the key audit matter 關鍵審計事項在審計中是如何應對的
<p><i>Impairment assessment on loans and advances to customers</i> 給予客戶的貸款及墊款的減值評估</p>	
<p>As at 31 December 2019, gross loan and advances to customers and its related impairment allowance amounted to HK\$13,200 million and HK\$1,484 million respectively. Impairment allowance for credit exposures at Stage 3 amounted to HK\$1,477 million. 於二零一九年十二月三十一日，給予客戶的貸款及墊款總額及相關減值撥備分別為13,200百萬港元及1,484百萬港元。第3階段信貸風險減值撥備為1,477百萬港元。</p> <p>The assessment of impairment for loans and advances to customers and accounts receivable involves significant management judgement and estimates on the amount of expected credit loss at the reporting date, and as such is identified as a key audit matter. 給予客戶的貸款及墊款及應收款項的減值評估涉及管理層對報告日期已產生的預期信用損失金額作出重大判斷及估計，因此被確定為關鍵審核事項。</p>	<p>The procedures we performed to address the key audit matter included, amongst others: 我們應對關鍵審計事項所執行的程序包括：</p> <ul style="list-style-type: none"> Performed a walkthrough to understand the Group's credit risk management policies and practices, and assessed the Group's impairment provisioning policy in accordance with the requirements of HKFRS 9, including an evaluation of management judgement on i) the level of disaggregation of portfolios for impairment assessment; ii) the use of appropriate reasonable and supportable credit risk information that is available without undue cost or effort; and iii) the staging criteria for determining if a significant increase in credit risk has occurred. 進行穿行測試以了解貴集團的信貸風險管理政策及慣例，並根據香港財務報告準則第9號的規定評估貴集團的減值撥備政策，包括評估以下方面的管理層判斷：i)用於減值評估的投資組合的分列水平；ii)於不造成不必要成本或負擔的前提下使用合理及支持性信貸風險資料；及iii)釐定信貸風險是否大幅增加的階段劃分標準。

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Key audit matters (continued)

關鍵審計事項(續)

Key audit matter 關鍵審計事項	How our audit addressed the key audit matter 關鍵審計事項在審計中是如何應對的
<i>Impairment assessment on loans and advances to customers (continued)</i> 給予客戶的貸款及墊款的減值評估(續)	
<p>At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose.</p> <p>於報告日期，貴集團比較報告日期與初始確認日期的預計年內違約風險，以此評估信貸風險是否自初始確認以來已大幅增加。為此目的，貴集團於不造成不必要成本或負擔的前提下，考慮相關並可得的合理及支持性資料。</p> <p>The quantitative and qualitative information and also, forward-looking analysis of the Group assessment can be found in note 2.4, note 16 and note 42 to the consolidated financial statements.</p> <p>定量及定性資料以及貴集團評估的前瞻性分析載於綜合財務報表附註2.4、附註16及附註42。</p>	<p>For assessment of impairment allowance as of 31 December 2019, we:</p> <p>就二零一九年十二月三十一日的減值撥備評估而言，我們：</p> <ul style="list-style-type: none"> Tested the appropriateness of the Group's determination of significant increases in credit risk and the basis for classification of exposures into the 3 stages. Testing included assessing loan overdue information, loan-to-value percentage or other related indicators of increasing credit risk. 已測試貴集團釐定信貸風險大幅增加及將敞口劃分為3個階段的基準的適當性。測試包括評估貸款逾期資料、貸款與價值百分比或其他不斷增加的信貸風險之相關指標。 For loans and advances to customers classified at stage 1, we evaluated the Group's methodology for estimation of expected credit losses, and checked the key model parameters to external data sources where available, including the price volatility of selected underlying collateral used in multiple scenario analyses. 就分類為第1階段的給予客戶的貸款及墊款而言，我們已評估貴集團的預期信用損失估計方法，並將相關主要模型參數與可得的的外部數據來源進行核對，包括多重情境分析所使用的指定相關抵押品的價格波幅。 For loans and advances to customers classified at stage 3, in assessing the impairment allowance made by the Group, we examined the valuation of the collateral and other sources of cash flows, and developed a reasonable range of expected cash shortfall for comparison with the Group's assessment. 就分類為第3階段的給予客戶的貸款及墊款而言，於評估貴集團作出的減值撥備時，我們已檢查抵押品的估值及現金流量的其他來源，並得出預期現金缺額的合理範圍，以與貴集團的評估進行比較。 <p>Assessed the Group's disclosures in relation to credit risk in note 2.4, note 16 and note 42 to the consolidated financial statements against the requirements of HKFRS. 對照香港財務報告準則的規定評估綜合財務報表附註2.4、附註16及附註42所載貴集團有關信貸風險的披露資料。</p>

Independent Auditor's Report

獨立核數師報告

Key audit matters (continued)

關鍵審計事項(續)

Key audit matter 關鍵審計事項	How our audit addressed the key audit matter 關鍵審計事項在審計中是如何應對的
<p><i>Valuation of financial instruments classified as level 3 in the fair value hierarchy</i> 以公平值計量且分類為第三級的金融工具估值</p>	
<p>The Group assessed the fair value of the financial instruments classified under Level 3 in the fair value hierarchy ("Level 3 financial instruments") at the reporting date. The Group has applied valuation techniques to determine the fair value of Level 3 financial instruments that are not quoted in active markets. These valuation techniques, which include significant unobservable inputs, involve significant management judgement and assumptions, and as such is selected as a key audit matter. 貴集團於報告日期評估公平值等級第3級分類的金融工具公平值(「金融工具第3級」)。貴集團運用估值技術釐定並無活躍市場報價的金融工具第3級的公平值。該等估值技術(其包含重大無法觀察參數)涉及重大管理層判斷及假設，因此被選定為關鍵審計事項。</p> <p>As at 31 December 2019, the Group's financial assets and liabilities measured at fair value and categorised within Level 3 amounted to HK\$7,109 million and HK\$7,436 million respectively, representing 12% and 22% of the Group's financial assets and liabilities measured at fair value. 於二零一九年十二月三十一日，貴集團按公平值計量並分類為第3級的金融資產及負債分別達7,109百萬港元及7,436百萬港元，分別佔貴集團按公平值計量金融資產及負債的12%及22%。</p> <p>The related disclosure are included in note 42 to the consolidated financial statements. 相關披露載於綜合財務報表附註42。</p>	<p>The procedures we performed, with the involvement of our inhouse valuation specialist, to address the key audit matter included, amongst others: 在內部估值專家的參與下，我們所執行的旨在應對關鍵審計事項的程序包括：</p> <ul style="list-style-type: none"> • Performed a walkthrough to understand the Group's policy on the valuation of financial instruments, including independent price verification, independent model validation and approval. • 進行穿行測試以了解貴集團有關金融工具估值的政策，包括獨立價格核實、獨立模型驗證及審批。 • Assessed and evaluated the design and operating effectiveness of the controls over the process for the valuation of financial instruments. • 評價及評估金融工具估值過程中控制措施的設計和運行有效性。 • Evaluated the valuation techniques, inputs and assumptions through comparison with the valuation techniques that are commonly used by market participants. • 通過與市場參與者上常用的估值技術進行比較，評估估值技術、輸入數據及假設。 • Assessed the validation of observable inputs by checking with external market data. • 通過核對外部市場數據，評估可觀察輸入數據的有效性。 • Assessed the appropriateness of the significant unobservable inputs used in the valuation models including critically assessing management's assumptions that net asset value is a reasonable proxy for fair value and the selection of pricing multiples, where relevant. • 評估在估值模型中使用的重要不可觀察輸入數據的適當性，包括嚴格評估管理層的假設，即資產淨值是公平值的合理替代及選擇價格乘數(倘相關)。

Independent Auditor's Report

獨立核數師報告

Key audit matters (continued)

關鍵審計事項(續)

Key audit matter 關鍵審計事項	How our audit addressed the key audit matter 關鍵審計事項在審計中是如何應對的
<i>Valuation of financial instruments classified as level 3 in the fair value hierarchy (continued)</i> 以公平值計量且分類為第三級的金融工具估值(續)	
	<ul style="list-style-type: none"> • Compared the valuation results with the prior year to assess the reasonableness of the output with our understanding of the performance of the underlying investments. • 將估值結果與上一年進行比較，按我們對相關投資績效的理解來評估輸出數據的合理性。 • Assessed the adequacy of the Group's disclosure on the fair value hierarchy and related disclosures in note 42 to the consolidated financial statements against the requirements of HKFRS. • 對照香港財務報告準則的規定評估貴集團有關公平值等級的披露及綜合財務報表附註42的相關披露是否充分。

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

刊載於年度報告內其他信息

董事需對其他信息負責。其他信息包括刊載於年度報告內的信息，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表的意見並不涵蓋其他信息，我們亦不對該等其他信息發表任何形式的鑒證結論。

結合我們對綜合財務報表的審計，我們的責任是閱讀其他信息，在此過程中，考慮其他信息是否與綜合財務報表或我們在審計過程中所瞭解的情況存在重大抵觸或者似乎存在重大錯誤陳述的情況。基於我們已執行的工作，如果我們認為其他信息存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

Independent Auditor's Report

獨立核數師報告

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group'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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

董事就綜合財務報表須承擔的責任

董事須負責根據香港會計師公會頒佈的《香港財務報告準則》及香港《公司條例》擬備真實而中肯的綜合財務報表，並對其認為為使綜合財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部控制負責。

在擬備綜合財務報表時，董事負責評估貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將貴集團清盤或停止經營，或別無其他實際的替代方案。

審核委員會協助董事履行職責，監督貴集團的財務報告過程。

核數師就審計綜合財務報表承擔的責任

我們的目標，是對綜合財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包括我們意見的核數師報告。我們遵照香港《公司條例》第405條僅對閣下（作為一個整體）作出報告，除此以外，本報告並無其他用途。我們不會就核數師報告的內容向任何其他人士負上或承擔任何責任。

合理保證是高水平的保證，但不能保證按照《香港審計準則》進行的審計，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或滙總起來可能影響綜合財務報表使用者依賴綜合財務報表所作出的經濟決定，則有關的錯誤陳述可被視作重大。

Independent Auditor's Report

獨立核數師報告

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

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

核數師就審計綜合財務報表承擔的責任(續)

在根據《香港審計準則》進行審計的過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審計程序以應對這些風險，以及獲取充足和適當的審計憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 瞭解與審計相關的內部控制，以設計於有關情況下適當的審計程序，但目的並非對貴集團內部控制的有效性發表意見。
- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對貴集團的持續經營能力產生重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意綜合財務報表中的相關披露。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審計憑證。然而，未來事項或情況可能導致貴集團不能持續經營。

Independent Auditor's Report

獨立核數師報告

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 Audit Committee 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, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 Kwong Chun Kit.

Certified Public Accountants
Hong Kong
20 March 2020

核數師就審計綜合財務報表承擔的責任(續)

- 評價綜合財務報表的整體列報方式、結構和內容，包括披露，以及綜合財務報表是否中肯反映相關交易和事項。
- 就貴集團內實體或業務活動的財務信息獲取充足、適當的審計憑證，以便對綜合財務報表發表意見。我們負責貴集團審計的方向、監督和執行。我們為審計意見承擔全部責任。

除其他事項外，我們與審核委員會溝通了計劃的審計範圍、時間安排、重大審計發現等，包括我們在審計中識別出內部控制的任何重大缺陷。

我們還向審核委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通有可能合理地被認為會影響我們獨立性的所有關係和其他事項，以及在適用的情況下，相關的防範措施。

從與審核委員會溝通的事項中，我們確定哪些事項對本期綜合財務報表的審計最為重要，因而構成關鍵審計事項。我們在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，如果合理預期在我們報告中溝通某事項造成的負面後果超過產生的公眾利益，我們決定不應在報告中溝通該事項。

出具本獨立核數師報告的審計項目合夥人是鄭俊傑。

執業會計師
香港
二零二零年三月二十日

Consolidated Statement of Profit or Loss and Other Comprehensive Income

綜合損益及其他全面收益表

Year ended 31 December 2019

截至二零一九年十二月三十一日止年度

		Notes 附註	2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Revenue	收益	5	4,245,536	3,025,890
Other income	其他收入		4,635	3,932
Revenue and other income	收益及其他收入		4,250,171	3,029,822
Staff costs	員工成本	6	(842,912)	(642,853)
Commission to account executives	客戶主任佣金		(124,278)	(68,894)
Depreciation	折舊		(65,078)	(36,541)
Other operating expenses	其他經營開支		(1,333,166)	(584,508)
Operating profit	經營溢利		1,884,737	1,697,026
Finance costs	融資成本	7	(879,294)	(713,754)
Profit before tax	除稅前溢利	8	1,005,443	983,272
Income tax expense	所得稅開支	9	(102,884)	(134,098)
Profit for the year	年內溢利		902,559	849,174
Other comprehensive income for the year, net of tax	年內其他全面收益，扣除稅項			
– Exchange difference on translation of foreign exchange	– 外匯匯兌差額		(455)	294
Total comprehensive income for the year	年內全面收益總額		902,104	849,468
Profit for the year attributable to:	應佔年內溢利：			
Owners of the parent	母公司擁有人		902,619	848,651
– Holders of ordinary shares	– 普通股持有人		895,303	796,835
– Holders of other equity instrument	– 其他權益工具持有人		7,316	51,816
Non-controlling interests	非控股權益		(60)	523
			902,559	849,174
Total comprehensive income for the year attributable to:	應佔年內全面收益總額：			
Owners of the parent	母公司擁有人		902,164	848,945
– Holders of ordinary shares	– 普通股持有人		894,848	797,129
– Holders of other equity instrument	– 其他權益工具持有人		7,316	51,816
Non-controlling interests	非控股權益		(60)	523
			902,104	849,468
Earnings per share attributable to ordinary equity holders of the parent	母公司普通股股東應佔每股盈利			
– Basic (in HK cents)	– 基本(以港仙計)	11(a)	11.7	10.5
– Diluted (in HK cents)	– 攤薄(以港仙計)	11(b)	11.7	10.5

Consolidated Statement of Financial Position

綜合財務狀況表

As at 31 December 2019
於二零一九年十二月三十一日

			2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
	Notes 附註			
Non-current assets		非流動資產		
Property, plant and equipment	12	物業、廠房及設備	508,939	471,644
Goodwill and other intangible assets	13	商譽及其他無形資產	22,386	3,195
Other assets	14	其他資產	8,526	5,531
Deferred tax assets	15	遞延稅項資產	267,316	129,807
Loans and advances to customers	16	給予客戶的貸款及墊款	947,521	2,338,830
Bank deposits	23	銀行存款	66,440	–
Financial assets at fair value through profit or loss	20	按公平值計入損益的金融資產	7,862,292	4,333,237
– Financial assets held for trading and investments		– 持作買賣及投資的金融資產	1,594,507	–
– Financial products		– 金融資產產品	6,267,785	4,333,237
Total non-current assets		非流動資產總額	9,683,420	7,282,244
Current assets		流動資產		
Loans and advances to customers	16	給予客戶的貸款及墊款	10,768,381	9,936,545
Accounts receivable	18	應收款項	4,151,021	5,347,223
Prepayments, deposits and other receivables	19	預付款項、按金及其他應收款項	269,799	322,421
Financial assets at fair value through profit or loss	20	按公平值計入損益的金融資產	51,128,906	43,528,232
– Financial assets held for trading and investments		– 持作買賣及投資的金融資產	19,286,647	15,019,421
– Financial products		– 金融資產產品	31,842,259	28,508,811
Derivative financial instruments	21	衍生金融工具	155,652	76,832
Receivable from reverse repurchase agreements	22	反向回購協議應收款項	2,247,913	3,109,006
Tax recoverable		可收回稅項	236	6,131
Client trust bank balances	23	客戶信託銀行結餘	11,181,982	14,319,985
Cash and cash equivalents	23	現金及現金等價物	7,150,847	4,105,672
Total current assets		流動資產總額	87,054,737	80,752,047

Consolidated Statement of Financial Position

綜合財務狀況表

As at 31 December 2019
於二零一九年十二月三十一日

			2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
	Notes 附註			
Current liabilities		流動負債		
Accounts payable	24	應付款項	(14,587,372)	(18,883,841)
Other payables and accrued liabilities	25	其他應付款項及應計負債	(584,126)	(537,400)
Derivative financial instruments	21	衍生金融工具	(149,851)	(23,620)
Interest bearing borrowings	26	計息借款	(11,226,513)	(9,441,083)
Debt securities in issue	27	已發行債務證券	(25,819,688)	(21,158,094)
– At amortised cost		– 按攤銷成本	(5,128,330)	(6,721,259)
– Designated at fair value through profit or loss		– 指定按公平值計入損益	(20,691,358)	(14,436,835)
Financial liabilities at fair value through profit or loss	28	按公平值計入損益的金融負債	(6,810,580)	(8,731,117)
Obligations under repurchase agreements	29	回購協議債項	(18,199,226)	(13,156,517)
Tax payable		應付稅項	(243,323)	(67,159)
Total current liabilities		流動負債總額	(77,620,679)	(71,998,831)
Net current assets		流動資產淨值	9,434,058	8,753,216
Total assets less current liabilities		資產總額減流動負債	19,117,478	16,035,460
Non-current liabilities		非流動負債		
Deferred tax liabilities	15	遞延稅項負債	(2,429)	–
Interest bearing borrowings	26	計息借款	(23,368)	–
Debt securities in issue	27	已發行債務證券	(7,679,894)	(4,841,178)
– At amortised cost		– 按攤銷成本	(1,555,874)	–
– Designated at fair value through profit or loss		– 指定按公平值計入損益	(6,124,020)	(4,841,178)
			(7,705,691)	(4,841,178)
Net assets		資產淨值	11,411,787	11,194,282

Consolidated Statement of Financial Position

綜合財務狀況表

As at 31 December 2019
於二零一九年十二月三十一日

			2019 二零一九年	2018 二零一八年
		Notes 附註	HK\$'000 千港元	HK\$'000 千港元
Equity	權益			
Share capital	股本	31	8,125,856	8,125,856
Other reserve	其他儲備	35	(1,236,460)	(1,236,460)
Currency translation reserve	貨幣換算儲備		(1,110)	(655)
Share-based compensation reserve	以股份為基礎補償儲備		56,089	66,186
– Share option reserve	– 購股權儲備	32	30,513	37,816
– Share award reserve	– 股份獎勵儲備	33	25,576	28,370
Shares held under the share award scheme	按股份獎勵計劃持有的股份	34	(73,058)	(142,051)
Retained profits	保留溢利		4,424,607	4,019,055
Equity attributable to holders of the ordinary shares	普通股股東應佔權益		11,295,924	10,831,931
Equity attributable to holders of other equity instrument	其他權益工具持有人應佔權益	30	–	350,784
Equity attributable to owners of the parent	母公司擁有人應佔權益		11,295,924	11,182,715
Non-controlling interests	非控股權益		115,863	11,567
Total equity	權益總額		11,411,787	11,194,282

Dr. YIM Fung
閻峰博士
Director
董事

Mr. LI Guangjie
李光杰先生
Director
董事

Consolidated Statement of Changes in Equity

綜合權益變動表

Year ended 31 December 2019

截至二零一九年十二月三十一日止年度

		Equity attributable to owners of the parent 母公司擁有人應佔權益										
		Share capital	Other reserve	Currency translation reserve	Share option reserve	Share award reserve	Shares held under the share award scheme 股份獎勵計劃項下持有的股份	Retained profits	Other equity instrument	Total	Non-controlling interests	Total equity
		股本	其他儲備	貨幣換算儲備	購股權儲備	股份獎勵儲備	持有的股份	保留溢利	其他權益工具	總計	非控股權益	權益總額
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
Balance at 1 January 2018	於二零一八年一月一日的結餘	6,118,060	(1,236,460)	(949)	40,769	24,204	(181,281)	3,843,743	2,346,794	10,954,880	11,044	10,965,924
Total comprehensive income for the year	年內全面收益總額	–	–	294	–	–	–	796,835	51,816	848,945	523	849,468
Shares issued upon placement of shares (note 31)	配售股份而發行的股份(附註31)	1,992,848	–	–	–	–	–	–	–	1,992,848	–	1,992,848
Recognition of equity-settled share-based payments (notes 32 and 33)	確認以權益計算以股份為基礎的付款(附註32及33)	–	–	–	5,297	69,471	–	–	–	74,768	–	74,768
Purchase of shares held under the share award scheme (note 34)	購買股份獎勵計劃項下持有的股份(附註34)	–	–	–	–	–	(52,579)	–	–	(52,579)	–	(52,579)
Vesting of shares for the share award scheme (notes 33 and 34)	股份獎勵計劃歸屬股份(附註33及34)	–	–	–	–	(65,305)	91,809	(30,364)	–	(3,860)	–	(3,860)
Shares issued upon exercise of share options under the share option scheme (notes 31 and 32)	購股權計劃項下行使購股權而發行的股份(附註31及32)	14,948	–	–	(3,771)	–	–	–	–	11,177	–	11,177
Transfer of share option reserve upon the forfeiture of share options	購股權失效而轉讓購股權儲備	–	–	–	(4,479)	–	–	4,479	–	–	–	–
Perpetual securities distribution	永續證券分派	–	–	–	–	–	–	–	(66,731)	(66,731)	–	(66,731)
Perpetual securities repurchase	永續證券購回	–	–	–	–	–	–	–	(1,981,095)	(1,981,095)	–	(1,981,095)
Final dividend for 2017	支付二零一七年末期股息	–	–	–	–	–	–	(343,960)	–	(343,960)	–	(343,960)
Interim dividend for 2018 (note 10)	支付二零一八年中中期股息(附註10)	–	–	–	–	–	–	(251,678)	–	(251,678)	–	(251,678)
Balance at 31 December 2018 and at 1 January 2019	於二零一八年十二月三十一日及二零一九年一月一日的結餘	8,125,856	(1,236,460)	(655)	37,816	28,370	(142,051)	4,019,055	350,784	11,182,715	11,567	11,194,282

Consolidated Statement of Changes in Equity

綜合權益變動表

Year ended 31 December 2019

截至二零一九年十二月三十一日止年度

		Equity attributable to owners of the parent 母公司擁有人應佔權益										
		Share capital	Other reserve	Currency translation reserve	Share option reserve	Share award reserve	Shares held under the share award scheme 股份獎勵計劃項下持有的股份	Retained profits	Other equity instrument	Non-controlling interests	Total equity	
		股本	其他儲備	貨幣換算儲備	購股權儲備	股份獎勵儲備	持有的股份	保留溢利	其他權益工具	非控股權益	權益總額	
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	
Balance at 31 December 2018 and at 1 January 2019	於二零一八年十二月三十一日及二零一九年一月一日的結餘	8,125,856	(1,236,460)	(655)	37,816	28,370	(142,051)	4,019,055	350,784	11,182,715	11,567	11,194,282
Total comprehensive income for the year	年內全面收益總額	-	-	(455)	-	-	-	895,303	7,316	902,164	(60)	902,104
Acquisition of a subsidiary (note 44)	收購一間附屬公司(附註44)	-	-	-	-	-	-	-	-	-	104,356	104,356
Recognition of equity-settled share-based payments (notes 32 and 33)	確認以權益計算以股份為基礎的付款(附註32及33)	-	-	-	6,798	57,325	-	-	-	64,123	-	64,123
Purchase of shares held under the share award scheme (note 34)	購買股份獎勵計劃項下持有的股份(附註34)	-	-	-	-	-	(4,004)	-	-	(4,004)	-	(4,004)
Vesting of shares for the share award scheme (notes 33 and 34)	股份獎勵計劃歸屬股份(附註33及34)	-	-	-	-	(60,119)	72,997	(16,632)	-	(3,754)	-	(3,754)
Transfer of share option reserve upon the forfeiture of share options	購股權失效而轉讓購股權儲備	-	-	-	(14,101)	-	-	14,101	-	-	-	-
Perpetual securities distribution	永續證券分派	-	-	-	-	-	-	-	(9,960)	(9,960)	-	(9,960)
Perpetual securities repurchase/redemption	永續證券購回/贖回	-	-	-	-	-	-	(12,914)	(348,140)	(361,054)	-	(361,054)
Final dividend for 2018 (note 10)	支付二零一八年末期股息(附註10)	-	-	-	-	-	-	(152,995)	-	(152,995)	-	(152,995)
Interim dividend for 2019 (note 10)	支付二零一九年中期股息(附註10)	-	-	-	-	-	-	(321,311)	-	(321,311)	-	(321,311)
Balance at 31 December 2019	於二零一九年十二月三十一日的結餘	8,125,856	(1,236,460)	(1,110)	30,513	25,576	(73,058)	4,424,607	-	11,295,924	115,863	11,411,787

Consolidated Statement of Cash Flows

綜合現金流量表

Year ended 31 December 2019

截至二零一九年十二月三十一日止年度

			2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Net cash flows used in operating activities	經營活動所用現金流量淨額	38	(3,786,919)	(3,857,282)
Cash flows from investing activities	投資活動現金流量			
Proceeds from disposal of intangible assets	出售無形資產所得款項		2,260	—
Purchases of intangible assets	購買無形資產		—	(372)
Acquisition of a subsidiary	收購一間附屬公司	44	(101,803)	—
Purchases of property, plant and equipment	購買物業、廠房及設備	12	(28,075)	(28,186)
Net cash flows used in investing activities	投資活動所用現金流量淨額		(127,618)	(28,558)
Cash flows from financing activities	融資活動現金流量			
Net proceeds/(repayment) from bank borrowings	銀行借款所得款項／(還款)淨額		1,760,027	(4,340,638)
Proceeds from issuance of debt securities	發行債務證券所得款項		37,851,469	41,681,076
Repayment of debt securities	償還債務證券		(31,866,619)	(30,866,323)
Net proceeds from issuance of shares upon placement of shares	因配售股份而發行股份所得款項淨額		—	1,992,848
Repurchase/redemption of perpetual securities	購回／贖回永續證券		(361,054)	(1,981,095)
Net proceeds from issuance of shares upon exercise of share options	因購股權獲行使而發行股份所得款項淨額	32	—	11,177
Distribution on other equity instrument	其他權益工具分派		(9,960)	(66,731)
Dividend paid to shareholders	支付股東股息		(478,060)	(599,498)
Purchase of shares held under the share award scheme	購買股份獎勵計劃項下持有的股份	34	(4,004)	(52,579)
Principal portion of lease payments	租賃付款的本金部份		(22,023)	—
Interest portion of lease payments	租賃付款的利息部份		(1,862)	—
Net cash flows from financing activities	融資活動現金流量淨額		6,867,914	5,778,237
Net increase in cash and cash equivalents	現金及現金等價物增加淨額		2,953,377	1,892,397
Cash and cash equivalents at beginning of year	年初現金及現金等價物		4,001,198	2,108,512
Effect of foreign exchange rate changes, net	匯率變動的影響淨額		(441)	301
Effect of impairment allowance on cash and cash equivalents, net	減值撥備對現金及現金等價物的影響淨額		(244)	(12)
Cash and cash equivalents at end of year	年末現金及現金等價物		6,953,890	4,001,198

Consolidated Statement of Cash Flows

綜合現金流量表

Year ended 31 December 2019
截至二零一九年十二月三十一日止年度

			2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
	Notes 附註			
Analysis of balances of cash and cash equivalents		現金及現金等價物的結餘分析		
Cash and bank balances	23	現金及銀行結餘	5,857,542	3,896,502
Non-pledged time deposits with original maturity of less than three months when acquired	23	存放時原到期日不足三個月的未抵押定期存款	1,096,348	104,696
Cash and cash equivalents as stated in the consolidated statement of cash flows		綜合現金流量表所列之現金及現金等價物	6,953,890	4,001,198
Non-pledged time deposits with original maturity more than three months, but less than one year when acquired	23	存放時原到期日超過三個月，但不足一年的未抵押定期存款	196,957	104,474
Cash and cash equivalents as stated in the consolidated statement of financial position		綜合財務狀況表所列之現金及現金等價物	7,150,847	4,105,672

Notes to Financial Statements

財務報表附註

31 December 2019
二零一九年十二月三十一日

1. Corporate and group information

Guotai Junan International Holdings Limited (the "Company") was incorporated on 8 March 2010 in Hong Kong with limited liability under the Hong Kong Companies Ordinance and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 July 2010. The registered office address of the Company is 27th Floor, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong. The Company is an investment holding company and its subsidiaries are principally engaged in brokerage, corporate finance, asset management, loans and financing, financial products, market making and investments.

The Company's immediate holding company and ultimate holding company are Guotai Junan Holdings Limited ("GJHL") incorporated in the British Virgin Islands and Guotai Junan Securities Company Limited ("GJSCL") incorporated in the People's Republic of China, respectively.

Particulars of the principal subsidiaries as at 31 December 2019 are as follows:

Company name 公司名稱	Place of incorporation and business 註冊成立及經營地點	Share capital 股本	Percentage of equity attributable to the Company 本公司應佔股權百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
Guotai Junan (Hong Kong) Limited ("GJHK")	Samoa/Hong Kong	HK\$6,330,989,070	100%	—	Investment holding and provision of general administration and support services to its subsidiaries
國泰君安(香港)有限公司 (「國泰君安香港」)	薩摩亞／香港	6,330,989,070港元			投資控股及向其附屬公司提供一般管理及支援服務
Guotai Junan International (Singapore) Holdings Pte Limited	Singapore	SG\$9,300,000	100%	—	Investment holding and provision of general administration and support services to its subsidiaries
	新加坡	9,300,000新加坡元			投資控股及向其附屬公司提供一般管理及支援服務

1. 公司及集團資料

國泰君安國際控股有限公司(「本公司」)為於二零一零年三月八日根據香港公司條例在香港註冊成立之有限公司，本公司的股份於二零一零年七月八日在香港聯合交易所有限公司(「聯交所」)主板上市。本公司註冊辦事處的地址為香港皇后大道中181號新紀元廣場低座27樓。本公司為投資控股公司，其附屬公司主要從事經紀、企業融資、資產管理、貸款及融資、金融產品、做市及投資業務。

本公司的直接控股公司及最終控股公司分別為於英屬處女群島註冊成立的國泰君安控股有限公司(「國泰君安控股」)及於中華人民共和國註冊成立的國泰君安證券股份有限公司(「國泰君安」)。

於二零一九年十二月三十一日，主要附屬公司的詳情如下：

Notes to Financial Statements

財務報表附註

31 December 2019
二零一九年十二月三十一日

1. Corporate and group information (continued)

1. 公司及集團資料(續)

Company name 公司名稱	Place of incorporation and business 註冊成立及經營地點	Share capital 股本	Percentage of equity attributable to the Company 本公司應佔股權百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
Guotai Junan International Asset Management (Singapore) Pte Limited	Singapore 新加坡	SG\$4,200,000 4,200,000新加坡元	—	100%	Asset management 資產管理
Guotai Junan International Securities (Singapore) Pte Limited	Singapore 新加坡	SG\$3,500,000 3,500,000新加坡元	—	100%	Securities brokerage and other financial services 證券經紀及其他金融服務
Guotai Junan Securities (Hong Kong) Limited	Hong Kong 香港	HK\$7,500,000,000 7,500,000,000港元	—	100%	Securities dealing and broking and provision of wealth management services 證券買賣及經紀以及提供財富管理服務
Guotai Junan Futures (Hong Kong) Limited 國泰君安期貨(香港)有限公司	Hong Kong 香港	HK\$50,000,000 50,000,000港元	—	100%	Futures dealing and broking 期貨買賣及經紀
Guotai Junan Finance (Hong Kong) Limited 國泰君安財務(香港)有限公司	Hong Kong 香港	HK\$300,000,000 300,000,000港元	—	100%	Money lending and trading in securities 借貸及證券買賣
Guotai Junan Capital Limited 國泰君安融資有限公司	Hong Kong 香港	HK\$50,000,000 50,000,000港元	—	100%	Provision of consultancy and financial services 提供諮詢及財務服務
Guotai Junan Assets (Asia) Limited 國泰君安資產管理(亞洲)有限公司	Hong Kong 香港	HK\$50,000,000 50,000,000港元	—	100%	Asset management 資產管理
Guotai Junan Fund Management Limited ¹ 國泰君安基金管理有限公司 ¹	Hong Kong 香港	HK\$10,000,000 10,000,000港元	—	50%	Asset management and trading in securities 資產管理及證券買賣

Notes to Financial Statements

財務報表附註

31 December 2019
二零一九年十二月三十一日

1. Corporate and group information (continued)

1. 公司及集團資料(續)

Company name 公司名稱	Place of incorporation and business 註冊成立及經營地點	Share capital 股本	Percentage of equity attributable to the Company 本公司應佔股權百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
Guotai Junan Financial Products Limited 國泰君安金融產品有限公司	Hong Kong 香港	HK\$1,000,000 1,000,000港元	—	100%	Trading in securities 證券買賣
Guotai Junan FX Limited 國泰君安外匯有限公司	Hong Kong 香港	HK\$30,000,000 30,000,000港元	—	100%	Leveraged foreign exchange dealing and broking 槓桿式外匯交易及經紀
Vietnam Investment Securities Company 越南投資證券股份公司	Vietnam 越南	VND693,500 million 693,500,000,000 越南盾	50.97%	—	Securities dealing and broking and margin financing 證券交易、經紀及孖展融資

Note 1: The Group considers that it has the ability to govern the financial and operating policies of the entity as the Group has the power to appoint or remove the majority of the members of its board of directors.

附註1：由於本集團有權力委任或罷免董事會大多數成員，故本集團認為其有能力監管該實體的財務及營運政策。

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

上表載列董事認為對本年度業績產生主要影響或構成本集團資產淨值主要部分之本公司附屬公司。董事認為，列出其他附屬公司之資料會導致篇幅過於冗長。

These financial statements were approved and authorised for issue by the board of directors on 20 March 2020.

該等財務報表已於二零二零年三月二十日獲董事會批准及授權刊發。

Notes to Financial Statements

財務報表附註

31 December 2019
二零一九年十二月三十一日

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss, debt securities in issue designated at fair value through profit or loss and derivative financial instruments which have been measured at fair value.

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise stated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 編製基準

該等財務報表乃根據香港會計師公會(「香港會計師公會」)頒佈的香港財務報告準則(「香港財務報告準則」)(其包括所有適用的香港財務報告準則、香港會計準則(「香港會計準則」)及詮釋)、香港公認會計原則及香港公司條例編製。除按公平值計入損益的金融資產及金融負債、指定按公平值計入損益的已發行債務證券以及衍生金融工具以公平值計量外，該等財務報表已根據歷史成本慣例編製。

除非另有說明，該等財務報表乃以港元呈列，且所有數值已約整至最接近之千位數。

綜合基準

綜合財務報表載有截至二零一九年十二月三十一日止年度的本公司及其附屬公司(下文統稱「本集團」)財務報表。附屬公司為本公司直接或間接控制的實體(包括結構性實體)。當本集團承受或享有參與被投資公司業務的可變回報以及能透過對被投資公司的權力(即本集團獲賦予現有能以主導被投資公司相關活動的既存權利)影響該等回報時，即取得控制權。

Notes to Financial Statements

財務報表附註

31 December 2019
二零一九年十二月三十一日

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Certain comparative figures have been reclassified to conform current year's presentation.

2.1 編製基準(續)

綜合基準(續)

倘本公司直接或間接擁有被投資公司不足構成大多數的投票權或類似權利，則本集團於評估其是否擁有對被投資公司的權力時會考慮一切相關事實及情況，包括：

- (a) 與被投資公司其他投票權持有人的合約安排；
- (b) 其他合約安排所產生的權利；及
- (c) 本集團的投票權及潛在投票權。

附屬公司的財務報表乃與本公司於相同申報期間採納一致的會計政策編製。附屬公司業績自本集團取得控制權當日起綜合入賬，並將一直綜合入賬直至該控制權終止當日。

損益及其他全面收益的各組成部分乃屬本集團母公司擁有人及非控股權益所有，即使此舉將導致非控股權益產生虧絀餘額。有關本集團成員公司間交易之全部集團內公司間資產及負債、權益、收入、開支及現金流量將於綜合入賬時悉數抵銷。

本集團將於有事實及情況顯示上述三個控制要素中的一個或多個出現變動時重估是否控制被投資公司。附屬公司之擁有權變動(並無失去控制權)將計入股權交易。

若干比較數字乃經重新分類以與本年度所呈列者一致。

Notes to Financial Statements

財務報表附註

31 December 2019
二零一九年十二月三十一日

2.2 Changes in accounting policies and disclosures

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

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

2.2 會計政策變動及披露

本集團亦已就本年度財務報表首次採納以下新訂及經修訂香港財務報告準則：

香港財務報告準則第9號 (修訂本)	具有負補償之提前還款特性
香港財務報告準則第16號	租賃
香港會計準則第19號 (修訂本)	計劃修改、縮減或結算
香港會計準則第28號 (修訂本)	於聯營公司及合營企業之長期權益
香港(國際財務報告詮釋委員會) – 詮釋第23號	所得稅處理的不確定性因素
香港財務報告準則二零一五年至二零一七年年度的年度改進	香港財務報告準則第3號，香港財務報告準則第11號，香港會計準則第12號及香港會計準則第23號的修訂

Notes to Financial Statements

財務報表附註

31 December 2019
二零一九年十二月三十一日

2.2 Changes in accounting policies and disclosures (continued) 2.2 會計政策變動及披露(續)

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, which are not relevant to the preparation of the Group's consolidated financial information, the nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

除香港財務報告準則第9號、香港會計準則第19號及香港會計準則第28號的修訂與編製本集團綜合財務資料概無關連外，新訂及經修訂香港財務報告準則的性質及影響如下：

(a) 香港財務報告準則第16號租賃

香港財務報告準則第16號取代香港會計準則第17號租賃、香港(國際財務報告詮釋委員會) – 詮釋第4號釐定安排是否包括租賃、香港(準則詮釋委員會) – 詮釋第15號經營租賃 – 優惠及香港(準則詮釋委員會) – 詮釋第27號估計涉及租賃法律形式的交易實質。該準則載列確認、計量、呈列及披露租賃的原則，並要求承租人在單一資產負債表內模型中計算所有租賃，以確認及計量使用權資產及租賃負債，惟若干確認豁免除外。香港財務報告準則第16號大致沿用香港會計準則第17號內出租人的會計處理方式。出租人將繼續按照與香港會計準則第17號相類似的原則將租賃分類為經營或融資租賃。因此，香港財務報告準則第16號對本集團為出租人的租賃並無任何影響。

Notes to Financial Statements

財務報表附註

31 December 2019
二零一九年十二月三十一日

2.2 Changes in accounting policies and disclosures (continued)

2.2 會計政策變動及披露(續)

(a) HKFRS 16 Leases (continued)

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with cumulative effect of initial adoption at 1 January 2019 and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(a) 香港財務報告準則第16號租賃(續)

本集團透過採用經修訂追溯採納法採納香港財務報告準則第16號，並於二零一九年一月一日首次應用。根據此方法，已追溯應用該準則連同於二零一九年一月一日首次應用的累計影響，且概不會重列二零一八年的比較資料，而繼續根據香港會計準則第17號作出報告。

租賃的新定義

根據香港財務報告準則第16號，倘合約為換取代價而授予在一段期間內已識別資產之使用控制權，則該合約為租賃或包含租賃。倘客戶有權從使用可識別資產中獲取絕大部分經濟利益及有權主導已識別資產的使用，則表示擁有控制權。本集團選擇使用過渡可行權宜方法，僅在首次應用日期對先前應用香港會計準則第17號及香港(國際財務報告詮釋委員會) – 詮釋第4號識別為租賃的合約應用該準則。根據香港會計準則第17號及香港(國際財務報告詮釋委員會) – 詮釋第4號未有識別為租賃的合約並未予以重新評估。因此，香港財務報告準則第16號的租賃定義僅應用於二零一九年一月一日或之後訂立或變更的合約。

Notes to Financial Statements

財務報表附註

31 December 2019
二零一九年十二月三十一日

2.2 Changes in accounting policies and disclosures (continued)

2.2 會計政策變動及披露(續)

(a) HKFRS 16 Leases (continued)

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

(a) 香港財務報告準則第16號租賃(續)

作為承租人 — 先前分類為經營租賃的租賃

採納香港財務報告準則第16號的影響性質

本集團擁有多項物業及其他設備的租賃合約。作為承租人，本集團先前按租賃是否評估為已將其資產所有權的絕大部分回報及風險轉嫁予本集團，將租賃分類為融資租賃或經營租賃。根據香港財務報告準則第16號，本集團就所有租賃應用單一的方法確認及計量使用權資產及租賃負債，惟兩項可選擇的租賃豁免低價值資產之租賃(按個別租賃基準決定)及租期為或少於十二個月的租賃(「短期租賃」)(按相關資產類別決定)除外。貴集團確認使用權資產折舊(及減值，如有)及尚未償還租賃負債之應計利息(為融資成本)，而非於自二零一九年一月一日開始之租期內按直線法確認經營租賃項下的租金開支。

Notes to Financial Statements

財務報表附註

31 December 2019
二零一九年十二月三十一日

2.2 Changes in accounting policies and disclosures (continued)

2.2 會計政策變動及披露(續)

(a) HKFRS 16 Leases (continued)

As a lessee — Leases previously classified as operating leases (continued)

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest bearing borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group included the right-of-use assets in property, plant and equipment.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

(a) 香港財務報告準則第16號租賃(續)

作為承租人 — 先前分類為經營租賃的租賃(續)

過渡的影響

於二零一九年一月一日的租賃負債按剩餘租賃付款的現值確認(使用於二零一九年一月一日的增量借貸利率貼現)，並計入計息銀行借款。使用權資產按租賃負債金額計量，並就與緊接二零一九年一月一日前於財務狀況表確認之租賃相關之任何預付或應計租賃付款金額作出調整。

所有該等資產均於該日期按香港會計準則第36號作減值評估。本集團將使用權資產計入物業、廠房及設備。

於二零一九年一月一日應用香港財務報告準則第16號時，本集團已使用以下選擇性可行權宜方法：

- 對於租期自首次應用日期起計12個月內終止的租賃應用短期租賃豁免；
- 倘合約包含延長或終止租賃的選擇權，則使用事後方式釐定租賃期限。

Notes to Financial Statements

財務報表附註

31 December 2019
二零一九年十二月三十一日

2.2 Changes in accounting policies and disclosures 2.2 會計政策變動及披露(續)

(continued)

(a) HKFRS 16 Leases (continued)

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

(a) 香港財務報告準則第16號租賃(續)

於二零一九年一月一日的財務影響

於二零一九年一月一日採用香港財務報告準則第16號產生的影響如下：

		HK\$'000 千港元
Assets	資產	
Increase in property, plant and equipment	物業、廠房及設備增加	53,060
Increase in total assets	總資產增加	53,060
Liabilities	負債	
Increase in interest bearing borrowings	計息借款增加	51,106
Increase in other payables and accrued liabilities	其他應付款項及應計負債增加	1,954
Increase in total liabilities	總負債增加	53,060

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

於二零一九年一月一日的租賃負債與於二零一八年十二月三十一日的經營租賃承擔之對賬如下：

		HK\$'000 千港元
Operating lease commitments as at 31 December 2018	於二零一八年十二月三十一日的經營租賃承擔	54,043
Weighted average incremental borrowing rate as at 1 January 2019	於二零一九年一月一日的加權平均增量借款利率	4.29%
Discounted operating lease commitments as at 1 January 2019	於二零一九年一月一日的貼現經營租賃承擔	51,106
Lease liabilities as at 1 January 2019	於二零一九年一月一日的租賃負債	51,106

Notes to Financial Statements

財務報表附註

31 December 2019
二零一九年十二月三十一日

2.2 Changes in accounting policies and disclosures (continued)

(b) HK(IFRIC) — Int 23, “Uncertainty over Income Tax Treatments”

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.2 會計政策變動及披露(續)

(b) 香港(國際財務報告詮釋委員會) — 詮釋第23號,「所得稅處理的不確定性因素」

香港(國際財務報告詮釋委員會) — 詮釋第23號提供倘稅項處理涉及影響香港會計準則第12號的應用的不確定性(通常稱之為「不確定稅務狀況」),對所得稅(即期及遞延)的會計處理方法。該詮釋不適用於香港會計準則第12號範圍外的稅項或徵稅,尤其亦不包括與不確定稅項處理相關的權益及處罰相關規定。該詮釋具體處理(i)實體是否考慮對不確定稅項進行單獨處理;(ii)實體對稅務機關的稅項處理檢查所作的假設;(iii)實體如何釐定應課稅利潤或稅項虧損、稅基、未動用稅項虧損、未動用稅收抵免及稅率;及(iv)實體如何考慮事實及情況變動。採納該詮釋後,本集團考慮於其集團內銷售的轉移定價是否會產生任何不確定稅務情況。根據本集團的稅務合規及轉移定價研究,本集團認為稅務機關將很可能接受其轉移定價政策。因此,該詮釋不會對本集團的財務狀況或表現產生任何影響。

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2.2 Changes in accounting policies and disclosures (continued)

2.2 會計政策變動及披露(續)

(c) Annual Improvements 2015–2017 Cycle

HKFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated statement of financial position of the Group as there is no transaction where a joint control is obtained.

HKFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in HKFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

(c) 二零一五年至二零一七年週期的年度改進 *香港財務報告準則第3號業務合併*

該等修訂澄清，當實體取得共同經營的一項業務的控制權時，其應用分階段實現的業務合併的規定，包括按公平值重新計量先前於該共同經營的資產及負債中所持權益。如此，收購方將重新計量其於該共同經營先前所持的全部權益。

實體將該等修訂應用於收購日期為二零一九年一月一日或之後開始的首個年度報告期間開始時或之後的業務合併，並可提早應用。

該等修訂對本集團的綜合財務狀況表並無造成影響，因為並無進行獲取共同控制權的交易。

香港財務報告準則第11號共同安排

參與但並非共同控制一項共同經營業務的參與方可能於共同經營之活動構成香港財務報告準則第3號所界定業務的共同經營中取得共同控制權。該等修訂澄清，先前於共同經營業務所持權益不進行重新計量。

實體於二零一九年一月一日或之後開始的首個年度報告期間開始時或之後將該等修訂應用於其取得共同控制權的交易，並可提早應用。

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2.2 Changes in accounting policies and disclosures (continued)

2.2 會計政策變動及披露(續)

(c) Annual Improvements 2015–2017 Cycle (continued)

HKFRS 11 Joint Arrangements (continued)

These amendments had no impact on the consolidated statement of financial position of the Group as there is no transaction where a joint control is obtained.

HKAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statement of the Group.

(c) 二零一五年至二零一七年週期的年度改進(續) *香港財務報告準則第11號共同安排(續)*

該等修訂對本集團的綜合財務狀況表並無造成影響，因為並無進行獲取共同控制權的交易。

香港會計準則第12號所得稅
該等修訂澄清，股息的所得稅影響與產生可供分派利潤的過往交易或事件(而非對擁有人的分派)更為直接相關。因此，實體根據其原本確認該等過往交易或事件的項目而於損益、其他全面收益或權益確認股息的所得稅影響。

實體於二零一九年一月一日或之後開始的年度報告期間應用該等修訂，並可提早應用。當實體首次應用該等修訂，其將應用於最早可比較期間開始時或之後確認股息的所得稅影響。

由於本集團的當前慣例與該等修訂一致，所以該等修訂對本集團的綜合財務報表並無造成影響。

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2.2 Changes in accounting policies and disclosures (continued)

(c) Annual Improvements 2015–2017 Cycle (continued)

HKAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statement of the Group.

2.2 會計政策變動及披露(續)

(c) 二零一五年至二零一七年週期的年度改進(續) 香港會計準則第23號借貸成本

該等修訂澄清，當為使合資格資產達成擬定用途所必需的絕大部分活動或出售已經完成時，實體將原本用於開發該合資格資產的任何借款作為一般借款入賬。

實體對其首次應用該等修訂的年度報告期間開始時或之後產生的借貸成本應用該等修訂。實體於二零一九年一月一日或之後開始的年度報告期間應用該等修訂。

由於本集團的當前慣例與該等修訂一致，所以該等修訂對本集團的綜合財務報表並無造成影響。

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2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i> ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

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

2.3 已頒佈但尚未生效的香港財務報告準則

本集團尚未於該等財務報表中採用以下已頒佈但尚未生效的新訂及經修訂香港財務報告準則。

香港財務報告準則第3號(修訂本)	業務之定義 ¹
香港財務報告準則第9號、香港會計準則第39號及香港財務報告準則第7號(修訂本)	利率基準改革 ¹
香港財務報告準則第10號及香港會計準則第28號(二零一一年)(修訂本)	投資者與其聯營公司或合營企業之間的資產出售或注資 ³
香港財務報告準則第17號	保險合約 ²
香港會計準則第1號及香港會計準則第8號(修訂本)	重大的定義 ¹

¹ 於二零二零年一月一日或之後開始的年度期間生效

² 於二零二一年一月一日或之後開始的年度期間生效

³ 尚未釐定強制生效日期，惟可供採納

預期將適用於本集團之有關香港財務報告準則之進一步資料如下。

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2.3 Issued but not yet effective Hong Kong Financial Reporting Standards *(continued)*

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 已頒佈但尚未生效的香港財務報告準則(續)

香港財務報告準則第3號修訂本澄清及就業務的定義引入額外指引。該等修訂本澄清，就將被視為一項業務的一組活動和資產而言，其須至少包括一項輸入及一個共同對創造輸出的能力作出重大貢獻的實際過程。一項業務的存在要素毋須包括創造輸出所需的所有輸入及過程。該等修訂本移除了市場參與者是否能夠收購業務及繼續生產輸出的評估。相反，重點在於所收購輸入及所收購實際過程是否共同對創造輸出的能力作出重大貢獻。該等修訂本亦將輸出的定義縮小至專注於向客戶提供的商品或服務、投資收入或日常活動的其他收入。此外，該等修訂本為評估一項已收購過程是否屬實際提供指引，並引入備用公平值集中測試，以允許對一項已收購一組活動及資產是否並非一項業務進行簡化評估。本集團預期即將自二零二零年一月一日起採納該等修訂本。由於該等修訂本預期適用於首次應用日期或之後發生之交易或其他事件，故本集團於過渡日期將不受該等修訂本影響。

香港財務報告準則第9號、香港會計準則第39號及香港財務報告準則第7號修訂本訂旨在解決銀行同業拆息改革對財務申報之影響。該等修訂本提供可在替換現有利率基準前之不確定期限內繼續進行對沖會計處理之暫時性補救措施。此外，該等修訂本要求公司向投資者提供有關彼等直接受該等不確定因素所影響的對沖關係之資料。該等修訂本於二零二零年一月一日或之後開始的年度期間生效，並允許提前應用。預期該等修訂本將不會對本集團財務報表造成任何重大影響。

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2.3 Issued but not yet effective Hong Kong Financial Reporting Standards *(continued)*

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

HKFRS 17, "Insurance Contracts". HKFRS 17 aims at replacing the current insurance contracts standard HKFRS 4, an interim standard that leads to highly divergent accounting practices that exist in the insurers' local jurisdictions. The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts, with an objective to ensure that an entity provides relevant information that faithfully represents insurance contracts. Early application of the standard is permitted but only if the entity also applies HKFRS 9 and HKFRS 15. In November 2018, the International Accounting Standards Board ("IASB") tentatively decided to defer the effective date of IFRS 17 by one year to reporting periods beginning on or after 1 January 2022. At the time of issuance of financial statements, the changes to the effective date have not yet been finalised by the IASB. It is expected that the final change to the effective date will also be adopted by the HKICPA to HKFRS 17. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 已頒佈但尚未生效的香港財務報告準則(續)

香港財務報告準則第10號及香港會計準則第28號(二零一一年)修訂本處理了香港財務報告準則第10號及香港會計準則第28號(二零一一年)之間就處理投資者與其聯營公司或合資公司之間的資產出售或注資兩者規定的不一致性。該等修訂規定，當投資者與其聯營公司或合資公司之間的資產出售或注資構成一項業務時，須全數確認收益或虧損。當交易涉及不構成一項業務的資產時，由該交易產生的收益或虧損於該投資者的損益內確認，惟僅以不相關投資者的權益為限。該等修訂即將應用。香港財務報告準則第10號及香港會計準則第28號(二零一一年)修訂本之先前強制生效日期由香港會計師公會於二零一六年一月剔除，而新的強制生效日期將於聯營公司或合資公司的更廣泛會計審閱完成後釐定。然而，該等修訂本目前可採納。該等修訂本預期將不會對本集團的財務報表造成任何重大影響。

香港財務報告準則第17號「保險合約」。香港財務報告準則第17號旨在取代造成各地保險公司之間存在會計處理上高度不一致情況的過渡性會計準則香港財務報告準則第4號。新準則建立了有關保險合約的確認、計量、列示及披露的原則，確保企業提供能真確表述保險合約的相關資料。新準則允許企業提前採納，但前提是企業同時採納香港財務報告準則第9號及香港財務報告準則第15號。於二零一八年十一月，國際會計準則委員會(「國際會計準則委員會」)暫時決定將國際財務報告準則第17號的生效日期推遲一年至二零二二年一月一日或之後開始之報告期。於刊發財務報表時，國際會計準則委員會尚未落實生效日期的變動。預期香港會計師公會亦將對香港財務報告準則第17號採納生效日期的最終變動。該等修訂本預期將不會對本集團的財務報表造成任何重大影響。

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2.3 Issued but not yet effective Hong Kong Financial Reporting Standards *(continued)*

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 Summary of significant accounting policies

Fair value measurement

The Group measures its financial assets and financial liabilities at fair value through profit or loss, debt securities in issue designated at fair value through profit or loss and derivative financial instruments, fund investments, debt investments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.3 已頒佈但尚未生效的香港財務報告準則(續)

香港會計準則第1號及香港會計準則第8號修訂本對重大提供了一個新的定義。新定義訂明，倘資料遺漏、失實或模糊不清，而可能合理預期影響一般用途的財務報表的主要使用者按該等財務報表作出的決定，則資料屬重大。該等修訂本澄清，重要性將視乎資料的性質或量級而定。倘資料失實可能合理預期影響主要使用者作出的決策，則其屬重大。本集團預期可能自二零二零年一月一日起採納該等修訂本。該等修訂本預期不會對本集團的財務報表造成任何重大影響。

2.4 主要會計政策概要

公平值計量

本集團於各報告期末按公平值計量其按公平值計入損益的金融資產及金融負債、指定為按公平值計入損益之已發行債務證券、衍生金融工具、基金投資、債務投資及股本投資。公平值為市場參與者於計量日期在有序交易中出售資產所收取的價格或轉讓負債所支付的價格。公平值計量乃基於出售資產或轉讓負債的交易於資產或負債主要市場或(在無主要市場情況下)最具優勢市場進行的假設而作出。主要或最具優勢市場須為本集團可進入之市場。資產或負債的公平值乃採用市場參與者於資產或負債定價時會採用的假設計量，並假定市場參與者以其最佳經濟利益行事。

非金融資產的公平值計量須計及市場參與者透過最大限度使用該資產達致最佳用途，或將該資產出售予將最大限度使用該資產達致最佳用途的其他市場參與者，以產生經濟效益的能力。

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2.4 Summary of significant accounting policies (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 主要會計政策概要(續)

公平值計量(續)

本集團採納適用於不同情況且具備充分數據以供計量公平值的估值方法，以盡量使用相關可觀察參數及盡量減少使用無法觀察參數。

所有於財務報表計量或披露公平值的資產及負債乃基於對公平值計量整體而言屬重大的最低層參數按以下公平值等級分類：

- 第1級 – 基於相同資產或負債於活躍市場的報價(未經調整)
- 第2級 – 基於對公平值計量而言屬重大的最低層參數可觀察(直接或間接)的估值方法
- 第3級 – 基於對公平值計量而言屬重大的最低層參數無法觀察的估值方法

就按經常性基準於財務報表確認的資產及負債而言，本集團透過於各報告期末重新評估分類(基於對公平值計量整體而言屬重大的最低層參數)確定是否發生不同等級轉移。

非金融資產減值

倘有跡象顯示資產出現減值，或須對資產(金融資產除外)進行年度減值測試，則會估計該項資產的可收回金額。資產的可收回金額為該資產或現金產生單位的使用價值與其公平值減出售成本中的較高者，並就個別資產予以釐定，除非該資產並不產生很大程度上獨立於其他資產或資產組別的現金流入，在此情況下，可收回金額乃就該資產所屬現金產生單位予以釐定。

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2.4 Summary of significant accounting policies (continued)

2.4 主要會計政策概要(續)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

非金融資產減值(續)

減值虧損僅於資產的賬面值超過其可收回金額時確認。評估使用價值時，估計未來現金流量會以反映現時市場對該資產的貨幣時間價值及特定風險評估的稅前貼現率，貼現至其現值。減值虧損於產生期間內在損益賬中與已減值資產功能一致的支出類別內扣除。

於各報告期結束時須評估是否有跡象顯示過往確認減值虧損不再存在或已減少。如存在該跡象，則會估計可收回金額。過往確認的資產減值虧損僅會於用以釐定該資產可收回金額的估計改變時撥回，惟撥回後的金額不得高於假設過往年度並無就資產確認減值虧損而應已釐定的賬面值(扣除任何折舊)。撥回的減值虧損於所產生期間計入損益賬。

物業、廠房及設備與折舊

物業、廠房及設備乃以成本減累計折舊及任何減值虧損後列賬。物業、廠房及設備項目成本包括其購買價及使該項資產處於現行運作狀況及運送至其預期使用位置的任何直接應佔成本。

物業、廠房及設備項目投入運作後產生的支出，如維修及保養費用，一般於產生期間自損益賬扣除。在符合確認標準的情況下，用於重大檢測的開支將作為重置該資產，並撥作資本性費用列入該資產的賬面值中。倘物業、廠房及設備的重要部分需不時更換，本集團會將該等部分確認為具特定可使用年期的個別資產，並相應計算折舊。

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2.4 Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

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

Buildings	25–40 years
Leasehold improvements	3 years
Office equipment	3 years
Furniture and fixtures	3 years
Motor vehicles	3 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 主要會計政策概要(續)

物業、廠房及設備與折舊(續)

物業、廠房及設備項目乃按直線法，就其估計可使用年期，撇銷成本至其剩餘價值計算折舊。就此而採用的主要年率如下：

樓宇	二十五至四十年
租賃物業裝修	三年
辦公室設備	三年
傢俬及裝置	三年
汽車	三年

當物業、廠房及設備項目的部分各有不同可使用年期，該項目的成本按合理基準在各部分中分配，而各部分作個別折舊。剩餘價值、可使用年期及折舊方法至少於每個財政年度結束時進行檢討並作出適當調整。

物業、廠房及設備項目以及初始確認的任何重大部分於出售或預期使用或出售不再帶來未來經濟效益時終止確認。在終止確認資產年度內於損益賬所確認的出售或報銷盈虧，為有關資產的銷售所得款項淨額與賬面值的差額。

租賃(自二零一九年一月一日起適用)

本集團於合約開始時評估合約是否屬於或包含租賃。倘合約授予權利以代價為交換在某一時期內控制使用已識別資產，則合約屬於或包含租約。

本集團作為承租人

本集團就所有租賃應用單一確認及計量方法，惟短期租賃及低價值資產租賃除外。本集團確認作出租賃付款的租賃負債及使用權資產(即使用相關資產的權利)。

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2.4 Summary of significant accounting policies (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	25 to 40 years
Buildings	1 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Group's right-of-use assets are included in property, plant and equipment.

租賃(自二零一九年一月一日起適用)(續)

本集團作為承租人(續)

(a) 使用權資產

使用權資產乃於租賃開始日期(即相關資產可供使用日期)確認。使用權資產按成本減任何累計折舊及任何減值虧損計量，並就任何重新計量租賃負債作出調整。使用權資產的成本包括已確認之租賃負債金額、已產生之初始直接成本以及於開始日期或之前作出的租賃付款減已收取之任何租賃優惠。使用權資產按直線法與租期及估計可使用年期的較短者折舊如下：

租賃土地	二十五至四十年
樓宇	一至五年

倘已租賃資產的所有權在租賃期結束時轉移至本集團或成本反映了購買選擇權的行使，則利用資產的估計可使用年期計算折舊。

本集團的使用權資產計入物業、廠房及設備。

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2.4 Summary of significant accounting policies (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest bearing borrowings.

租賃(自二零一九年一月一日起適用)(續)

本集團作為承租人(續)

(b) 租賃負債

租賃負債於租賃開始日期按租期內將作出的租賃付款現值確認。租賃付款包括固定付款(包括實質固定付款)減任何應收租賃優惠、以指數或利率為基準的可變租賃付款，及預期將根據剩餘價值擔保支付的金額。租賃付款亦包括可合理確認由本集團行使的購買選擇權的行使價及終止租賃的罰款(倘租期反映本集團行使終止權)。並非基於指數或利率而定的可變租賃付款於引發付款的事件或條件出現期間確認為開支。

在計算租賃付款現值時，由於租賃隱含的利率無法立即確定，本集團使用租賃開始日期的遞增借貸利率。開始日期後，增加租賃負債金額以反映利息的累計及減少租賃負債金額以反映已作出租賃付款。此外，倘進行修改、租期變動、租賃付款變動(如因指數或利率變化而導致的未來租賃付款變更)或購買相關資產的選擇權評估變動，則重新計量租賃負債賬面值。

本集團的租賃負債乃計入計息銀行借款。

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2.4 Summary of significant accounting policies (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and office equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the rewards and risks and rewards incidental to ownership of an underlying assets to the lessee Group, other than legal title, are accounted for as finance leases.

2.4 主要會計政策概要(續)

租賃(自二零一九年一月一日起適用)(續)

本集團作為承租人(續)

(c) 短期租賃及低價值資產租賃
本集團對其物業及辦公室設備的短期租賃(從開始日期起租期為12個月或以下且不包含購買選擇權的租賃)應用短期租賃確認豁免。本集團對於被視作低價值辦公室設備及手提電腦租賃亦應用低價值資產租賃確認豁免。

短期租賃及低價值資產租賃的租賃付款在租賃期內採用直線法確認作開支。

本集團作為出租人

當本集團作為出租人時，其於租賃開始時(或修改租約時)釐定各租賃是否為經營租賃或融資租賃。

倘本集團並未轉移資產擁有權之絕大部分風險及附帶報酬之租賃，均分類為經營租賃。當合約包含租賃及非租賃組成部分時，本集團以相對獨立的銷售價格為基礎將合約中的代價分配至各組成部分。租金收入於租賃期按直線法入賬並由於其經營性質於綜合損益表內計入收益。磋商及安排經營租賃所產生最初直接成本會加入租賃資產賬面值，並按與租金收入相同之基準於租賃期內確認。或然租金於賺取期間確認為收益。

將相關資產所有權附帶的絕大部分報酬及風險轉讓予承租人集團的租賃(法定所有權除外)均作為融資租賃入賬。

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2.4 Summary of significant accounting policies (continued)

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 主要會計政策概要(續)

租賃(於二零一九年一月一日前適用)

資產所有權(法定業權除外)的絕大部分報酬與風險轉移至本集團的租賃入賬列為融資租賃。自融資租賃開始時，租賃資產的成本按最低租賃費用的現值撥充資本，並連同債務(不計利息)列賬，以反映購入及融資情況。以撥作資本的融資租賃持有的資產(包括融資租賃下預付土地租賃付款)列為物業、廠房及設備，並按資產的租期與估計可使用年期兩者之中較短者折舊。該等租賃的融資成本於損益表內扣除，以按租期計算固定扣除率。

通過融資性質的租購合約購入的資產列賬為融資租賃，但須於其估計可使用年期折舊。

資產所有權的絕大部分回報及風險仍歸於出租人的租賃入賬列作經營租賃。倘本集團為出租人，本集團按經營租賃出租的資產列為非流動資產，而按經營租賃應收的租金會按租期以直線法計入損益表。倘本集團為承租人，經營租賃項下應付租金在扣除自出租人收取的任何獎勵金後，按租賃年期以直線法自損益表中扣除。

經營租賃項下的預付土地租賃付款最初按成本列示，隨後於租賃期內按直線法確認。

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2.4 Summary of significant accounting policies (continued)

2.4 主要會計政策概要(續)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

業務合併及商譽

業務合併採用收購法列賬。轉讓代價按收購日的公平值計量，即本集團所轉讓資產、本集團承擔之所收購公司前擁有人負債與本集團為換取所購公司控制權而發行的股權於收購日的公平值的總和。就各項業務合併而言，本集團選擇是否按公平值或佔所收購公司的可識別資產淨值的比例計量於收購公司的非控股權益(為現有所有權權益及授權其持有人在清盤情況下按比例分佔資產淨值)。非控股權益的所有其他組成部分按公平值計量。收購相關成本於產生時支銷。

當本集團收購業務時，會根據合約條款、收購日的經濟環境及有關條件來評估承擔的金融資產及負債，並進行適當的分類及列示。其包括區分被收購方所訂立的主合約中的嵌入式衍生工具。

倘業務合併為分階段實現，之前持有的股權按收購日的公平值重新計量，且產生的任何損益於損益中確認。

收購方將予轉讓的任何或然代價按收購日的公平值確認。分類為資產或負債的或然代價按公平值計量，公平值的變動於損益中確認。分類為權益的或然代價並不重新計量且隨後結算於權益內列賬。

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2.4 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 主要會計政策概要(續)

業務合併及商譽(續)

商譽初步按成本計量，即已轉讓代價、就非控股權益確認金額及本集團任何之前於被收購方持有股權的公平值超逾所收購可識別資產淨值及所承擔負債的差額。倘該代價及其他項目的總和低於所收購資產淨值的公平值，其差額(經重估後)將於損益確認為議價購買收益。

首次確認後，商譽按成本減任何累積減值虧損計量。商譽每年進行一次減值測試或倘出現任何事件或情況轉變顯示賬面值可能減值，則須進行更頻密的測試。本集團每年於十二月三十一日進行其商譽減值測試。為進行商譽減值測試，業務合併中所收購的商譽應當於收購日分攤至本集團預計能自業務合併的協同效應中收益的各現金產生單位或現金產生單位組別，而不論本集團的其他資產或負債是否分攤至該等單位或單位組別。

減值乃透過評估與商譽有關現金產生單位(現金產生單位組別)的可收回金額而釐定。倘現金產生單位(現金產生單位組別)的可收回金額低於賬面值，則確認減值虧損。就商譽確認的減值虧損不會於其後期間撥回。

當商譽分配至現金產生單位(或現金產生單位組別)且該單位內的部分營運被出售，則在確認出售損益時，出售營運相關的商譽也被包括在營運賬面值中。在此情況下出售的商譽乃根據所出售的營運及所保留的現金產生單位部分的相關價值而計量。

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2.4 Summary of significant accounting policies (continued)

2.4 主要會計政策概要(續)

Intangible assets (other than goodwill)

Intangible assets are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets, representing eligibility rights to trade on or through the Stock Exchange and The Hong Kong Futures Exchange Limited, with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. These intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Financial assets and liabilities

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

無形資產(商譽除外)

無形資產初始確認時按成本計量。無形資產可分為有特定可使用年期或無特定可使用年期。有特定可使用年期的無形資產其後於可使用經濟年期內攤銷，並在有跡象顯示無形資產可能出現減值時進行減值評估。有特定可使用年期的無形資產的攤銷年期及攤銷方法最少於各財政年度末檢討一次。

無特定可使用年期的無形資產包括符合資格於聯交所及香港期貨交易所有限公司或透過其進行買賣的合資格權利，乃個別或按現金產生單位組別按年進行減值測試。該等無形資產無須攤銷。無特定可使用年期的無形資產的可使用年期會每年檢討，以釐定無特定使用年期評估是否仍然適合。如不適用，資產由無特定可使用年期轉至有特定可使用年期作出評估的改變，乃按未來使用基準入賬。

金融資產及負債

初始確認及計量

當實體成為工具合約條文的訂約方時，確認金融資產及金融負債。常規金融資產買賣於交易日(即本集團承諾購買或出售資產之日)確認。

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2.4 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Initial recognition and measurement (continued)

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss ("ECL") allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- (i) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- (ii) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

金融資產及負債(續)

初始確認及計量(續)

於初始確認時，如屬並非按公平值計入損益的金融資產或金融負債，本集團按公平值加或減收購或發行金融資產或金融負債附帶或直接應佔的交易成本，如費用及佣金。按公平值計入損益的金融資產及金融負債的交易成本於損益列支。當新產生一項資產時，緊隨初始確認後，就按攤銷成本計量的金融資產及按公平值計入其他全面收益（「按公平值計入其他全面收益」）的債務工具投資確認預期信用損失（「預期信用損失」）撥備，這導致於損益確認會計損失。

當金融資產及負債的公平值有別於初始確認時的交易價格，實體按如下方式確認有關差額：

- (i) 當可識別資產或負債的公平值有活躍市場的報價為依據（即第一級輸入數據）或基於僅採用可觀察市場數據的估值技術時，相關差額確認為收益或虧損。
- (ii) 在所有其他情況下，差額予以遞延，確認首日損益的時間逐項釐定。其可於工具的年期內攤銷，或遞延直至工具的公平值可使用市場可觀察數據釐定，或透過結算變現。

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2.4 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

(a) Financial assets

(i) Classification and subsequent measurement

The Group's financial assets include accounts receivable, deposits and other receivables, loans and advances to customers, client trust bank balances, financial assets at fair value through profit or loss, receivable from reverse repurchase agreements, derivative financial instruments, other assets and cash and cash equivalent.

The Group has applied HKFRS 9 and classifies its financial assets in the following measurement categories:

- (i) Fair value through profit or loss (FVTPL);
- (ii) FVOCI; or
- (iii) Amortised cost.

The classification requirements for debt and equity instruments are described below:

金融資產及負債(續)

(a) 金融資產

(i) 分類及隨後計量

本集團的金融資產包括應收款項、按金及其他應收款項、給予客戶的貸款及墊款、客戶信託銀行結餘、按公平值計入損益的金融資產、反向回購協議應收款項、衍生金融工具、其他資產以及現金及現金等價物。

本集團已應用香港財務報告準則第9號並按下列計量類別劃分其金融資產：

- (i) 按公平值計入損益；
- (ii) 按公平值計入其他全面收益；或
- (iii) 攤銷成本。

債務及權益工具的分類規定說明如下：

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2.4 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

(a) Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- (i) the Group's business model for managing the asset; and
- (ii) the cash flows characteristics of the asset.

Business model assessment:

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

金融資產及負債(續)

(a) 金融資產(續)

(i) 分類及隨後計量(續)

債務工具

債務工具的分類及隨後計量視乎以下而定：

- (i) 本集團管理資產的業務模式；及
- (ii) 資產的現金流量特徵。

業務模式：

業務模式反映本集團如何管理資產以產生現金流量。亦即，本集團的目標是否僅為自資產收取現金流量或同時收取合約現金流量及出售資產產生的現金流量。如果以上均不適用(例如金融資產持作買賣)，則金融資產劃分為「其他」業務模式的一部分並按公平值計入損益計量。本集團於釐定一組資產的業務模式時考慮的因素包括如何收取該等資產的現金流量、資產表現如何評估及如何向主要管理人員呈報、風險如何評估及管理薪酬等方面的過往經驗。

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2.4 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

(a) Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Debt instruments (continued)

SPPI test:

The Group assesses the contractual terms of instruments to identify whether the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' ("SPPI"). Financial assets that are consistent with a basic lending arrangement are considered to meet the SPPI criterion. In a 'basic lending arrangement', consideration for the time value of money and credit risk are typically the most significant elements of interest. It may also include consideration for other basic lending risks such as liquidity risks, costs associated with holding the financial assets for a period of time (e.g., servicing or administrative costs) and a profit margin.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

金融資產及負債(續)

(a) 金融資產(續)

(i) 分類及隨後計量(續)

債務工具(續)

僅為本金及利息付款測試：

本集團評估工具的合約條款以識別合約現金流量是否「僅為未償還本金額的本金及利息付款」。與基本借貸安排相符的金融資產被視為予符合僅為本金及利息付款標準。在「基本借貸安排」中，貨幣的時間價值及信貸風險通常為利息的最重要的考慮因素。其所考慮的因素亦可能包括其他基本借貸風險，如流動性風險、持有金融資產一段期間的相關成本(例如服務或行政成本)及利潤率。

附帶嵌入式衍生金融工具的金融資產於釐定其現金流量是否僅為本金及利息付款時整體予以考慮。

基於該等因素，本集團將其債務工具劃分為下列三個計量類別：

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2.4 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

(a) Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Debt instruments (continued)

SPPI test: (continued)

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured as described in note 2.4(a)(ii). Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

金融資產及負債(續)

(a) 金融資產(續)

(i) 分類及隨後計量(續)

債務工具(續)

僅為本金及利息付款測試:(續)

攤銷成本: 持作收取合約現金流量的資產, 倘該等現金流量僅為本金及利息付款, 且未指定為按公平值計入損益, 則按攤銷成本計量。該等資產的賬面值就確認及計量的預期信用損失撥備予以調整(見附註2.4(a)(ii))。該等金融資產的利息收入採用實際利率法計入「利息及類似收入」。

按公平值計入其他全面收益: 持作收取合約現金流量及出售的金融資產, 倘該等資產的現金流量僅為本金及利息付款, 且未指定為按公平值計入損益, 則按公平值計入其他全面收益計量。賬面值的變動計入其他全面收益, 惟工具攤銷成本的減值收益或虧損、利息收入及外匯收益及虧損除外, 在此情況下於損益確認。當金融資產被終止確認時, 先前於其他全面收益確認的累計收益或虧損由權益重新分類至損益並於「投資收入淨額」確認。該等金融資產的利息收入採用實際利率法計入「利息收入」。

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2.4 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

(a) Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Debt instruments (continued)

SPPI test: (continued)

Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the statement of profit or loss and other comprehensive income within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

金融資產及負債(續)

(a) 金融資產(續)

(i) 分類及隨後計量(續)

債務工具(續)

僅為本金及利息付款測試:(續)

按公平值計入損益: 不符合攤銷成本或按公平值計入其他全面收益標準的資產按公平值計入損益計量。其後按公平值計入損益且並非對沖關係組成部分的債務投資收益或虧損於損益計量, 並於其產生期間在損益及其他全面收益表的「交易收入淨額」內呈列, 除非其由指定為按公平值計量或並非持作買賣的債務工具產生, 在此情況下於「投資收入淨額」內分開呈列。該等金融資產的利息收入採用實際利率法計入「利息收入」。

當且僅當管理債務投資的業務模式發生變動時, 本集團方將該等資產重新分類。重新分類於發生變動後的首個報告期間的期初進行。預期此類變動非常罕見, 且期內並未發生。

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2.4 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

(a) Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when represent a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in the 'Net trading income' line in the statement of profit or loss and other comprehensive income.

金融資產及負債(續)

(a) 金融資產(續)

(i) 分類及隨後計量(續)

權益工具

權益工具為從發行人的角度符合權益定義的工具；亦即並不包含合約付款責任且為於發行人淨資產剩餘權益憑證的工具。權益工具的例子包括基本普通股。

本集團隨後將所有權益工具按公平值計入損益計量，惟倘本集團管理層於初始確認時不可撤回地選擇指定權益工具為按公平值計入其他全面收益除外。本集團的政策為，當權益投資持作產生投資回報以外的用途時，將該等投資指定為按公平值計入其他全面收益。當作出該選擇時，公平值收益及虧損於其他全面收益確認，並隨後重新分類至損益，包括於出售時。減值虧損(及減值虧損撥回)不與公平值的其他變動分開呈報。該等投資的回報產生的股息，當本集團收取相關款項的權利確立時繼續於損益內確認為其他收益。

按公平值計入損益的權益工具的盈利及虧損計入損益及其他全面收益表的「交易收益淨額」一項內。

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2.4 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

(a) Financial assets (continued)

(ii) Impairment

The Group applies a simplified approach to measure ECL on accounts receivable from corporate clients, investment fund and others and a general approach to measure ECL on loans and advances to customers, time deposits and other financial assets accounted for at amortised cost as well as loan commitment.

Under the simplified approach, the Group measures the loss based on lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-month ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL – not credit-impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

金融資產及負債(續)

(a) 金融資產(續)

(ii) 減值

本集團應用簡易方法計量來自企業客戶、投資基金及其他的應收款項的預期信用損失，並應用一般方法計量給予客戶的貸款及墊款、定期存款及其他按攤銷成本入賬的金融資產以及貸款承擔的預期信用損失。

根據簡易方法，本集團根據全期的預期信用損失計量虧損。按照一般方法，金融工具乃基於初步確認後的信貸風險變動，透過下列三個階段予以轉撥：

第1階段：十二個月的預期信用損失

就自初步確認後的信貸風險並無重大變動，且於產生時並無信貸減值的情況而言，乃將與未來十二個月出現違約事件的可能性有關的生命周期預期信用損失部分予以確認。

第2階段：全期預期信用損失 – 並無信貸減值

至於自初步確認後的信貸風險出現重大變動，惟並無信貸減值的情況，乃確認全期的預期信用損失，即反映金融工具剩餘生命周期。

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2.4 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

(a) Financial assets (continued)

(ii) Impairment (continued)

Stage 3: Lifetime ECL – credit-impaired

Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. For certain portfolio of margin loans, the Group rebuts the presumption that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due as management considers the probability of default is highly correlated with the collateral value rather than the past due days.

2.4 主要會計政策概要(續)

金融資產及負債(續)

(a) 金融資產(續)

(ii) 減值(續)

第3階段：全期預期信用損失 – 信貸減值

當發生會對該金融工具估計未來現金流量造成不利影響的一項或多項事件，則有關情況會被評定為出現信貸減值。就已出現信貸減值的情況而言，會確認全期的預期信用損失，並透過於攤銷成本(扣除撥備，而非賬面總值)應用實際利率，以計算利息收入。

於各報告日期，本集團會將由報告日期至初步確認日期的預計生命週期內發生的違約風險比較，以評估自初步確認以來信貸風險是否顯著增加。本集團就此會考慮相關及毋須支付過多成本或努力而已可得的合理及具支持理據的資料，當中包括量化及質化資料以及前瞻分析。關於若干孖展貸款組合，當金融資產逾期超過30日時，由於管理層認為違約機會與抵押價值(而非逾期天數)具密切關連，故本集團將自初步確認以來信貸風險顯著增加的假設推翻。

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2.4 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

(a) Financial assets (continued)

(ii) Impairment (continued)

Stage 3: Lifetime ECL – credit-impaired (continued)

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, remaining term to maturity and other relevant factors.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. The amount of the loss is recognised using a provision for doubtful debts account.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-month ECL.

金融資產及負債(續)

(a) 金融資產(續)

(ii) 減值(續)

第3階段：全期預期信用損失 – 信貸減值(續)

本集團按個別或集體基準評估信貸風險是否顯著增加。為集體評估減值，本集團按共享信貸風險特徵之基準，並考慮到工具類別、距離到期之剩餘年期及其他相關因素，將金融工具分門別類。

預期信用損失的金額乃計量為按原實際利率貼現的金融工具預計年期內所有現金不足額的可能性加權現值。現金不足額為所有結欠本集團的合約現金流量與本集團預期將收取的現金流量兩者的差額。虧損金額採用呆賬撥備確認。

倘於往後期間，信貸質素改善及撥回早前所評估自產生以來信貸風險的顯著增長，則將呆賬減值由全期的預期信用損失恢復為十二個月的預期信用損失。

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2.4 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

(a) Financial assets (continued)

(iii) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

金融資產及負債(續)

(a) 金融資產(續)

(iii) 貸款的修訂

本集團有時會重新協定或以其他方式修訂給予客戶的貸款的合約現金流量。在此情況下，本集團會評估新條款是否與原條款存在較大差異。本集團在評估時考慮(其中包括)下列因素：

- 借款人是否面臨財務困境，修訂是否僅僅將合約現金流量減少至借款人預期能夠支付的金額。
- 是否引入任何實質性的新條款，如對貸款的風險狀況產生實質影響的利潤分成／以權益為基礎的回報。
- 當借款人未面臨財務困境時大幅延長貸款期限。
- 利率大幅變動。
- 貸款的計價貨幣變動。
- 插入對貸款相關的信貸風險產生重大影響的抵押品、其他擔保或強化信貸條件。

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2.4 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

(a) Financial assets (continued)

(iii) Modification of loans (continued)

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

2.4 主要會計政策概要(續)

金融資產及負債(續)

(a) 金融資產(續)

(iii) 貸款的修訂(續)

倘若條款存在較大差異，則本集團終止確認原金融資產並按公平值確認一項「新」資產，並重新計算該資產新的實際利率。重訂日期因而被視為就減值計算而言(包括就釐定信貸風險是否大幅增加而言)的初始確認日期。然而，本集團亦評估所確認的新金融資產於初始確認時是否出現信貸減值，特別是當重訂是在債務人無法作出原定付款而促成的情況下。賬面值差額亦於損益確認為終止確認盈利或虧損。

倘若條款並無較大差異，則重訂或修訂不會導致終止確認，而本集團會基於金融資產的經修訂現金流量重新計算賬面總值，並於損益確認修訂盈利或虧損。新的賬面總值透過按原實際利率(或購入或產生的信貸減值金融資產的信貸調整實際利率)貼現經修訂現金流量重新計算得出。

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2.4 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

(a) Financial assets (continued)

- (iv) Derecognition other than on a modification
- Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- (i) has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) is prohibited from selling or pledging the assets; and
- (iii) has an obligation to remit any cash it collects from the assets without material delay.

金融資產及負債(續)

(a) 金融資產(續)

- (iv) 終止確認(修訂除外)
- 當收取現金資產現金流量的合約權利到期，或已被轉讓且(i)本集團已轉讓所有權的絕大部分風險及回報，或(ii)本集團既未轉讓亦未保留所有權的絕大部分風險及回報且本集團並無保留控制權時，則金融資產(或其中一部分)終止確認。

本集團訂立保留收取資產現金流量的合約權利但承擔向其他實體支付該等現金流量的合約責任並轉讓絕大部分風險及回報的交易。該等交易作為「轉嫁」轉讓入賬，於下列情況下終止確認：

- (i) 本集團除非在收取來自該等資產的同等金額的情況下，否則並無付款責任；
- (ii) 本集團被禁止出售或質押該等資產；及
- (iii) 本集團於收取來自該等資產的現金後有責任在不出現重大延誤的情況下將現金匯出。

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2.4 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

(a) Financial assets (continued)

(iv) Derecognition other than on a modification (continued)

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

(b) Financial liabilities

Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

Financial liabilities at fair value through profit or loss: this classification is applied to derivatives and financial liabilities held for trading. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.

2.4 主要會計政策概要(續)

金融資產及負債(續)

(a) 金融資產(續)

(iv) 終止確認(修訂除外)(續)

本集團根據標準回購協議及證券借貸交易提供的抵押品(股份及債權)不予終止確認，原因為本集團保留基於事先釐定的回購價格的絕大部分風險及回報，因此不符合終止確認標準。這亦適用於本集團保留後償剩餘權益的某些證券化交易。

(b) 金融負債

分類及隨後計量

於本期間及過往期間，金融負債分類為隨後按攤銷成本計量，惟以下除外：

按公平值計入損益的金融負債：此分類適用於衍生金融工具及持作買賣的金融負債。指定為按公平值計入損益的金融負債的盈利或虧損部分於其他全面收益呈列(金融負債信貸風險變動導致的公平值變動，其釐定為並非歸因於產生市場風險的市場狀況變動的金額)及部分於損益呈列(負債公平值的其餘變動金額)。但倘若該呈列方式會產生或擴大會計錯配，則負債信貸風險變動導致的盈利或虧損亦於損益確認。

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2.4 Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

(b) Financial liabilities (continued)

Classification and subsequent measurement (continued)

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

Derivative financial instruments

The Group's derivative financial instruments are initially recognised at their fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to statement of profit or loss and other comprehensive income.

Whilst the Group enters into a derivative contract for trading purposes or to provide economic hedges under the Group's risk management framework, it does not apply hedge accounting.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Shares held under the share award scheme

Own equity instruments which are reacquired (shares held under the share award scheme) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

2.4 主要會計政策概要(續)

金融資產及負債(續)

(b) 金融負債(續)

分類及隨後計量(續)

倘合約中列明的責任被解除、取消或到期，則須終止確認金融負債。

衍生金融工具

本集團衍生金融工具於衍生合約訂立日期初步按其公平值確認，其後按公平值再次計量。

倘公平值為正數，衍生工具以資產入賬，而公平值倘為負數，則以負債入賬。衍生工具的公平值變動產生的任何盈虧直接計入損益及其他全面收益表。

當本集團根據本集團風險管理框架為交易目的或提供經濟對沖而訂立衍生工具合約時，並不應用對沖會計。

抵銷金融工具

倘存在現時可強制執行的法律權利可抵銷已確認金額，且有意以淨額基準結算或同時變現資產及清償負債，則可抵銷金融資產及金融負債，而淨額於財務狀況表呈報。

股份獎勵計劃項下持有的股份

購回本身的權益工具(股份獎勵計劃項下持有的股份)按成本確認並於權益中扣除。本集團購買、出售、發行或註銷本身的權益工具所得收益或虧損將不計入損益賬。賬面值與代價之間的任何差額於權益確認。

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2.4 Summary of significant accounting policies (continued)

Client trust bank balances

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified the clients' monies as client trust bank balances under the current assets in the consolidated statement of financial position as the Group is allowed to retain some or all of the interest income on the clients' monies and recognised corresponding accounts payable to the respective customers in the current liabilities clients on grounds that it is liable for any loss or misappropriation of clients' monies. Under the Hong Kong Securities and Futures Ordinance (Cap. 571) and the Hong Kong Insurance Companies Ordinance (Cap. 41), the Group is not allowed to use the clients' monies to settle its own obligation.

Fiduciary activities

Apart from the client trust bank balances as mentioned above, the Group provides brokerage and asset management services and the Group acts in a fiduciary capacity which results in the holding or placing of assets on behalf of its customers. These assets and any gains or losses arising thereon are not included in these financial statements as the Group has no contractual rights to these assets and its gains or losses under fiduciary activities.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including time deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 主要會計政策概要(續)

客戶信託銀行結餘

本集團於獲授權金融機構開設信託及獨立賬戶，以保管客戶來自一般業務交易的存款。本集團將客戶款項歸類為綜合財務狀況表流動資產項下的客戶信託銀行結餘，原因為本集團獲准保留客戶款項的部分或全部利息收入，並基於其對客戶款項的任何損失或挪用負責而確認應付流動負債賬戶內有關客戶的相應款項。根據香港法例第571章香港證券及期貨條例及香港法例第41章香港保險公司條例，本集團不得動用客戶款項清償其自身債務。

受託活動

除上文所述的客戶信託銀行結餘外，本集團提供經紀服務及資產管理服務，本集團在當中以受託人身份行事，以致須代其客戶持有或配售資產。該等資產及其所產生的任何收益或虧損不會計入本財務報表，原因為本集團對該等資產及其根據受託活動的收益或虧損概無合約權利。

現金及現金等價物

就綜合現金流量表而言，現金及現金等價物包括手頭現金及活期存款，通常於收取時到期日為三個月以內，減須按要求償還的銀行透支，並構成本集團現金管理的一部分。

就綜合財務狀況表而言，現金及現金等價物包括手頭及銀行現金(包括定期存款及與現金性質相似的資產)，其用途並無限制。

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2.4 Summary of significant accounting policies (continued)

Other assets

Other assets include, but not limited to the deposits and admission fee paid to the Stock Exchange, Hong Kong Futures Exchange Limited, Hong Kong Securities Clearing Company Limited and other regulators. They are intended to be held on a long-term basis and are stated at cost less impairment losses.

Provisions

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

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

Income tax

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

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

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

其他資產

其他資產包括但不限於支付予聯交所、香港期貨交易所有限公司、香港中央結算有限公司及其他監管機構的按金及准入費。其他資產擬作長期持有，並按成本減去減值虧損列賬。

撥備

由於過往發生的事件引致目前出現法定或推定責任，而該等責任很可能導致日後資源流出以履行責任，並能夠可靠估計責任金額時，則確認撥備。

當有重大貼現影響時，會就預期須用作支付責任的未來開支於報告期末的現值確認撥備。因時間流逝所導致折現現值的金額增加，會列入損益賬的融資成本。

所得稅

所得稅包括即期及遞延稅項。於損益賬外確認的各項目，其有關所得稅於損益賬外的其他全面收益或直接於權益內確認。

本期及過往期間的即期稅項資產及負債乃經考慮本集團經營所在國家的現行詮釋及慣例，根據於報告期末的已制訂或實際已制定的稅率（及稅務法例），按預期可自稅務機關收回或付予稅務機關的數額計量。

於報告期末，資產與負債的稅基與其作為財務申報用途的賬面值之間的所有暫時差額，須按負債法就遞延稅項計提撥備。

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2.4 Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 主要會計政策概要 (續)

所得稅 (續)

所有應課稅暫時差額均會確認遞延稅項負債，惟以下情況例外：

- 非業務合併的交易中經初始確認商譽或資產或負債而產生的遞延稅項負債，而有關交易對會計溢利或應課稅損益概無構成影響；及
- 對於涉及於附屬公司的投資的應課稅暫時差額而言，撥回暫時差額的時間可以控制，而暫時差額很可能不會在可見將來撥回。

對於所有可予扣減的暫時差額、承前未動用稅項抵免及未動用稅項虧損，均確認遞延稅項資產。若很可能出現應課稅溢利用以抵銷該等可扣減暫時差額、承前未動用稅項抵免及未動用稅項虧損，則遞延稅項資產可確認入賬，惟以下情況例外：

- 非業務合併的交易中初始確認資產或負債而產生可扣減暫時差額的遞延稅項資產，而有關交易對會計溢利或應課稅損益概無構成影響；及
- 對於涉及於附屬公司的投資的可扣減暫時差額而言，只有在暫時差額很可能於可見將來撥回，且很可能出現應課稅溢利用以抵銷該等暫時差額時，方會確認遞延稅項資產。

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2.4 Summary of significant accounting policies (continued)

Income tax (continued)

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

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

Revenue recognition

Revenue from contracts with customers

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

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

Provision of securities and futures brokerage services

The performance obligation is satisfied at a point in time when the customer has obtained control of the service, generally when the trades are executed.

2.4 主要會計政策概要(續)

所得稅(續)

遞延稅項資產的賬面值乃於各報告期末進行審閱，並予以相應扣減，直至不可能有足夠應課稅溢利用以抵銷全部或部分遞延稅項資產為止。未確認的遞延稅項資產乃按可能獲得足夠應課稅溢利以抵銷全部或部分遞延稅項資產的情況下於報告期末重新評估並予以確認。

遞延稅項資產及負債乃根據於各報告期末已實施或實質上已實施的稅率(及稅務法例)，按變現資產或清償負債的期間預期適用的稅率予以計量。

收益確認

客戶合約收益

當商品或服務的控制權轉移至客戶時，則按可反映本集團預期將就該等商品或服務交換可收取的代價金額確認客戶合約收益。

倘合約代價包含可變金額，則按本集團將就轉移商品或服務予客戶交換所得金額估計代價金額。可變代價於合約開始時估計及受限制，直至與可變代價相關的不確定因素其後解除時累計已確認的收入很可能不會發生重大撥回。

提供證券及期貨經紀服務

履約責任在客戶取得服務控制權之時達成，通常為交易簽立時。

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2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

Provision of investment banking services

The performance obligation for sponsoring and certain consultancy and financial advisory services are fulfilled when all the relevant duties of a sponsor or a financial advisor as stated in the contract are completed.

Revenue from sponsoring fee is recognised at a point in time when all the relevant duties of a sponsor as stated in the contract are completed. Certain consultancy and financial advisory services' performance obligations are satisfied over time as services are rendered if the customer simultaneously receives and consumes the benefits provided by the Group.

Provision of asset management services

Revenue from asset management services is recognised over time as the services are provided. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed.

Performance fees are recognised on the performance fee valuation day of the investment funds and managed accounts when there is a positive performance for the relevant performance period and it is determined that it will not result in significant reversal in a subsequent period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

Fund distribution activities are separate performance obligations from the asset management and the obligation being satisfied at a point in time upon the investors' subscription. Subscription and handling fees relating to the distribution services are recognised at a point in time when the services are performed and the amount is known.

Provision of wealth management service

The performance obligation relating to the insurance brokerage service is satisfied at the point when the terms of the insurance policy have been agreed contractually by the insurer and policyholder, and the insurer has a present right to payment from the policyholder (the 'transaction date').

2.4 主要會計政策概要(續)

收益確認(續)

客戶合約收益(續)

提供投資銀行服務

保薦及若干顧問及財務諮詢服務的履約責任乃於合約所載保薦人或財務顧問相關職責全部完成時達成。

保薦費用所得收入於合約所載保薦人相關職責全部完成時確認。倘客戶同時收到及消耗本集團提供的利益，則若干顧問及財務諮詢服務履約責任隨提供服務而達成。

提供資產管理服務

資產管理服務所得收入隨提供服務確認。資產管理服務費用按所管理資產價值的某個固定百分比計算。

倘於相關表現期間有正面表現，且釐定不會導致後續期間作出重大撥回(當中考慮投資基金及管理賬戶的相關計算基準)，則表現費於投資基金及管理賬戶的表現費估值日確認。

基金分派活動是獨立於資產管理的表現責任，該責任於投資者認購後在某一時間點履行。與分銷服務有關的認購及手續費於提供服務且金額已知時在某時間點確認。

提供理財服務

與保險經紀服務有關的履約責任於保險公司與保單持有人以合約協定保單條款，且保險公司有現有權利向保單持有人收取付款時(「交易日期」)履行。

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2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue from other sources and other income

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

Employee benefits

(a) Retirement benefit scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(b) Bonuses

The Group recognises a liability and an expense for bonuses, based on an approved formula that takes into consideration the profit attributable to the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Share-based payments

The Group operates two equity-settled share-based compensation schemes including a share option scheme and a share award scheme for the purpose of assisting in recruiting, retaining and motivating key staff members. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

2.4 主要會計政策概要(續)

收益確認(續)

來自其他來源的收益及其他收入利息收入使用實際利率法，採用將金融工具預期年期內(或較短期間(如適用))的估計未來現金收款準確貼現至金融資產賬面淨值的利率，按累計基準確認。

僱員福利

(a) 退休福利計劃

本集團根據強制性公積金計劃條例，為所有僱員設立界定供款的強制性公積金退休福利計劃(「強積金計劃」)。根據強積金計劃的規則，供款額按僱員基本薪酬的一定百分比計算，並於產生時在損益賬中扣除。強積金計劃的資產乃以獨立管理基金方式與本集團的資產分開持有。本集團向強積金計劃繳納僱主供款後，該等供款即全數歸僱員所有。

(b) 花紅

本集團按照認可計算方法就花紅確認負債及開支，該計算方法已考慮本集團應佔溢利並作出若干調整。於出現合約責任或過往慣例引致推定責任時，本集團即確認撥備。

(c) 以股份為基礎付款

本集團採納兩項以股份為基礎權益結算薪酬計劃(包括一項購股權計劃及一項股份獎勵計劃)，以協助招聘、挽留及激勵關鍵員工。本集團的僱員(包括董事)獲得以股份為基礎付款形式的薪酬，據此，僱員以提供服務作為權益工具的代價(「以權益結算交易」)。

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2.4 Summary of significant accounting policies (continued)

Employee benefits (continued)

(c) Share-based payments (continued)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in the "share award reserve" and "share option reserve" under equity, over the period in which the performance and/or service conditions are fulfilled in share-based compensation expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 主要會計政策概要(續)

僱員福利(續)

(c) 以股份為基礎付款(續)

與僱員以權益結算交易的成本乃參考其於授出日期的公平值計量。以權益結算交易的成本於表現及／或服務條件達成期間與相應的權益下「股份獎勵儲備」及「購股權儲備」增加一併在以股份為基礎補償開支下確認。於各報告期末直至歸屬日期就以權益結算交易確認的累計開支，反映歸屬期間已屆滿及本集團將最終歸屬的權益工具數目的最佳估計。於某期間的損益賬內扣除或計入的金額指於該期間的期初及期末確認的累計開支變動。

最終並無歸屬的獎勵不會確認開支，惟歸屬以市場或非歸屬條件為條件的以權益結算交易除外，無論市場或非歸屬條件是否達成，其均會被視為已歸屬，惟所有其他表現及／或服務條件須已達成。

倘以權益結算獎勵的條款獲修訂，開支會按最低金額予以確認，猶如條款並未修改。此外，倘任何修訂會增加以股份為基礎付款的公平值總額，或於修訂日期計量時有利於僱員，則會確認為開支。

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2.4 Summary of significant accounting policies (continued)

Employee benefits (continued)

(c) Share-based payments (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect (if any) of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Securities borrowing and lending agreements

The Group has engaged in the securities borrowing and lending business with financial institutions and the Group's customers, under which all transactions are secured in the form of cash. The Group maintains no net position in such securities borrowing and lending transactions and is not subject to significant price risk. However, under the securities borrowing and lending arrangements, the cash collateral received and cash collateral placed is included in the accounts payable and accounts receivable from brokers and dealers respectively. Fees received or paid in connection with securities borrowing and lending is recorded as interest income or interest expense, respectively.

2.4 主要會計政策概要(續)

僱員福利(續)

(c) 以股份為基礎付款(續)

倘以權益結算獎勵被註銷，則被視為於註銷當日已歸屬處理，而尚未就該獎勵確認的任何開支須即時予以確認，當中包括未達成本集團或僱員控制以內非歸屬條件的任何獎勵。然而，倘有一項新獎勵取代已經註銷獎勵，及於授出當日被指定為該獎勵的替代品，則該已註銷及新獎勵均被視為原有獎勵的修訂(見上段所述)處理。

尚未行使購股權的攤薄影響(如有)乃於計算每股盈利時反映為額外股份攤薄。

股息

末期股息將於股東大會上獲股東批准後確認為負債。

由於本公司組織章程細則授予董事會權力宣派中期股息，擬派中期股息可即時宣派。因此，中期股息於建議派發及宣派時即時確認為負債。

證券借貸協議

本集團從事與金融機構及本集團客戶的證券借貸業務，所有交易均以現金作為抵押品。本集團於該等證券借貸交易中並無維持任何淨倉，故並無面對重大價格風險。然而，根據證券借貸安排，所收取的現金抵押品以及所存放的現金抵押品分別計入應付款項以及應收經紀及交易商款項。與證券借貸有關的已收或已付費用分別記錄為利息收入或利息開支。

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2.4 Summary of significant accounting policies (continued)

Assets sold under repurchase agreements (repos)

In addition, the Group may enter into repurchase agreements whereby securities are sold to third parties with a concurrent agreement to repurchase the securities at a specified date. The Group may be required to provide additional collateral based on the fair value of the underlying assets if necessary.

Assets purchased under agreements to resell (reverse repos)

The Group may enter into purchases of assets under agreements to resell. Reverse repos are initially recorded at the cost of the loan or collateral advanced in the consolidated statement of financial position. These securities are not recognised in the Group's consolidated statement of financial position as the counterparty retains substantially all risks and returns of the securities. In the event of failure by the counterparty to repay the loan, the Group has the right to the underlying assets.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange prevailing at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 主要會計政策概要(續)

根據回購協議出售的資產(回購協議)

此外，本集團可能訂立回購協議，據此向同時訂有於指定日期回購證券的協議的第三方出售證券。於必要時，本集團可能須基於相關資產的公平值提供額外抵押品。

根據重售協議(反向回購協議)購置的資產

本集團可能根據重售協議進行資產購買。反向回購協議初始按貸款或墊付抵押品的成本於綜合財務狀況表內入賬。該等證券未於本集團的綜合財務狀況表內確認，因為交易方保留相關證券的絕大部分風險及回報。倘交易方未能償還貸款，則本集團有權擁有相關資產。

外幣

該等財務報表乃以港元(即本公司的功能及呈列貨幣)呈列。本集團屬下各實體自行釐定其本身的功能貨幣，而各實體的財務報表項目均以功能貨幣計量。本集團屬下實體的外幣交易初始按交易當日適用的功能貨幣匯率入賬。以外幣列賬的貨幣資產及負債按於報告期末適用的功能貨幣匯率重新換算。貨幣項目結算或換算產生的所有差額於損益賬內確認。

若干海外附屬公司的功能貨幣並非港元。於報告期末，有關實體的資產與負債，按報告期末適用的匯率換算為港元，而其損益及其他全面收益表按本年度的加權平均匯率換算為港元。

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2.4 Summary of significant accounting policies (continued)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss and other comprehensive income.

Related parties

A party is considered to be related to the Group if:

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

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

2.4 主要會計政策概要(續)

外幣(續)

因此而產生的匯兌差額於其他全面收益確認並於貨幣換算儲備累計。出售海外業務時，與該項特定海外業務有關的其他全面收益的組成部分在綜合損益及其他全面收益表中確認。

關聯方

在下列情況下，一方將被視為與本集團有關聯：

- (a) 該方為以下人士或以下人士家族的近親屬：
 - (i) 控制或共同控制本集團；
 - (ii) 對本集團有重大影響力；或
 - (iii) 為本集團或本集團母公司的主要管理層成員；

或

- (b) 該方為符合下列任何條件的實體：
 - (i) 該實體與本集團屬同一集團的成員公司；
 - (ii) 一間實體為另一實體(或另一實體的母公司、附屬公司或同系附屬公司)的聯營公司或合資公司；

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2.4 Summary of significant accounting policies (continued)

Related parties (continued)

(b) (continued)

- (iii) the entity and the Group 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 Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 主要會計政策概要(續)

關聯方(續)

(b) (續)

- (iii) 該實體及本集團均為同一第三方的合資公司；
- (iv) 一間實體為第三方實體的合資公司，而另一實體為該第三方實體的聯營公司；
- (v) 該實體為離職後福利計劃，該計劃的受益人為本集團或與本集團有關的實體的僱員；
- (vi) 該實體由(a)項所述人士控制或共同控制；
- (vii) 於(a)(i)項所述人士對該實體有重大影響或屬該實體(或該實體的母公司)主要管理層成員；及
- (viii) 向本集團或向本集團的母公司提供主要管理人員服務的實體或其所屬集團的任何成員公司。

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3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Taxes

Significant judgement is required in determining the provisions for income and other taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

Estimation uncertainty

The 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, are described below.

3. 重大會計判斷及估計

於編製本集團的財務報表時，管理層須作出會影響收益、開支、資產及負債的已呈報金額、其隨附披露以及或然負債披露的判斷、估計及假設。該等假設及估計的不確定因素可能導致未來須對受到影響的資產或負債的賬面值作出重大調整。

判斷

於應用本集團會計政策過程中，除涉及估計外，管理層已作出下列判斷，該等判斷對財務報表內確認的數額具重大影響：

稅項

釐定所得稅及其他稅項撥備時需要作出重大判斷。於一般業務過程中，多項交易及計算的最終稅項結果不能確定。本集團就預期稅務審計事宜（基於是否需要額外稅項的估計）確認負債。倘若該等事宜的最終稅項結果與最初記錄的金額有差異，則有關差異將會影響於作出確定的期間內所得稅及遞延稅項撥備。

估計不確定因素

有關未來的主要假設以及其他主要估計不確定因素於報告期末會為下個財政年度資產與負債賬面值帶來重大調整風險之來源如下。

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3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses as at 31 December 2019 was amounted to HK\$62.6 million (2018: HK\$12.3 million). The amount of unrecognised tax losses at 31 December 2019 was approximately nil (2018: nil). Further details are contained in note 15 to the financial statements.

Impairment allowances on financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

3. 重大會計判斷及估計(續)

估計不確定因素(續)

遞延稅項資產

僅在很可能取得未來應課稅盈利與可動用的所有未用稅項虧損抵免抵銷的該等遞延稅項資產，方能確認。在釐定可予確認的遞延稅項資產的數額時，管理層須根據可能的時間、未來應課稅溢利的水平連同未來稅務規劃策略作出重大判斷。於二零一九年十二月三十一日的已確認稅項虧損的遞延稅項資產賬面值為62.6百萬港元(二零一八年：12.3百萬港元)。於二零一九年十二月三十一日的未確認稅項虧損數額約為零(二零一八年：零)。進一步詳情載於財務報表附註15。

金融資產減值撥備

根據香港財務報告準則第9號對所有類別的金融資產進行減值虧損計量須作出判斷，特別是在釐定減值虧損及評估信貸風險的大幅增加時，對未來現金流量及抵押價值的金額及發生的時間的估計。此等估計受多項因素推動，當中有關的變動可能導致須作出不同程度的撥備。

於各報告日期，本集團會將通過對由報告日期至初步確認日期之間的預計年期內發生的違約風險進行比較，以評估自初步確認以來信貸風險是否有顯著增加。本集團就此會考慮相關及毋須付出過度成本或努力而可用的合理及具支持理據的資料，當中包括量化及質化資料以及前瞻性分析。

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3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Valuation of financial assets at fair value through profit or loss

The fair value of financial assets designated at fair value through profit or loss that are not traded in an active market is determined by using external valuations or valuation techniques. The Group uses a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flows analysis, option pricing models and other valuation techniques commonly used by other market participants. Changes in assumptions on the valuation techniques could affect the reported fair values of these financial assets. Further details are contained in notes 20 and 42 to the financial statements.

4. Operating segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's senior executive management and in accordance with HKFRSs. The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other operating segments.

3. 重大會計判斷及估計(續)

估計不確定因素(續)

按公平值計入損益的金融資產估值

並非於活躍市場買賣的按公平值計入損益的金融資產的公平值採用外部估值或估值方法釐定。本集團採用多種方法及作出多項主要以各報告日期市況為基準的假設。所用估值方法包括使用可資比較近期公平磋商交易、貼現現金流量分析、期權定價模式及其他市場參與者普遍使用的其他估值方式。有關估值方法的假設變動可能影響該等金融資產的報告公平值。進一步詳情載於財務報表附註20及42。

4. 經營分部資料

經營分部報告的方式按照香港財務報告準則與向本集團高級管理層提供的內部報告一致。本集團的經營業務乃按其營運性質及所提供服務分開組織及管理。本集團旗下各經營分部均為提供服務的策略業務單位，其服務所承受風險及回報有別於其他經營分部。

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4. Operating segment information (continued)

Details of each of the operating segments are as follows:

- (a) the brokerage segment engages in the provision of securities, futures, options and leveraged foreign exchange dealing and broking as well as insurance brokerage services to customers;
- (b) the corporate finance segment engages in the provision of advisory services, placing and underwriting services of debt and equity securities;
- (c) the asset management segment engages in asset management, including fund management and the provision of investment advisory services;
- (d) the loans and financing segment engages in the provision of margin financing and securities borrowing and lending to margin customers, initial public offering ("IPO") loans, other loans to customers and bank deposits;
- (e) the financial products, market making and investments segment represents funds, fixed income securities and equity investments, structuring of financial products as well as trading and market making of debt securities, exchange traded funds ("ETF") and derivatives; and
- (f) the "others" segment mainly represents rental income and the provision of information channel services.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties.

4. 經營分部資料(續)

有關各經營分部的詳情概述如下：

- (a) 經紀分部從事向客戶提供證券、期貨、期權及槓桿外匯買賣及經紀以及保險經紀服務；
- (b) 企業融資分部從事提供諮詢服務、債務及股票證券的配售及承銷服務；
- (c) 資產管理分部從事資產管理，包括基金管理及提供投資諮詢服務；
- (d) 貸款及融資分部從事向孖展客戶提供孖展融資及證券借貸、向客戶提供首次公開發售（「首次公開發售」）貸款、其他貸款及銀行存款；
- (e) 金融產品、做市及投資分部指基金、固定收益證券及股本投資、結構性金融產品以及債務證券、交易所交易基金（「交易所交易基金」）及衍生工具買賣及做市業務；及
- (f) 「其他」分部主要指租金收入及提供資訊渠道服務。

分部之間的交易（如有）乃參照向第三方收取的價格而進行。

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財務報表附註

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4. Operating segment information (continued)

The segment results of the Group for the years ended 31 December 2019 and 2018 are as follows:

Year ended 31 December 2019

4. 經營分部資料(續)

截至二零一九年及二零一八年十二月三十一日止年度，本集團的分部業績如下：

截至二零一九年十二月三十一日止年度

		Brokerage	Corporate finance	Asset management	Loans and financing	Financial products, market making and investments	Others	Total
		經紀	企業融資	資產管理	貸款及融資	金融產品、做市及投資	其他	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元
Segment revenue and other income:	分部收益及其他收入：							
Sales to external customers	銷售予外部客戶	531,233	809,047	36,439	1,134,972	1,733,845	4,635	4,250,171
Inter-segment sales	分部之間銷售	—	—	—	—	—	—	—
Total	總計	531,233	809,047	36,439	1,134,972	1,733,845	4,635	4,250,171
Segment results	分部業績	102,593	301,800	32,049	(378,879)	947,880	—	1,005,443
Income tax expense	所得稅開支	—	—	—	—	—	—	(102,884)
Profit for the year	年內溢利	—	—	—	—	—	—	902,559
Other segment information:	其他分部資料：							
Net impairment charge on loans and advances to customers	給予客戶貸款及墊款減值淨額	—	—	—	908,530	—	—	908,530
Net impairment charge/(reversal) on accounts receivable	應收款項減值支出/(撥回)淨額	(3,280)	3,537	358	—	1,334	—	1,949
Net impairment charge/(reversal) on other financial assets	其他金融資產減值支出/(撥回)淨額	(5,945)	—	—	—	4,181	—	(1,764)
Depreciation	折舊	30,736	17,735	4,051	8,068	4,488	—	65,078
Finance costs	融資成本	14,430	—	—	272,836	592,028	—	879,294

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二零一九年十二月三十一日

4. Operating segment information (continued)

Year ended 31 December 2018

4. 經營分部資料(續)

截至二零一八年十二月三十一日止年度

		Brokerage	Corporate finance	Asset management	Loans and financing	Financial products, market making and investments	Others	Total
		經紀	企業融資	資產管理	貸款及融資	金融產品、做市及投資	其他	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元
Segment revenue and other income:	分部收益及其他收入：							
Sales to external customers	銷售予外部客戶	454,962	594,970	16,716	1,307,294	651,948	3,932	3,029,822
Inter-segment sales	分部之間銷售	—	—	—	—	—	—	—
Total	總計	454,962	594,970	16,716	1,307,294	651,948	3,932	3,029,822
Segment results	分部業績	144,173	304,822	(7,621)	578,322	(36,424)	—	983,272
Income tax expense	所得稅開支	—	—	—	—	—	—	(134,098)
Profit for the year	年內溢利	—	—	—	—	—	—	<u>849,174</u>
Other segment information:	其他分部資料：							
Net impairment charge on loans and advances to customers	給予客戶貸款及墊款減值淨額	—	—	—	265,870	—	—	265,870
Net impairment charge/(reversal) on accounts receivable	應收款項減值支出/(撥回)淨額	(6,925)	1	196	—	(14,855)	—	(21,583)
Net impairment charge/(reversal) on other financial assets	其他金融資產減值支出/(撥回)淨額	(4,196)	5	2	—	(27)	—	(4,216)
Depreciation	折舊	8,698	10,066	2,008	11,905	3,864	—	36,541
Finance costs	融資成本	8,862	—	—	311,885	393,007	—	713,754

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4. Operating segment information (continued)

Geographical information

(a) Revenue and other income from external customers

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Hong Kong	香港	4,121,513	2,875,296
Other countries	其他國家	128,658	154,526
		4,250,171	3,029,822

The information of revenue and other income above is based on the locations of the markets.

(b) Non-current assets

Majority of the non-current assets (excluding deferred tax assets) of the Group are located in Hong Kong.

4. 經營分部資料(續)

地域資料

(a) 外部客戶收益及其他收入

上文的收益及其他收入資料乃按市場地點編製。

(b) 非流動資產

本集團大部分非流動資產(不包括遞延稅項資產)均位於香港。

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5. Revenue

The Group's revenue is disaggregated as follows:

5. 收益

本集團的收益細分如下：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
<i>Revenue from contracts with customers</i>	客戶合約收益		
Brokerage:	經紀業務：		
Securities	證券	452,531	366,654
Futures and options	期貨及期權	17,311	28,488
Handling income	手續費收入	52,688	49,803
Insurance	保險	6,592	7,658
Leveraged foreign exchange	槓桿外匯	2,111	2,359
		531,233	454,962
Corporate finance:	企業融資：		
Placing, underwriting and sub-underwriting commission	配售、承銷及分承銷的佣金		
– Debt securities	– 債務證券	594,446	483,303
– Equity securities	– 股本證券	136,326	78,219
Consultancy and financial advisory fee income	顧問及融資諮詢費收入	78,275	33,448
		809,047	594,970
Asset management:	資產管理：		
Management fee income	管理費收入	12,772	12,338
Performance fee income	表現費收入	23,667	4,378
		36,439	16,716

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5. Revenue (continued)

The Group's revenue is disaggregated as follows: (continued)

5. 收益(續)

本集團的收益細分如下：(續)

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Financial products, market making and investments:	金融產品、做市及投資：		
Net income on structured financial products	結構性金融產品收入淨額	418,447	641,667
		418,447	641,667
<i>Revenue from other sources</i>	<i>其他來源收益</i>		
Loans and financing:	貸款及融資：		
Interest and handling income from customers and counterparty financing	客戶及對手方融資的利息及手續費收入	742,388	1,013,992
Interest income from banks and others	銀行及其他利息收入	392,584	293,302
		1,134,972	1,307,294
Financial products, market making and investments:	金融產品、做市及投資：		
Trading gain/(loss) on fixed income securities	固定收益證券交易收益／(虧損)		
– Listed securities	– 上市證券	308,017	(346,444)
– Unlisted securities	– 非上市證券	120,586	(16,415)
Interest income from fixed income securities	固定收益證券的利息收入		
– Listed securities	– 上市證券	740,627	466,392
– Unlisted securities	– 非上市證券	75,478	37,757
Trading loss on exchange traded funds	交易所交易基金交易虧損	(359)	(59)
Trading gain/(loss) on equity securities	股本證券交易收益／(虧損)	26,770	(145,859)
Trading loss on unconsolidated investment funds	非合併投資基金交易虧損	(17,400)	(73,695)
Net gain on foreign exchange	外匯收益淨額	39,892	43,806
Net gain on financial instruments designated at fair value through profit or loss	指定按公平值計入損益的金融工具的收益淨額	54,890	7,700
Interest income from unlisted financial instruments at fair value through profit or loss	按公平值計入損益的非上市金融工具的利息收入	–	3,833
Dividend income	股息收入	24,529	19,583
Trading (gain)/loss attributable to third-party interests in consolidated investment funds	綜合投資基金第三方權益應佔的交易(收益)／虧損	(57,632)	13,682
		1,315,398	10,281
		4,245,536	3,025,890

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6. Staff costs

6. 員工成本

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Staff costs (including directors' remuneration):	員工成本(包括董事酬金):		
Salaries, bonuses and allowances	薪金、花紅及津貼	769,174	559,929
Share-based compensation expense	以股份為基礎補償開支		
– Share option scheme (note 32)	– 購股權計劃(附註32)	6,798	5,297
– Share award scheme (note 33)	– 股份獎勵計劃(附註33)	57,325	69,471
Pension scheme contributions	退休金計劃供款	9,615	8,156
		842,912	642,853

7. Finance costs

7. 融資成本

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Bank borrowings and overdrafts	銀行借款及透支	324,624	301,771
Debt securities in issue	已發行債務證券	240,618	202,479
Securities borrowing and lending	證券借貸	7,272	2,330
Repurchase agreements	回購協議	199,013	111,173
Financial instruments at fair value through profit or loss	按公平值計入損益的金融工具		
– Fixed income securities held for trading	– 持作買賣的固定收益證券	82,546	82,204
Lease liabilities	租賃負債	1,862	–
Others	其他	23,359	13,797
		879,294	713,754

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8. Profit before tax

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

8. 除稅前溢利

本集團的除稅前溢利乃經扣減／
(計入)以下各項後得出：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Auditor's remuneration	審計師酬金		
(i) audit services	(i) 核數服務	3,438	2,613
(ii) interim review	(ii) 中期審閱	980	760
(iii) tax and other consultancy services	(iii) 稅務及其他諮詢服務	3,460	1,759
Foreign exchange differences, net	外匯淨差額	53,758	33,313
Other commission expenses	其他佣金開支	53,072	57,445
Information services expenses	資訊服務支出	35,439	28,820
Marketing, advertising and promotion expenses	市場推廣、廣告及宣傳支出	11,823	6,058
Minimum lease payments under operating leases	經營租賃的最低租金	—	12,227
Professional and consultancy fee	專業及諮詢費	93,013	63,508
Repair and maintenance (including system maintenance)	維修及維護(包括系統維護)	59,980	45,740
Net impairment charge on loans and advances to customers	給予客戶貸款及墊款減值支出淨額	908,530	265,870
Net impairment charge/(reversal) on accounts receivable	應收款項減值支出／(撥回)淨額	1,949	(21,583)
Net reversal of impairment charge on other financial assets and loan commitments	其他金融資產及貸款承擔減值支出撥回淨額	(1,764)	(4,216)

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9. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Current – Hong Kong	即期 – 香港		
– Charge for the year	– 年內開支	233,040	219,045
– Under provision in prior years	– 過往年度撥備不足	4,924	15,763
Deferred (note 15)	遞延(附註15)	(135,080)	(100,710)
Total tax charge for the year	年內稅項開支總額	102,884	134,098

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

9. 所得稅開支

香港利得稅乃就年內在香港產生的估計應課稅溢利按稅率16.5% (二零一八年：16.5%)計提撥備。

按適用法定稅率之除稅前溢利計算之稅項費用與按實際稅率計算之稅項費用之對賬如下：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Profit before tax	除稅前溢利	1,005,443	983,272
Tax at the statutory tax rate at 16.5% (2018: 16.5%)	按法定稅率16.5%計算之稅項 (二零一八年：16.5%)	165,898	162,240
Under provision in prior years	過往年度撥備不足	4,924	15,763
Income not subject to tax	毋須課稅收入	(69,905)	(68,946)
Expenses not deductible for tax	不可扣稅開支	5,425	32,107
Tax losses utilised	已動用稅項虧損	(3,417)	(7,058)
Temporary difference not recognised	未確認暫時差額	(41)	(8)
Tax charge for the year	年內稅項開支	102,884	134,098

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10. Dividends

10. 股息

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Interim, paid – HK\$0.042 (2018: HK\$0.033) per ordinary share	中期，已支付 – 每股 普通股0.042港元 (二零一八年：0.033港元)	324,058	254,617
Less: Dividend for shares held under the Company's share award scheme	減：本公司股份獎勵計劃項下 所持股份的股息	(2,747)	(2,939)
		321,311	251,678
Final, proposed – HK\$0.02 (2018: HK\$0.02) per ordinary share	末期，擬派發 – 每股 普通股0.02港元 (二零一八年：0.02港元)	192,698	154,313
Less: Dividend for shares held under the Company's share award scheme	減：本公司股份獎勵計劃項下 所持股份的股息	(738)	(1,268)
		191,960	153,045*
		513,271	404,723

* The Company paid a final dividend of approximately HK\$152,995,000 for the year ended 31 December 2018, as further adjusted to include the dividend for shares held under the share award scheme amounting to HK\$50,000.

* 本公司已派發截至二零一八年十二月三十一日止年度之末期股息約152,995,000港元；其中已作出調整以計入股份獎勵計劃項下持有股份之股息為50,000港元。

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

年內擬派末期股息須經本公司股東於應屆股東週年大會上批准，方可作實。

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11. Earnings per share attributable to ordinary equity holders of the parent

The calculations of the basic and diluted earnings per share are based on:

(a) Basic earnings per share

The calculation of basic earnings per share is as follows:

		2019 二零一九年	2018 二零一八年
Profit attributable to ordinary equity holders of the parent (in HK\$'000)	母公司普通股股東應佔溢利(以千港元計)	895,303	796,835
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in '000)	已發行普通股的加權平均數減就股份獎勵計劃持有的股份(以千計)	7,653,126	7,581,163
Basic earnings per share (in HK cents)	每股基本盈利(以港仙計)	11.7	10.5

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

11. 母公司普通股股東應佔每股盈利

每股基本及攤薄盈利乃基於以下方法計算：

(a) 每股基本盈利

每股基本盈利的計算方法如下：

(b) 每股攤薄盈利

每股攤薄盈利乃按母公司普通股股東應佔年內溢利計算。計算時所用的普通股加權平均數乃指計算每股基本盈利所採用的年內已發行普通股數目，以及假設年內所有潛在攤薄普通股被視為獲行使或轉換為普通股時已按零代價發行的普通股加權平均數。

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11. Earnings per share attributable to ordinary equity holders of the parent (continued)

(b) Diluted earnings per share (continued)

The calculation of diluted earnings per share is as follows:

11. 母公司普通股股東應佔每股盈利(續)

(b) 每股攤薄盈利(續)

每股攤薄盈利的計算方法如下：

		2019 二零一九年	2018 二零一八年
Profit attributable to ordinary equity holders of the parent (in HK\$'000)	母公司普通股股東應佔溢利(以千港元計)	895,303	796,835
Weighted average number of ordinary shares in issue less shares held for the share award scheme used in the basic earnings per share calculation (in '000)	用於計算每股基本盈利的已發行普通股的加權平均數減就股份獎勵計劃持有的股份(以千計)	7,653,126	7,581,163
Effect of dilution – weighted average number of ordinary shares:	攤薄影響 – 普通股的加權平均數：		
Share options under the share option scheme (in '000)	購股權計劃項下的購股權(以千計)	4,330	13,231
Awarded shares under the share award scheme (in '000)	股份獎勵計劃項下的獎勵股份(以千計)	14,272	12,072
Number of ordinary shares for the purpose of the diluted earnings per share calculation (in '000)	就每股攤薄盈利計算而言的普通股數目(以千計)	7,671,728	7,606,466
Diluted earnings per share (in HK cents)	每股攤薄盈利(以港仙計)	11.7	10.5

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12. Property, plant and equipment

12. 物業、廠房及設備

		Owned assets 自有資產					Right of use assets 使用權資產				Total 總計 HK\$'000 千港元
		Office equipment 辦公室設備 HK\$'000 千港元	Furniture and fixtures 傢俬及裝置 HK\$'000 千港元	Buildings 樓宇 HK\$'000 千港元	Leasehold improvements 租賃物業裝修 HK\$'000 千港元	Motor vehicles 汽車 HK\$'000 千港元	Sub-total 小計 HK\$'000 千港元	Leasehold land 租賃土地 HK\$'000 千港元	Buildings 樓宇 HK\$'000 千港元	Sub-total 小計 HK\$'000 千港元	
31 December 2019	二零一九年 十二月三十一日										
As at 1 January 2019	於二零一九年一月一日										
Cost	成本	100,143	6,736	563,831	43,186	2,993	716,889	—	—	—	716,889
Accumulated depreciation	累計折舊	(73,992)	(4,589)	(131,021)	(32,650)	(2,993)	(245,245)	—	—	—	(245,245)
Net carrying amount	賬面淨值	26,151	2,147	432,810	10,536	—	471,644	—	—	—	471,644
Opening net carrying amount	年初賬面淨值	26,151	2,147	432,810	10,536	—	471,644	—	—	—	471,644
Effect of adoption of HKFRS 16	採納香港財務報告準則 第16號之影響	—	—	(370,150)	—	—	(370,150)	370,150	53,060	423,210	53,060
Opening net carrying amount	年初賬面淨值	26,151	2,147	62,660	10,536	—	101,494	370,150	53,060	423,210	524,704
Acquisition of a subsidiary	收購一家附屬公司	1,318	—	—	—	75	1,393	—	2,781	2,781	4,174
Additions	添置	25,362	61	—	2,652	—	28,075	—	17,078	17,078	45,153
Exchange realignment	外匯調整	2	—	—	(28)	1	(25)	—	11	11	(14)
Depreciation charged during the year	年內折舊	(18,642)	(1,147)	(2,199)	(6,144)	(4)	(28,136)	(12,988)	(23,954)	(36,942)	(65,078)
Closing net carrying amount	年終賬面淨值	34,191	1,061	60,461	7,016	72	102,801	357,162	48,976	406,138	508,939
As at 31 December 2019	於二零一九年 十二月三十一日										
Cost	成本	126,819	6,797	81,999	45,848	3,069	264,532	481,832	72,919	554,751	819,283
Accumulated depreciation	累計折舊	(92,628)	(5,736)	(21,538)	(38,832)	(2,997)	(161,731)	(124,670)	(23,943)	(148,613)	(310,344)
Net carrying amount	賬面淨值	34,191	1,061	60,461	7,016	72	102,801	357,162	48,976	406,138	508,939

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12. Property, plant and equipment (continued)

12. 物業、廠房及設備(續)

		Office equipment 辦公室設備 HK\$'000 千港元	Furniture and fixtures 傢俬及裝置 HK\$'000 千港元	Land and buildings 土地及樓宇 HK\$'000 千港元	Leasehold improvements 租賃物業裝修 HK\$'000 千港元	Motor vehicles 汽車 HK\$'000 千港元	Total 總計 HK\$'000 千港元
31 December 2018	二零一八年 十二月三十一日						
As at 1 January 2018	於二零一八年一月一日						
Cost	成本	85,266	5,111	563,831	35,357	2,993	692,558
Accumulated depreciation	累計折舊	(62,524)	(3,688)	(115,834)	(27,708)	(2,798)	(212,552)
Net carrying amount	賬面淨值	22,742	1,423	447,997	7,649	195	480,006
Opening net carrying amount	年初賬面淨值	22,742	1,423	447,997	7,649	195	480,006
Additions	添置	18,289	1,634	–	8,263	–	28,186
Exchange realignment	外匯調整	(9)	–	–	2	–	(7)
Depreciation charged during the year	年內折舊	(14,871)	(910)	(15,187)	(5,378)	(195)	(36,541)
Closing net carrying amount	年終賬面淨值	26,151	2,147	432,810	10,536	–	471,644
As at 31 December 2018	於二零一八年 十二月三十一日						
Cost	成本	100,143	6,736	563,831	43,186	2,993	716,889
Accumulated depreciation	累計折舊	(73,992)	(4,589)	(131,021)	(32,650)	(2,993)	(245,245)
Net carrying amount	賬面淨值	26,151	2,147	432,810	10,536	–	471,644

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13. Goodwill and other intangible assets

13. 商譽及其他無形資產

		Trading rights 交易權 HK\$'000 千港元	Club membership 會所會籍 HK\$'000 千港元	Goodwill 商譽 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Net carrying amounts As at 1 January 2018	賬面淨值 於二零一八年 一月一日	1,913	910	—	2,823
Additions	添置	—	372	—	372
As at 31 December 2018	於二零一八年 十二月三十一日	1,913	1,282	—	3,195

		Trading rights 交易權 HK\$'000 千港元	Club membership 會所會籍 HK\$'000 千港元	Goodwill 商譽 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Net carrying amounts As at 1 January 2019	賬面淨值 於二零一九年 一月一日	1,913	1,282	—	3,195
Acquisition of a subsidiary (note 44)	收購一間附屬公司 (附註44)	—	—	20,473	20,473
Disposals	出售	—	(1,282)	—	(1,282)
As at 31 December 2019	於二零一九年 十二月三十一日	1,913	—	20,473	22,386

As at 31 December 2019 and 2018, the Group had three trading rights in the Stock Exchange and one trading right in The Hong Kong Futures Exchange Limited. The intangible assets are not amortised for the years ended 31 December 2019 and 2018 as they have no expiry date.

於二零一九年及二零一八年十二月三十一日，本集團擁有於聯交所的三個交易權及香港期貨交易所有限公司的一個交易權。由於並無到期日，故截至二零一九年及二零一八年十二月三十一日止年度並無攤銷無形資產。

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13. Goodwill and other intangible assets (continued)

Impairment testing of goodwill

As detailed in note 44 to the financial statements in relation to the acquisition of IVS (as defined in note 44 to the financial statements), goodwill acquired through business combinations is allocated to the IVS cash-generating unit for impairment testing. The recoverable amount of the IVS cash-generating unit has been determined based on fair value less costs of disposal using a quoted price as at 31 December 2019.

14. Other assets

13. 商譽及其他無形資產(續)

商譽減值測試

誠如財務報表附註44所詳述(內容有關收購IVS(定義見財務報表附註44))，通過業務合併獲得的商譽分配給IVS現金產生單位用於減值測試。IVS現金產生單位的可收回金額乃根據於二零一九年十二月三十一日的報價確定的公平值減出售成本。

14. 其他資產

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Basic contribution of the guarantee fund paid to Hong Kong Securities Clearing Company Limited ("HKSCC")	支付予香港中央結算有限公司(「香港結算」)的保證基金基本供款	690	690
Deposits with Stock Exchange:	於聯交所的按金：		
– Compensation fund	– 補償基金	150	150
– Fidelity fund	– 互保基金	150	150
– Stamp duty deposit	– 印花稅按金	500	500
Admission fee paid to HKSCC	支付予香港結算的准入費	150	150
Reserve fund with The SEHK Options Clearing House Limited	於香港聯合交易所期權結算有限公司的儲備金	1,927	1,541
Settlement Risk Fund paid to the Shanghai Stock Exchange	支付予上海證券交易所的結算風險基金	223	227
Deposit with HKFE Clearing Corporation Limited	於香港期貨結算有限公司的按金	1,500	1,500
Funds deposited with the Securities and Futures Commission	於證券及期貨事務監察委員會的按金	50	50
License deposit with the Monetary Authority of Singapore	於新加坡金融管理局的牌照按金	578	573
Statutory deposit with Hanoi Stock Exchange	於河內證券交易所的法定存款	2,402	—
Interest receivables of bank deposits	銀行存款應收利息	52	—
Other prepayments	其他預付款項	154	—
		8,526	5,531

The carrying amounts of the Group's other assets approximate to their fair values.

本集團其他資產的賬面值與其公平值相若。

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15. Deferred tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

15. 遞延稅項

年內遞延稅項負債及資產變動如下：

遞延稅項負債

		Accelerated tax depreciation 加速稅項折舊 HK\$'000 千港元	Fair value gain 公平值收益 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 January 2018	於二零一八年一月一日	(9,463)	(35,259)	(44,722)
Deferred tax credited to profit or loss	於損益計入遞延稅項	3,911	35,259	39,170
At 31 December 2018 and at 1 January 2019	於二零一八年十二月三十一日及二零一九年一月一日	(5,552)	—	(5,552)
Deferred tax credited/(charged) to profit or loss	於損益計入/(扣除)遞延稅項	1,873	(45,352)	(43,479)
At 31 December 2019	於二零一九年十二月三十一日	(3,679)	(45,352)	(49,031)

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15. Deferred tax (continued)

Deferred tax assets

		Losses available for offsetting against future taxable profits 可供抵銷未來稅項溢利的虧損 HK\$'000 千港元	Fair value loss 公平值虧損 HK\$'000 千港元	Share-based compensation 以股份為基礎的薪酬 HK\$'000 千港元	ECL allowance 預期信用損失撥備 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 January 2018	於二零一八年一月一日	12,302	–	3,854	57,663	73,819
Deferred tax credited/ (charged) to profit or loss	於損益計入/(扣除)遞延稅項	(49)	21,151	826	39,612	61,540
At 31 December 2018 and at 1 January 2019	於二零一八年十二月三十一日及二零一九年一月一日	12,253	21,151	4,680	97,275	135,359
Deferred tax credited/ (charged) to profit or loss	於損益計入/(扣除)遞延稅項	50,378	(21,151)	(460)	149,792	178,559
At 31 December 2019	於二零一九年十二月三十一日	62,631	–	4,220	247,067	313,918

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The deferred income tax assets and liabilities are to be utilised and settled after one year and the following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position.

當有法定權利可以將本期稅項資產與本期稅項負債抵銷及遞延所得稅涉及同一稅務機關時，則可將遞延所得稅資產與負債互相抵銷。遞延所得稅資產及負債將於一年後予以動用及結算，而下列在計入適當抵銷後釐定的金額則在綜合財務狀況表內列賬。

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Deferred tax assets	遞延稅項資產	267,316	129,807
Deferred tax liabilities	遞延稅項負債	(2,429)	–
		264,887	129,807

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15. Deferred tax (continued)

Deferred tax assets (continued)

The Group had total tax losses arising in Hong Kong of approximately HK\$379.6 million as at 31 December 2019 (2018: HK\$74.2 million), that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

As at 31 December 2019, no deferred tax assets which have not been recognised in respect of losses (2018: nil). These losses have arisen in group companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

16. Loans and advances to customers

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Non-current	非流動		
Term loans to customers	給予客戶的定期貸款	948,000	2,340,000
Less: Impairment	減：減值	(479)	(1,170)
		947,521	2,338,830
Current	流動		
Margin loans	孖展貸款	11,719,143	9,430,753
Term loans to customers	給予客戶的定期貸款	532,480	1,079,788
Less: Impairment	減：減值	(1,483,242)	(573,996)
		10,768,381	9,936,545
		11,715,902	12,275,375

As at 31 December 2019, balances of margin loans included loans to directors of nil (2018: HK\$253,000) as detailed in note 17 to the financial statements.

15. 遞延稅項(續)

遞延稅項資產(續)

於二零一九年十二月三十一日，本集團來自香港的稅項虧損總額約為379.6百萬港元(二零一八年：74.2百萬港元)，在無特定限期內可用於抵銷產生虧損公司的未來應課稅溢利。

於二零一九年十二月三十一日，並無未就虧損確認的遞延稅項資產(二零一八年：無)。該等虧損乃由虧損已有一段時間的集團公司產生，且認為不可能有應課稅溢利抵銷該等稅項虧損。

16. 給予客戶的貸款及墊款

於二零一九年十二月三十一日，孖展貸款結餘包括給予董事的貸款零(二零一八年：253,000港元)，詳情載於財務報表附註17。

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16. Loans and advances to customers (continued)

Loans and advances are categorised into "excellent", "good", "fair" and "individually impaired". "Excellent" refers to exposures which margin obligation can be met and payment of interest and principal is not in doubt, with good quality and liquidity of collaterals. "Good" refers to exposures which principal and interest are fully secured at a relatively low level and quality of the collateral is satisfactory. "Fair" refers to exposures which principal and interest are partially secured at a moderate level and quality of the collateral is deteriorating. "Individually impaired" refers to exposures which loss, partial or full, has incurred and with insufficient collateral.

Analysis of the gross carrying amount as at 31 December by the Group's internal credit rating and year end classification:

2019

Internal rating grade	內部評級	12-month ECL 12個月預期信用損失 (Stage 1) (第1階段) HK\$'000 千港元	Lifetime ECL not credit-impaired 未信貸減值的全期預期信用損失 (Stage 2) (第2階段) HK\$'000 千港元	Lifetime ECL credit-impaired 已信貸減值的全期預期信用損失 (Stage 3) (第3階段) HK\$'000 千港元	Total 總計 HK\$'000 千港元
Performing	正常				
Excellent	優秀	10,413,958	—	—	10,413,958
Good	良好	—	—	—	—
Fair	普通	715,272	—	—	715,272
Non-performing	不良				
Individually impaired	個別減值	—	—	2,070,393	2,070,393
		11,129,230	—	2,070,393	13,199,623

16. 給予客戶的貸款及墊款 (續)

貸款及墊款分類為「優秀」、「良好」、「普通」及「個別減值」。「優秀」指可履行孖展責任及本金和利息付款順利，且抵押品品質及流通性良好的風險。「良好」指本金和利息悉數抵押且抵押品質量令人滿意的較低水平風險。「普通」指本金和利息部分有抵押但抵押品質量正在惡化的中等水平風險。「個別減值」指已產生部分或悉數虧損且無足夠抵押品的風險。

按本集團內部信貸評級及年末分類的於十二月三十一日的賬面總值分析：

二零一九年

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16. Loans and advances to customers (continued)

2018

Internal rating grade	內部評級	12-month ECL 12個月預期 信用損失 (Stage 1) (第1階段) HK\$'000 千港元	Lifetime ECL not credit-impaired 未信貸減值的全期預期 信用損失 (Stage 2) (第2階段) HK\$'000 千港元	Lifetime ECL credit-impaired 已信貸減值的全期預期 信用損失 (Stage 3) (第3階段) HK\$'000 千港元	Total 總計 HK\$'000 千港元
Performing	正常				
Excellent	優秀	10,124,715	—	—	10,124,715
Good	良好	542,593	—	—	542,593
Fair	普通	1,028,530	—	—	1,028,530
Non-performing	不良				
Individually impaired	個別減值	—	—	1,154,703	1,154,703
		11,695,838	—	1,154,703	12,850,541

16. 給予客戶的貸款及墊款 (續)

二零一八年

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16. Loans and advances to customers (continued)

Analysis of the gross carrying amount and the corresponding ECL allowance is as follows:

16. 給予客戶的貸款及墊款 (續)

賬面總值及相應預期信用損失撥備分析如下：

		12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
		12個月預期 信用損失 (Stage 1) (第1階段)	未信貸減值 的全期預期 信用損失 (Stage 2) (第2階段)	已信貸減值 的全期預期 信用損失 (Stage 3) (第3階段)	總計
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
Gross carrying amount as at 1 January 2018	於二零一八年 一月一日的 賬面總值	15,049,005	—	939,421	15,988,426
New assets originated or purchased	已產生或已購買的 新資產	3,225,675	—	32,154	3,257,829
Assets derecognised or repaid	已終止確認或 已償還的資產	(6,009,841)	—	(290,316)	(6,300,157)
Transfer from stage 1 to stage 3	由第一階段轉入至 第三階段	(569,001)	—	569,001	—
Amount written off during the year	年內撇銷金額	—	—	(95,557)	(95,557)
Gross carrying amount as at 31 December 2018 and as at 1 January 2019	於二零一八年 十二月三十一日及 於二零一九年 一月一日的 賬面總值	11,695,838	—	1,154,703	12,850,541
Acquisition of a subsidiary	收購一間附屬公司	49,379	—	—	49,379
New assets originated or purchased	已產生或已購買的 新資產	5,080,313	—	22,195	5,102,508
Assets derecognised or repaid	已終止確認或 已償還的資產	(4,728,502)	—	(74,303)	(4,802,805)
Transfer from stage 1 to stage 3	由第一階段轉入至 第三階段	(967,798)	—	967,798	—
Gross carrying amount as at 31 December 2019	於二零一九年 十二月三十一日的 賬面總值	11,129,230	—	2,070,393	13,199,623

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16. Loans and advances to customers (continued)

The movements in the ECL allowance on loans and advances to customers are as follows:

16. 給予客戶的貸款及墊款 (續)

給予客戶的貸款及墊款預期信用損失的撥備變動如下：

		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		12個月預期信用損失 (Stage 1) (第1階段)	未信貸減值的全期預期信用損失 (Stage 2) (第2階段)	已信貸減值的全期預期信用損失 (Stage 3) (第3階段)	總計
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
ECL allowance as at 1 January 2018	於二零一八年一月一日的預期信用損失撥備	(7,685)	—	(397,168)	(404,853)
New assets originated or purchased	已產生或已購買的新資產	(272)	—	—	(272)
Assets derecognised or repaid	已終止確認或已償還的資產	2,539	—	—	2,539
Changes to risk parameters	風險參數變動	(8,062)	—	(199,280)	(207,342)
Transfer from stage 1 to stage 3	由第1階段轉入至第3階段	164	—	(164)	—
Changes arising from transfer of stage	源於轉移階段的變動	—	—	(60,795)	(60,795)
Amount written off during the year	年內撇銷金額	—	—	95,557	95,557
ECL allowance as at 31 December 2018 and 1 January 2019	於二零一八年十二月三十一日及二零一九年一月一日的預期信用損失撥備	(13,316)	—	(561,850)	(575,166)
Acquisition of a subsidiary	收購一家附屬公司	(25)	—	—	(25)
New assets originated or purchased	已產生或已購買的新資產	(159)	—	—	(159)
Assets derecognised or repaid	已終止確認或已償還的資產	437	—	—	437
Changes to risk parameters	風險參數變動	1,598	—	(308,543)	(306,945)
Transfer from stage 1 to stage 3	由第1階段轉入至第3階段	4,272	—	(4,272)	—
Changes arising from transfer of stage	源於轉移階段的變動	—	—	(601,863)	(601,863)
ECL allowance as at 31 December 2019	於二零一九年十二月三十一日的預期信用損失撥備	(7,193)	—	(1,476,528)	(1,483,721)

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16. Loans and advances to customers (continued)

The contractual amount outstanding on loans and advances to customers have been written off but were still subject to enforcement activity was nil at 31 December 2019 (2018: HK\$95,557,000).

Margin financing operations

The Group provides customers with margin financing for securities transactions, which are secured by customers' securities held as collateral. The maximum credit limit granted for each customer is based on the customer's financial background and the quality of related collateral. The Group seeks to maintain strict control over its outstanding receivables and has a credit and risk management department to monitor credit risks.

Margin loans to the customers are secured by the underlying pledged securities, bear interest at a rate with reference to the Hong Kong dollar prime rate and are repayable on demand. The carrying value of margin loans approximates to their fair value. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis does not give additional value in view of the nature of the margin loans business. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group. As at 31 December 2019, the total value of securities pledged as collateral in respect of the margin loans was approximately HK\$33,519 million (2018: HK\$25,580 million) based on the market value of the securities as at the end of the reporting period.

Term loans to customers

The Group also provides term loans to customers. In determining the interest rates, reference is made to the credit standing of the relevant customers and the quality and value of the collateral pledged. The term loans granted to customers amounted to HK\$1,444,038,000 (2018: HK\$3,380,146,000), and the accrued interest amounted to HK\$36,442,000 (2018: HK\$39,642,000) as at 31 December 2019. The carrying amounts of the term loans to customers approximate to their fair values.

16. 給予客戶的貸款及墊款 (續)

於二零一九年十二月三十一日，已撇銷但仍須進行強制執法行動的給予客戶的貸款及墊款的未償還合約金額為零(二零一八年：95,557,000港元)。

孖展融資業務

本集團就證券交易向客戶提供孖展融資，以客戶的證券持作抵押品擔保。每名客戶獲授的最高信貸額度乃以客戶的財務背景及所持相關抵押品的質素為基準。本集團擬保持對其未清償應收款項的嚴格控制，並成立了信貸及風險管理部門監控信貸風險。

給予客戶的孖展貸款以相關已抵押證券擔保，根據港元最優惠利率計息，並按要求償還。孖展貸款的賬面值與其公平值相若。由於董事認為，鑒於孖展貸款業務的性質，賬齡分析並不會提供額外價值，故概無披露賬齡分析。授予孖展客戶的信貸融資額乃根據本集團接納的抵押證券貼現市值釐定。於二零一九年十二月三十一日，作為孖展貸款抵押品的已抵押證券總值約為33,519百萬港元(二零一八年：25,580百萬港元)，此乃按證券於報告期末的市值計算得出。

給予客戶的定期貸款

本集團亦向客戶提供定期貸款。於釐定利率時，會參考相關客戶的財務信貸狀況以及所質押的抵押品質素及價值。於二零一九年十二月三十一日授予客戶的定期貸款為數1,444,038,000港元(二零一八年：3,380,146,000港元)，其應計利息為數36,442,000港元(二零一八年：39,642,000港元)。給予客戶的定期貸款的賬面值與其公平值相若。

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17. Loans to directors

Loans to directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 31 December 2019	Maximum amount outstanding during the year	At 31 December 2018 and 1 January 2019	Maximum amount outstanding during the prior year	At 1 January 2018	Collateral held
姓名	於二零一九年 十二月三十一日	年內最高 未償還金額	及二零一九年 一月一日	往年內最高 未償還金額	於二零一八年 一月一日	持有抵押品
	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	
Mr. Li Guangjie 李光杰先生	–	5,529	–	4,982	–	Marketable securities 有價證券
Mr. WONG Tung Ching 王冬青先生	–	993	253	253	–	Marketable securities 有價證券

The loans granted to directors bear interest range from Hong Kong dollar prime rate +/-3% per annum depending on risk assessment on collateral received and the facilities were granted to the directors for a period of 3 years ending on 31 December 2020.

17. 給予董事的貸款

根據香港公司條例第383(1)(d)條及公司(披露董事利益資料)規例第3部規定，本集團給予董事的貸款披露如下：

授予董事的貸款乃按港元最優惠利率加／減每年3%計息，視乎對已收抵押品的風險評估而定，及授予董事之貸款安排，為其三年截至二零二零年十二月三十一日止。

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財務報表附註

31 December 2019
二零一九年十二月三十一日

18. Accounts receivable

The carrying values of accounts receivable arising from the course of business of the Group are as follows:

18. 應收款項

本集團業務過程中所產生的應收款項的賬面值如下：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Accounts receivable arising from brokerage	經紀業務應收款項		
– cash and custodian clients	– 現金及託管客戶	40,374	33,503
– the Stock Exchange and other clearing houses	– 聯交所及其他結算所	1,366,064	1,310,012
– brokers and dealers	– 經紀及交易商	2,371,854	3,723,323
Accounts receivable arising from insurance brokerage services	保險經紀服務應收款項		
– cash and custodian clients	– 現金及託管客戶	114	23
Accounts receivable arising from securities borrowing and lending	證券借貸業務應收款項		
– brokers and dealers	– 經紀及交易商	72,889	129,116
Accounts receivable arising from corporate finance, asset management, financial products, market making and investments	企業融資、資產管理、金融產品、做市及投資業務應收款項		
– corporate clients, investment funds and others	– 企業客戶、投資基金及其他	307,300	156,871
		4,158,595	5,352,848
Less: Impairment	減：減值	(7,574)	(5,625)
		4,151,021	5,347,223

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財務報表附註

31 December 2019
二零一九年十二月三十一日

18. Accounts receivable (continued)

The movements in the impairment allowance on accounts receivable are as follows:

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
At 1 January	於一月一日	5,625	44,137
Impairment charged to profit or loss during the year	年內計入損益的減值	5,579	467
Impairment reversed during the year	年內撥回的減值	(3,630)	(22,050)
Amounts written off	撇銷金額	—	(16,950)
Exchange difference	匯兌差額	—	21
At 31 December	於十二月三十一日	7,574	5,625

The contractual amount outstanding on accounts receivable have been written off but were still subject to enforcement activity was nil at 31 December 2019 (2018: HK\$16,950,000).

18. 應收款項(續)

應收款項減值撥備變動如下：

於二零一九年十二月三十一日，已撇銷但仍須進行強制執法行動的應收款項未償還合約金額為零(二零一八年：16,950,000港元)。

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財務報表附註

31 December 2019
二零一九年十二月三十一日

18. Accounts receivable (continued)

The detail analysis of accounts receivable arising from the course of business of the Group are as follows:

31 December 2019

18. 應收款項(續)

本集團業務過程中所產生的應收款項的詳細分析如下：

二零一九年十二月三十一日

		Accounts receivable from cash and custodian clients	Accounts receivable from the Stock Exchange and other clearing houses	Accounts receivable from brokers and dealers	Accounts receivable from corporate clients, investment funds and others	Accounts receivable from insurance brokerage	Total
		現金及託管客戶應收款項	聯交所及其他結算所應收款項	經紀及交易商應收款項	企業客戶、投資基金及其他應收款項	保險經紀業務應收款項	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
Gross carrying amount	總賬面值	40,374	1,366,064	2,444,743	307,300	114	4,158,595
Less: Impairment	減：減值						
– Stage 1	– 第1階段	(20)	(668)	(2,126)	N/A不適用	–	(2,814)
– Stage 2	– 第2階段	–	–	–	N/A不適用	–	–
– Stage 3	– 第3階段	(183)	–	–	N/A不適用	–	(183)
– Simplified approach	– 簡易法	N/A不適用	N/A不適用	N/A不適用	(4,577)	N/A不適用	(4,577)
		40,171	1,365,396	2,442,617	302,723	114	4,151,021

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財務報表附註

31 December 2019
二零一九年十二月三十一日

18. Accounts receivable (continued)

31 December 2018

18. 應收款項(續)

二零一八年十二月三十一日

	Accounts receivable from cash and custodian clients	Accounts receivable from the Stock Exchange and other clearing houses	Accounts receivable from brokers and dealers	Accounts receivable from corporate clients, investment funds and others	Accounts receivable from insurance brokerage	Total	
	現金及託管客戶應收款項	聯交所及其他結算所應收款項	經紀及交易商應收款項	企業客戶、投資基金及其他應收款項	保險經紀業務應收款項	總計	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	千港元	千港元	千港元	千港元	千港元	千港元	
Gross carrying amount	總賬面值	33,503	1,310,012	3,852,439	156,871	23	5,352,848
Less: Impairment	減：減值						
– Stage 1	– 第1階段	(11)	(642)	(762)	N/A不適用	–	(1,415)
– Stage 2	– 第2階段	(3,109)	–	–	N/A不適用	–	(3,109)
– Stage 3	– 第3階段	(133)	–	–	N/A不適用	–	(133)
– Simplified approach	– 簡易法	N/A不適用	N/A不適用	N/A不適用	(968)	N/A不適用	(968)
		30,250	1,309,370	3,851,677	155,903	23	5,347,223

Accounts receivable from cash and custodian clients represent unsettled client trades on various securities exchanges transacted on the last two to three business days prior to the end of the reporting year. When the cash and custodian clients fail to settle on the settlement date, the Group has the rights to force-sell the collateral underlying the securities transactions. The collateral held against these receivables is publicly traded securities. The impairment is made after taking into consideration the recoverability from the collateral. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis does not give additional value in view of the nature of these accounts receivable.

現金及託管客戶的應收款項是指在報告年度末之前的最後兩到三個工作日內在不同證券交易所進行的未結算客戶交易。一旦現金及託管客戶未能於結算日償付款項，本集團有權強制出售證券交易相關的抵押品。針對該等應收款項持有的抵押品為公開交易證券。減值在考慮抵押品的可收回性後作出。董事認為，由於該等應收款項的性質，賬齡分析不會帶來額外價值，故未披露任何賬齡分析。

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財務報表附註

31 December 2019
二零一九年十二月三十一日

18. Accounts receivable (continued)

Analysis of the gross carrying amount and the corresponding ECL allowance of accounts receivable from cash and custodian clients are as follows:

18. 應收款項(續)

現金及託管客戶的應收款項之總賬面值及相應預期信用損失撥備分析如下：

		12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
		12個月的預期 信用損失 (Stage 1) (第1階段)	未信貸減值 的全期預期 信用損失 (Stage 2) (第2階段)	已信貸減值 的全期預期 信用損失 (Stage 3) (第3階段)	總計
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
Gross carrying amount as at 1 January 2018	於二零一八年 一月一日的 總賬面值	155,884	17,670	13,852	187,406
New assets originated, purchased or assets transferred	已產生、已購買的 新資產或已轉讓 的資產	21,809	2,575	27	24,411
Assets derecognised or repaid	已終止確認或 已償還的資產	(155,884)	(8,731)	(4)	(164,619)
Amount written off during the year	年內撇銷金額	—	—	(13,695)	(13,695)
Gross carrying amount as at 31 December 2018 and as at 1 January 2019	於二零一八年 十二月三十一日及 於二零一九年 一月一日的 總賬面值	21,809	11,514	180	33,503
New assets originated, purchased or assets transferred	已產生、已購買的 新資產或已轉讓 的資產	40,153	—	44	40,197
Assets derecognised or repaid	已終止確認或 已償還的資產	(21,809)	(11,514)	(3)	(33,326)
Gross carrying amount as at 31 December 2019	於二零一九年 十二月三十一日的 總賬面值	40,153	—	221	40,374

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財務報表附註

31 December 2019
二零一九年十二月三十一日

18. Accounts receivable (continued)

The movements in the ECL allowance of accounts receivable of cash and custodian clients on are as follows:

18. 應收款項(續)

現金及託管客戶的應收款項的預期信用損失變動載列如下：

		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
		12個月的預期信用損失 (Stage 1) (第1階段)	未信貸減值的全期預期信用損失 (Stage 2) (第2階段)	已信貸減值的全期預期信用損失 (Stage 3) (第3階段)	總計
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
ECL allowance as at 1 January 2018	於二零一八年一月一日的預期信用損失撥備	(78)	(4,771)	(13,785)	(18,634)
New assets originated or purchased	已產生或已購買的新資產	(11)	—	—	(11)
Assets derecognised or repaid	已終止確認或已償還的資產	76	2,357	4	2,437
Changes to risk parameters	風險參數變動	—	(226)	(42)	(268)
Transfer of stages	轉移階段	2	(1)	(1)	—
Changes arising from transfer of stage	源於轉移階段的變動	—	(468)	(4)	(472)
Amount written off during the year	年內撇銷金額	—	—	13,695	13,695
ECL allowance as at 31 December 2018 and 1 January 2019	於二零一八年十二月三十一日及二零一九年一月一日的預期信用損失撥備	(11)	(3,109)	(133)	(3,253)
New assets originated or purchased	已產生或已購買的新資產	(20)	—	—	(20)
Assets derecognised or repaid	已終止確認或已償還的資產	12	2,979	3	2,994
Changes to risk parameters	風險參數變動	—	—	(34)	(34)
Transfer of stages	轉移階段	(129)	130	(1)	—
Changes arising from transfer of stage	源於轉移階段的變動	128	—	(18)	110
ECL allowance as at 31 December 2019	於二零一九年十二月三十一日的預期信用損失撥備	(20)	—	(183)	(203)

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18. Accounts receivable (continued)

For accounts receivable from the Stock Exchange and other clearing houses, brokers and dealers, and insurance brokerage, no ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis does not give additional value in view of the nature of these accounts receivable. None of the transfer of impairment to different stages were made during the year ended 31 December 2019 and 2018.

Accounts receivable from corporate clients and investment funds are arising from asset management, corporate finance, investment holding and market making which have not yet been settled by clients after the Group's normal credit period. The credit rating and reputation of the trade counterparties were considered as sound for the past due accounts receivable from corporate clients and investment funds.

The ageing analysis of relevant accounts receivable from corporate clients and investment funds at the date of consolidated statement of financial position based on invoice date and before impairment allowance is as follows:

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Not yet past due	尚未逾期	283,522	106,854
Past due less than 1 month	逾期一個月內	3,968	48,451
Past due between 1 to 3 months	逾期一至三個月	12,024	—
Past due over 3 months	逾期三個月以上	7,786	1,566
Total	總計	307,300	156,871

18. 應收款項(續)

對於聯交所及其他結算所、經紀及交易商以及保險經紀的應收款項，董事認為，由於該等應收款項的性質，賬齡分析不會帶來額外價值，故未披露任何賬齡分析。於截至二零一九年及二零一八年十二月三十一日止年度，概無將減值轉移至不同階段。

客戶於本集團一般信貸期後尚未計算的企業客戶及投資基金的應收款項(產生自資產管理、企業融資、投資控股及做市)。對於企業客戶及投資基金的已逾期應收款項，交易對手方的信貸評級及聲譽被視為穩定。

於綜合財務狀況表日期根據發票日期及於減值撥備前的企業客戶及投資基金的相關應收款項的賬齡分析如下：

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18. Accounts receivable (continued)

Accounts receivable from corporate clients and investment funds arising from asset management, corporate finance, investment holding and market making using a provision matrix under simplified approach. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, service type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's accounts receivable from corporate clients and investment funds using a provision matrix:

2019

		Gross carrying amount	ECL allowance	Total
		總賬面值	預期信用損失撥備	總計
		HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元
Not yet pass due	尚未逾期	283,522	(42)	283,480
Past due less than 1 month	逾期一個月以內	3,968	(24)	3,944
Past due between 1 to 3 months	逾期一至三個月	12,024	(2,409)	9,615
Past due over 3 months	逾期三個月以上	7,786	(2,102)	5,684
Total	總計	307,300	(4,577)	302,723

18. 應收款項(續)

按簡易法使用撥備矩陣計算的企業客戶及投資基金的應收款項(產生自資產管理、企業融資、投資控股及做市)。撥備率乃基於將具相似虧損模式(即地理區域、服務類型、客戶類別及評級、以及信用證覆蓋範圍或其他形式的信貸保險)之各個客戶分部進行分組之逾期天數計算。該計算反映概率加權結果、金錢之時間價值以及於過去事件、當前狀況及對未來經濟狀況預測之報告日期可獲得的合理及支持性資料。一般而言，倘應收款項逾期一年以上，則撤銷應收款項，並且不受強制執行活動所規限。

以下是使用撥備矩陣計算的有關本集團企業客戶及投資基金的應收款項之信貸風險資料：

二零一九年

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31 December 2019
二零一九年十二月三十一日

18. Accounts receivable (continued)

2018

		Gross carrying amount	ECL allowance	Total
		總賬面值	預期信用損失撥備	總計
		HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元
Not yet pass due	尚未逾期	106,854	(58)	106,796
Past due less than 1 month	逾期一個月以內	48,451	(487)	47,964
Past due between 1 to 3 months	逾期一至三個月	—	—	—
Past due over 3 months	逾期三個月以上	1,566	(423)	1,143
Total	總計	156,871	(968)	155,903

18. 應收款項(續)

二零一八年

19. Prepayments, deposits and other receivables

		2019	2018
		二零一九年	二零一八年
		HK\$'000	HK\$'000
		千港元	千港元
Prepayments and deposits	預付款項及按金	237,964	232,914
Interest receivables	應收利息	31,835	89,507
		269,799	322,421

19. 預付款項、按金及其他應收款項

None of the above assets is either past due or credit-impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

上述資產概無逾期亦並無信貸減值。計入上述結餘有關應收款項的金融資產近期並無違約記錄。

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二零一九年十二月三十一日

20. Financial assets at fair value through profit or loss 20. 按公平值計入損益的金融資產

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Non-current	非流動		
Financial assets held for trading and investments	持作買賣及投資的金融資產		
– Unlisted fixed income securities	– 非上市固定收益證券	1,594,507	–
Financial assets at fair value through profit or loss	按公平值計入損益的金融資產		
– Financial products (note (b))	– 金融產品(附註(b))	6,267,785	4,333,237
		7,862,292	4,333,237
Current	流動		
Financial assets held for trading and investments	持作買賣及投資的金融資產		
– Listed equity securities	– 上市股本證券	710,798	521,238
– Listed fixed income securities	– 上市固定收益證券	14,065,739	13,319,376
– Unlisted fixed income securities	– 非上市固定收益證券	2,493,982	473,057
Financial assets at fair value through profit or loss	按公平值計入損益的金融資產		
– Listed fund investments	– 上市基金投資	2,783	2,753
– Unlisted fund investments (note (a))	– 非上市基金投資 (附註(a))	1,758,316	447,903
– Unlisted convertible promissory note	– 非上市可換股承兌票據	4,298	23,847
– Other financial instruments	– 其他金融工具	250,731	231,247
– Financial products (note (b))	– 金融產品(附註(b))	31,842,259	28,508,811
		51,128,906	43,528,232
Total financial assets at fair value through profit or loss	按公平值計入損益的金融資產總額	58,991,198	47,861,469

Notes to Financial Statements

財務報表附註

31 December 2019
二零一九年十二月三十一日

20. Financial assets at fair value through profit or loss (continued)

Notes:

- (a) The Group invested in unconsolidated investment funds for capital appreciation and investment income. The interests held by the Group are in the form of participating shares which provide the Group with the share of returns from the investment funds, but not any decision making power nor any voting right. Given that the Group only held the beneficial interests without holding any voting right or substantial decision making power as principal, these investments are classified as financial assets at fair value through profit or loss.
- (b) The financial products invested by the Group included listed equity investments, listed debt investments, unlisted fund investments, unlisted equity investments and derivatives. As at 31 December 2019, cash collateral of HK\$402.5 million (2018: HK\$987.6 million) and securities collateral of HK\$327.8 million (2018: HK\$310.0 million) were placed to the counterparties.

The financial products acquired by the Group are primarily driven by customers' investment needs and used as hedging instruments for structured notes issued under the MTN Programme (note 27), financial liabilities (note 28) or derivative instruments acquired by customers (note 21). As a result, the variable return of these financial products is not significant.

20. 按公平值計入損益的金融資產(續)

附註：

- (a) 本集團投資於未合併投資基金以獲得資本增值及投資收入。本集團以參股形式持有權益，其使本集團可分享投資基金所得回報，但並無任何決策權或任何投票權。鑒於本集團僅持有實益權益而並無任何投票權或如委託人有重大決策權，該等投資分類為按公平值計入損益的金融資產。
- (b) 本集團投資的金融產品包括上市股本投資、上市債務投資、非上市基金投資、非上市股本投資及衍生工具。於二零一九年十二月三十一日，存放於交易對手的現金抵押品402.5百萬港元(二零一八年：987.6百萬港元)及327.8百萬港元證券抵押品(二零一八年：310.0百萬港元)。

本集團購入金融產品乃主要受客戶的投資需求驅動，並作為根據中期票據計劃發行的結構性票據(附註27)、金融負債(附註28)或客戶收購的衍生工具(附註21)的對沖工具。因此，該等金融產品之可變回報不重大。

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21. Derivative financial instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of the derivative are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

21. 衍生金融工具

下表呈列記錄為資產或負債的衍生金融工具的公平值連同其名義金額。所記錄的名義金額總額為衍生工具相關資產、參考匯率或指數的金額，並為衍生工具價值計量變動的基準。名義金額表明於年末未完成的交易量，既不是市場風險亦非信貸風險的指標。

		Notional amount 名義金額 HK\$'000 千港元	Fair value 公平值	
			Assets 資產 HK\$'000 千港元	Liabilities 負債 HK\$'000 千港元
As at 31 December 2019	於二零一九年 十二月三十一日			
Cross currency swaps	交叉貨幣掉期	385,158	—	(7,835)
Interest rate swaps	利率掉期	8,705,703	7,058	(24,488)
Foreign exchange forwards	遠期外匯	10,876,458	86,817	(58,448)
Index futures	指數期貨	259,072	—	(735)
Options	期權	1,097,155	41,042	(16,902)
Currency options	貨幣期權	233,670	1,593	—
Warrants	認股權證	497,671	—	(28,188)
Dividend swaps	股息掉期	42,000	—	(485)
Credit default swaps	信貸違約掉期	934,680	5,523	(276)
Other equity derivatives	其他股本衍生工具	881,597	13,619	(12,494)
		23,913,164	155,652	(149,851)

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21. Derivative financial instruments (continued)

21. 衍生金融工具(續)

		Notional amount 名義金額 HK\$'000 千港元	Fair value 公平值	
			Assets 資產 HK\$'000 千港元	Liabilities 負債 HK\$'000 千港元
As at 31 December 2018	於二零一八年 十二月三十一日			
Cross currency swaps	交叉貨幣掉期	—	—	—
Interest rate swaps	利率掉期	1,890,418	15,002	1,333
Foreign exchange forwards	遠期外匯	6,174,072	26,038	16,146
Index futures	指數期貨	292,826	1,585	65
Options	期權	4,884,938	749	4,840
Warrants	認股權證	—	—	—
Equity swaps	股權掉期	—	—	—
Index swaps	指數掉期	197,083	—	1,236
Credit default swaps	信貸違約掉期	783,150	8,236	—
Equity forwards	遠期股權	184,717	25,222	—
		14,407,204	76,832	23,620

The Group entered into International Swaps and Derivatives Association, Inc. ("ISDA") master netting agreements or similar agreements with substantially all of its derivative counterparties. Where legally enforceable, these master netting agreements give the Group the right to offset cash collateral paid or received with the same counterparty. As at 31 December 2019, amounts of cash collateral of HK\$78.4 million and HK\$84.9 million were paid to and received from respective counterparties (2018: HK\$261.1 million and HK\$49.1 million), which are included in "accounts receivable and accounts payable arising from brokerage – brokers and dealers" in notes 18 and 24 to the financial statements respectively.

本集團與絕大部分衍生工具交易方訂立國際掉期及衍生品協會(International Swaps and Derivatives Association, Inc.) (["ISDA"])淨額抵銷總協議或類似協議。在依法可強制執行情況下，該等淨額抵銷總協議賦予本集團權利以抵銷與相同交易方的已付或已收現金抵押品。於二零一九年十二月三十一日，現金抵押品金額分別78.4百萬港元及84.9百萬港元分別付予及收自相關交易方(二零一八年：261.1百萬港元及49.1百萬港元)，分別包括在財務報表附註18及24的「經紀業務應收款項及應付款項 – 經紀及交易商」。

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22. Receivable from reverse repurchase agreements

The receivable from reverse repurchase agreements arises when the securities are bought by the Group with a concurrent agreement to resell at a specified later date and price. These securities are not recognised in the Group's consolidated statement of financial position as the counterparty retains substantially all risks and returns of the securities. The amount paid by the Group is recognised as receivable. In the event of default by the counterparty, the Group has the right to sell the underlying securities for settling the outstanding receivable.

As at 31 December 2019, the outstanding amount paid for the reverse repurchase agreements was HK\$2,247,913,000 (2018: HK\$3,109,006,000) and was recognised as receivable from reverse repurchase agreements.

The fair value of collateral received from clients and financial liabilities held for trading received as collateral for the outstanding receivable at the year-end was HK\$3,539,078,000 (2018: HK\$3,096,454,000).

23. Bank deposits, cash and cash equivalents and client trust bank balances

22. 反向回購協議應收款項

反向回購協議之應收款項於本集團購買證券時產生，連帶同時訂立一項協議以按指定其後日期及價格轉售。該等證券並無於本集團綜合財務狀況表中確認，原因是交易方保留該等證券的絕大部分風險及回報。本集團支付的款項確認為應收款項。倘交易方違約，本集團有權出售相關證券以結算未結清的應收款項。

於二零一九年十二月三十一日，就反向回購協議支付的未結清款項為2,247,913,000港元(二零一八年：3,109,006,000港元)，並確認為反向回購協議應收款項。

於年末自客戶收取的抵押品及已收取作為未結清應收款項抵押品的持作買賣金融負債的公平值為3,539,078,000港元(二零一八年：3,096,454,000港元)。

23. 銀行存款、現金及現金等價物及客戶信託銀行結餘

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Non-current Bank deposits	非流動 銀行存款	66,440	—

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23. Bank deposits, cash and cash equivalents and client trust bank balances (continued) 23. 銀行存款、現金及現金等價物及客戶信託銀行結餘 (續)

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Current	流動		
Cash and bank balances	現金及銀行結餘	5,857,542	3,896,502
Time deposits	定期存款	1,293,305	209,170
– with original maturity of less than three months	– 原到期日少於三個月	1,096,348	104,696
– with original maturity of more than three months, but less than one year	– 原到期日超過三個月，但少於一年	196,957	104,474
Total cash and cash equivalents	現金及現金等價物總額	7,150,847	4,105,672

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Non-current	非流動		
Bank deposits denominated in: Vietnamese Dong ("VND")	按以下幣種計值的銀行存款：越南盾(「越南盾」)	66,440	–

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Current	流動		
Cash and cash equivalents denominated in:	按以下幣種計值的現金及現金等價物：		
HK\$	港元	1,910,007	842,062
US\$	美元	4,838,350	3,181,992
RMB	人民幣	284,762	44,965
VND	越南盾	91,640	–
Others	其他	26,088	36,653
		7,150,847	4,105,672

Bank deposits are made for 13 months depending on the cash requirements of the Group, and earn interest at the respective time deposit rates. The balances are deposited with creditworthy banks with no history of default.

根據本集團的現金需求，銀行存款為期13個月，並以相應的定期存款利率賺取利息。該等結餘已存入信譽良好且無拖欠歷史的銀行中。

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23. Bank deposits, cash and cash equivalents and client trust bank balances (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and six months depending on the cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no history of default.

As at 31 December 2019, the ECL allowance of bank deposits, cash and cash equivalents, and client trust bank balances amounted to HK\$2,751,000 (2018: HK\$8,343,000) aggregately. All of them are classified as Stage 1 under the ECL model and there was no transfer to/from the other stages.

24. Accounts payable

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Accounts payable arising from brokerage	經紀業務應付款項		
– clients	– 客戶	11,611,433	14,840,232
– brokers and dealers	– 經紀及交易商	926,467	1,110,459
– the Stock Exchange and other clearing houses	– 聯交所及其他結算所	745,612	302,901
Accounts payable arising from securities borrowing and lending	證券借貸業務應付款項	519,380	730,926
Accounts payable arising from corporate finance, asset management, financial products, market making, investments and others	企業融資、資產管理、金融產品、做市、投資業務及其他應付款項	782,358	1,897,770
Accounts payable arising from insurance brokerage services	保險經紀服務應付款項	2,122	1,553
		14,587,372	18,883,841

23. 銀行存款、現金及現金等價物及客戶信託銀行結餘 (續)

銀行現金基於每日銀行存款利率按浮動利率計息。定期存款的存款期視本集團的現金需求而定，介乎一天至六個月，並按相關定期存款利率計息。銀行結餘已存入信譽良好且無拖欠歷史的銀行中。

於二零一九年十二月三十一日，銀行存款、現金及現金等價物及客戶信託銀行結餘的預期信用損失撥備合共為2,751,000港元(二零一八年：8,343,000港元)，均按預期信用損失模型劃分至第1階段，且並未轉入／轉自其他階段。

24. 應付款項

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24. Accounts payable (continued)

The majority of the accounts payable are repayable on demand except for certain accounts payable to clients which represent margin deposits received from clients for their trading activities in the normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

The Group has a practice to satisfy all the requests for payment within one business day. No ageing analysis is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the nature of these businesses.

Accounts payable to clients also include those payables in trust accounts with authorised institutions of HK\$11,182 million (2018: HK\$14,320 million), Hong Kong Futures Exchange Clearing Corporation Limited and other futures dealers of HK\$284 million (2018: HK\$296 million).

Accounts payable arising from insurance brokerage services include those payables in trust accounts with authorised institutions of HK\$2,122,000 (2018: HK\$1,553,000). Accounts payable are non-interest-bearing, except for the accounts payable to clients.

25. Other payables and accrued liabilities

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Other payables	其他應付款項	21,283	205,958
Accrued liabilities	應計負債	562,843	331,442
		584,126	537,400

Other payables and accrued liabilities are non-interest-bearing and have an average term of three months.

24. 應付款項(續)

大部分應付款項須於要求時償還，惟若干應付予客戶的款項為就客戶於正常業務過程中進行買賣活動收取客戶的保證金除外。只有超出規定保證金的金額須於要求時發還客戶。

本集團慣於在一個營業日內清償所有付款要求。本集團並無披露賬齡分析，原因為董事考慮到該等業務的性質，認為賬齡分析不會提供額外價值。

應付予客戶的款項亦包括存放於認可機構信託賬戶的11,182百萬港元(二零一八年：14,320百萬港元)、香港期貨結算有限公司及其他期貨交易商的284百萬港元(二零一八年：296百萬港元)。

保險經紀服務應付款項包括認可機構信託賬戶的應付款項2,122,000港元(二零一八年：1,553,000港元)。除應付客戶款項外，應付款項均不計息。

25. 其他應付款項及應計負債

其他應付款項及應計負債均不計息，平均期限為三個月。

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26. Interest bearing borrowings

26. 計息借款

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Non-current:	非流動：		
Lease liabilities	租賃負債	23,368	—
Current:	流動：		
Lease liabilities	租賃負債	25,403	—
Unsecured bank borrowings	無抵押銀行借款	7,711,110	9,441,083
Secured bank borrowings	有抵押銀行借款	3,490,000	—
		11,226,513	9,441,083
Total interest bearing borrowings	計息借款總額	11,249,881	9,441,083

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Denominated in:	按以下幣種計值：		
HK\$	港元	3,533,730	4,100,000
US\$	美元	7,711,110	5,341,083
Other currencies	其他貨幣	5,041	—
		11,249,881	9,441,083

The secured bank borrowings of HK\$3,490 million (2018: nil) were secured by listed shares, which were held by the Group as collateral for advances to customers in margin financing, of market value HK\$6,239.5 million (2018: nil).

有抵押銀行借款3,490百萬港元(二零一八年：零)乃由上市股份作抵押，該等股份由本集團持有作為給予孖展融資客戶墊款的抵押品，市值6,239.5百萬港元(二零一八年：零)。

The Group's bank borrowings bear interest at the Interbank Offered Rate plus an interest spread.

本集團銀行借款均按銀行同業拆息加息差計息。

The carrying amounts of the bank borrowings approximate to their fair values as the impact on discounting is not significant.

由於貼現的影響並不屬重大，故該等銀行借款的賬面值與其公平值相若。

The Group's lease liabilities bear weighted average interest rate at 4.23% per annum.

本集團的租賃負債的加權平均年利率為4.23%。

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27. Debt securities in issue

27. 已發行債務證券

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Non-current	非流動		
At amortised cost (note(a)):	按攤銷成本(附註(a)):		
Unlisted unsecured medium-term notes	非上市無抵押中期票據	1,555,874	—
Designated at fair value through profit or loss (note (b)):	指定按公平值計入損益(附註(b)):		
Structured notes issued in relation to financial products	已發行的金融產品相關之結構性票據	6,124,020	4,841,178
		7,679,894	4,841,178
Current	流動		
At amortised cost (note(a)):	按攤銷成本(附註(a)):		
Unlisted unsecured medium-term notes	非上市無抵押中期票據	5,128,330	6,721,259
Designated at fair value through profit or loss (note (b)):	指定按公平值計入損益(附註(b)):		
Structured notes issued in relation to financial products	已發行的金融產品相關之結構性票據	20,691,358	14,436,835
		25,819,688	21,158,094
		33,499,582	25,999,272
Unsecured medium-term notes denominated in:	按下列貨幣列值的無抵押中期票據:		
US\$	美元	3,129,957	4,081,371
HK\$	港元	3,196,168	2,624,053
RMB	人民幣	12,259	15,835
Other currencies	其他貨幣	345,820	—
		6,684,204	6,721,259
Structured notes issued in relation to financial products denominated in:	按下列貨幣列值的已發行的金融產品相關之結構性票據:		
EUR	歐元	22,476	66,927
HK\$	港元	1,984,614	1,114,482
US\$	美元	22,542,077	17,662,217
RMB	人民幣	1,959,014	434,387
Other currencies	其他貨幣	307,197	—
		26,815,378	19,278,013
		33,499,582	25,999,272

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27. Debt securities in issue (continued)

Notes:

- (a) The outstanding balance of HK\$6,684.2 million (2018: HK\$6,721.3 million) stated at amortised cost represents the amount of unsecured notes issued by the Company under the Company's Medium Term Note Programme (the "MTN Programme"). As at 31 December 2019, the debt securities in issue bore fixed interest rates ranging from 1.1% to 4.25% (2018: 1.0% to 3.5%). The carrying amounts of the debt securities in issue approximate to their fair values as the impact on discounting is not significant.
- (b) The outstanding balance of HK\$26,815 million (2018: HK\$19,278 million) represented the amount of unlisted structured notes which arose from selling structured products under the MTN Programme with underlying investments related to listed equity investments, listed debt investments, unlisted debt investments, unlisted fund investments and derivatives.

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2018: Nil).

Part of debt securities in issue are repayable on demand and the Group has a practice to satisfy the request for redemption on the settlement date.

27. 已發行債務證券(續)

附註：

- (a) 按攤銷成本列賬的未償還餘額 6,684.2 百萬港元 (二零一八年：6,721.3 百萬港元) 指本公司根據本公司中期票據計劃 (「中期票據計劃」) 發行的無抵押票據款額。於二零一九年十二月三十一日，已發行債務證券按固定利率 1.1% 至 4.25% (二零一八年：1.0% 至 3.5%) 計息。由於對貼現的影響並不大，已發行債務證券的賬面值與其公平值相若。
- (b) 未償還餘額 26,815 百萬港元 (二零一八年：19,278 百萬港元) 指根據中期票據計劃銷售結構產品產生的非上市結構性票據款額，相關投資與上市股本投資、上市債務投資、非上市債務投資、非上市基金投資及衍生工具有關。

本集團於年內並無拖欠任何本金、利息或其他未履行其責任的情況 (二零一八年：無)。

已發行債務證券部分須按要求償還，而本集團的慣例為在結算日期滿足贖回要求。

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28. Financial liabilities at fair value through profit or loss

28. 按公平值計入損益的金融負債

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Financial liabilities held for trading:	持作買賣的金融負債：		
– Listed equity securities	– 上市股本證券	20,472	41,913
– Listed fixed income securities	– 上市固定收益證券	2,200,728	3,334,378
Financial liabilities designated at fair value through profit or loss	指定按公平值計入損益的金融負債		
– Financial products (note (a))	– 金融產品(附註(a))	4,103,810	5,037,089
– Other financial instruments	– 其他金融工具	55,386	–
– Third-party interests in consolidated investment funds (note (b))	– 納入合併投資基金的第三方權益(附註(b))	430,184	317,737
		6,810,580	8,731,117

Notes:

- (a) Included in the fair value in financial products is cash collateral of HK\$480 million (31 December 2018: HK\$1,577 million) received from counterparty.

The amount of change in fair value of financial liabilities at fair value through profit or loss, during the year and cumulatively, attributable to changes in own credit risk was insignificant.

- (b) Third-party interests in consolidated investment funds consist of third-party unitholders' interests in consolidated investment funds which are reflected as liabilities since they can be put back to the Group for cash. The realisation of third-party interests in investment funds cannot be predicted with accuracy since these represent the interests of third-party unitholders in consolidated investment funds that are subject to market risk and the actions of third-party investors.

附註：

- (a) 金融產品之公平值包括從對手方收取的現金抵押品480百萬港元(二零一八年十二月三十一日：1,577百萬港元)。

於年內，因本身信貸風險變動累積而導致按公平值計入損益的金融負債公平值出現的金額變動並不重大。

- (b) 納入合併投資基金的第三方權益包括納入合併投資基金的第三方單位持有人權益，由於該等權益可退回本集團以收取現金，故列為負債。投資基金中第三方權益的變現無法準確預測，乃因有關權益代表由納入合併投資基金的第三方單位持有人的權益，並受制於市場風險及第三方投資者的行為。

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29. Obligations under repurchase agreements

The obligations under repurchase agreements arise when the securities are sold by the Group with a concurrent agreement to repurchase at a specified later date and price. The amount received by the Group is recognised as liabilities as the Group retains substantially all risks and returns of the securities.

As at 31 December 2019, the outstanding amount received from repurchase agreements was HK\$18,199,226,000 (2018: HK\$13,156,517,000) which was recognised as obligations under repurchase agreements.

Fair value of financial assets under the repurchase agreements:

29. 回購協議的債項

本集團根據回購協議出售證券，連帶同時訂立一項協議以按指定其後日期及價格回購證券。本集團收取的款項確認為負債，原因是本集團保留證券的絕大部分風險及回報。

於二零一九年十二月三十一日，自回購協議收取的未結清款項為18,199,226,000港元(二零一八年：13,156,517,000港元)，並確認為回購協議的債項。

回購協議項下金融資產的公平值：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Financial assets held for trading and investments	持作買賣及投資的金融資產		
– Listed fixed income securities	– 上市固定收益證券	7,997,279	6,174,839
– Unlisted fixed income securities	– 非上市固定收益證券	194,100	219,346
Financial assets at fair value through profit or loss	按公平值計入損益的金融資產		
– Financial products	– 金融產品	13,800,325	12,520,221
Clients' pledged securities	客戶質押證券	1,678,215	–
		23,669,919	18,914,406

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30. Other equity instrument

On 15 June 2016, the Company issued US\$300 million subordinated perpetual securities (the "Perpetual Securities") with an initial distribution rate of 4.5% per annum. Distributions are paid semi-annually in arrears and the first distribution date was 30 October 2016. The Company may, at its sole discretion, elect to defer any distribution. The Perpetual Securities do not have a maturity date and are only callable at the Company's discretion on 30 April 2019 or on any distribution payment date after 30 April 2019. After 30 April 2019, the distribution rate will be reset to the 3-year US swap rate plus 8% per annum. The Perpetual Securities constitute direct, unconditional, subordinated and unsecured obligations of the Company and are classified as equity instruments and recorded as equity in the consolidated statement of financial position.

During the year ended 31 December 2019, the Company has fully repurchased/redeemed all the outstanding securities.

31. Share capital

		Number of issued and fully paid shares 已發行及繳足 股份數目	Share capital 股本 HK\$'000 千港元
At 1 January 2018	於二零一八年一月一日	7,005,680,485	6,118,060
Shares issued upon placing of shares	配售股份後發行股份	700,000,000	1,992,848
Shares issued upon exercise of share options under the share option scheme (note 32)	購股權計劃項下行使購股權而發行的股份(附註32)	9,992,605	14,948
At 31 December 2018, 1 January 2019 and 31 December 2019	於二零一八年十二月三十一日、二零一九年一月一日及二零一九年十二月三十一日	7,715,673,090	8,125,856

30. 其他權益工具

於二零一六年六月十五日，本公司發行3億美元的次級永續證券(「永續證券」)，初始分派率為年率4.5%。分派將於每半年期末時支付，首次分派日為二零一六年十月三十日。本公司可全權自行選擇延遞任何分派。永續證券並無到期日且本公司僅可於二零一九年四月三十日或二零一九年四月三十日後的任何分派支付日自行贖回。二零一九年四月三十日後，分派率將重設為三年期美元掉期利率加年率8%。永續證券構成本公司的直接、無條件、後償及無抵押責任，並分類為權益工具，於綜合財務狀況表中錄作權益。

於截至二零一九年十二月三十一日止年度，本公司已悉數購回／贖回所有流通在外的證券。

31. 股本

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32. Share option reserve

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of assisting in recruiting, retaining and motivating key staff members. The board of directors has the discretion to grant share options to employees and directors of any members of the Group, including independent non-executive directors. The Share Option Scheme became effective on 19 June 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date (i.e., 18 June 2020).

The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares of the Company in issue at the date of approval of the Share Option Scheme (i.e. 164,000,000 shares). The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time (i.e. 16,400,000 shares). Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or chief executive of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and ends on a date which is not later than ten years from the date of offer of the share options.

32. 購股權儲備

本公司設有一項購股權計劃(「購股權計劃」)，旨在協助招攬、挽留及激勵主要員工。董事會可酌情向本集團任何成員公司的僱員及董事(包括獨立非執行董事)授出購股權。購股權計劃於二零一零年六月十九日生效，而除非另行取消或修訂，否則將自該日期起十年(即至二零二零年六月十八日)有效。

購股權計劃項下授出的所有購股權獲行使而發行的股份總數不能合計超過在購股權計劃批准日本公司已發行股份的10%(即164,000,000股股份)。於任何十二個月期間內可根據購股權向購股權計劃下的每名合資格參與者發行的最高股份數目乃限於本公司於任何時間已發行股份的1%(即16,400,000股股份)。任何超出此限額的進一步授出購股權須經股東於股東大會上批准。

授予本公司董事或行政總裁，或彼等任何聯繫人的購股權，均須事先獲得獨立非執行董事的批准。此外，於任何十二個月期間內授予本公司主要股東或獨立非執行董事，或彼等任何聯繫人的任何購股權，凡超過本公司於任何時間已發行股份的0.1%或其總值(根據本公司於授出日期之股價計算)超過5百萬港元，均須於股東大會上事先取得股東的批准。

授出購股權的要約可由承授人自要約日期起計二十八日內於支付名義代價合共1港元後被接納。所授出購股權的行使期由董事釐定，最遲至自購股權要約日期起計滿十年之日為止。

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32. Share option reserve (continued)

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

On 11 September 2019, the Company granted 18,200,000 share options at the exercise price of HK\$1.45 per share to its directors and employees under the Share Option Scheme. Among the share options granted, 4,000,000 share options were granted to the directors of the Company. The option period of the share options is from 11 September 2019 to 10 September 2029. Every one-third of the share options granted will be vested on the first, second and third anniversaries of the date of grant respectively. The closing price of the Company's shares prior to the date of grant (i.e., 10 September 2019) was HK\$1.37 per share.

The fair value of the equity-settled share options was estimated on the date of grant using a binomial pricing model, taking into account the terms and conditions upon which the options were granted.

The following table lists out the key inputs to the model used for the share options granted in 2019:

Share price at the date of grant (per share)	HK\$1.39
Exercise price (per share)	HK\$1.45
Expected volatility	49.79%
Expected dividend yield	4.46%
Risk-free interest rate	1.10%
Weighted average share option price (per share)	HK\$0.52

The expected volatility and the expected dividend yield reflect the assumptions that the historical volatility and the historical dividend yield, respectively, are indicative of future trends, which may not necessarily be the actual outcome.

32. 購股權儲備(續)

購股權的行使價由董事釐定，惟不可低於以下最高者：(i)本公司股份於購股權要約日期在聯交所的收市價；及(ii)本公司股份於緊接要約日期前五個交易日在聯交所的平均收市價。

於二零一九年九月十一日，本公司已根據購股權計劃按行使價每股1.45港元向其董事及僱員授出18,200,000份購股權。在所授購股權當中，4,000,000份購股權獲授予本公司的董事。購股權的有效期自二零一九年九月十一日至二零二九年九月十日止。所授購股權的每三分之一將分別於授出日期的第一、二、三週年當日歸屬。本公司股份於授出之日前(即二零一九年九月十日)的收市價為每股1.37港元。

以權益結算購股權的公平值乃使用二項式定價模型於授出日期進行估計，並經計及購股權授出所依據的條款及條件。

下表列出於二零一九年授出之購股權所用模型的主要參數：

於授出日期的股價 (每股)	1.39港元
行使價(每股)	1.45港元
預期波幅	49.79%
預期股息收益率	4.46%
無風險利率	1.10%
加權平均購股權價格 (每股)	0.52港元

預期波幅及預期股息收益率反映過往波幅及過往股息收益率分別是未來趨勢指標的假設，而該指標不一定為實際結果。

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32. Share option reserve (continued)

Upon completion of the bonus issue on 9 July 2015, the exercise price and the number of shares to be issued and allotted under the outstanding share options had been adjusted pursuant to the terms of the Share Option Scheme in the manner set out below:

Date of share options granted 授出購股權的日期	Immediately before the completion of the bonus issue 緊接紅股發行完成前		Immediately after the completion of the bonus issue 緊隨紅股發行完成後	
	Exercise price per share 每股行使價	Number of outstanding options 未行使購股權的數目	Adjusted exercise price per share 經調整每股行使價	Adjusted number of outstanding options 經調整未行使購股權的數目
24/4/2012	HK\$2.48 2.48港元	4,856,448	HK\$0.827 0.827港元	14,569,344
10/1/2014	HK\$3.79 3.79港元	36,959,910	HK\$1.264 1.264港元	110,879,730
11/6/2015	HK\$14.56 14.56港元	4,500,000	HK\$4.854 4.854港元	13,500,000

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share option was exercised during the year ended 31 December 2019 (2018: 9,992,605 share options), resulting in the issue of no share (2018: 9,992,605 shares) for a total cash consideration of nil (2018: HK\$11,177,000). No amount (2018: HK\$3,771,000) was transferred from the share option reserve to the share capital account upon the exercise of the share options. After adjustment for the bonus issue, the weighted average share price at the date of exercise for share options exercised during the year was nil per share (2018: HK\$2.38).

For the year ended 31 December 2019, GJIHL has recognised an equity-settled share-based compensation expense of HK\$6,798,000 for the share options under the Share Option Scheme in profit or loss (2018: HK\$5,297,000).

32. 購股權儲備(續)

於二零一五年七月九日完成紅股發行後，按尚未行使購股權將予發行及配發的股份的行使價及數目已根據購股權計劃的條款調整如下：

購股權並無賦予持有人獲派股息或於股東大會上投票之權利。

截至二零一九年十二月三十一日止年度，概零份購股權獲行使(二零一八年：9,992,605份購股權)，導致零股股份發行(二零一八年：9,992,605股股份)，及換取現金代價總額零(二零一八年：11,177,000港元)。於購股權獲行使後，零款額(二零一八年：3,771,000港元)由購股權儲備轉撥至股本賬。於就紅股調整後於年內獲行使的購股權於行使日期的加權平均股價為每股零(二零一八年：2.38港元)。

截至二零一九年十二月三十一日止年度，國泰君安國際控股已就購股權計劃項下的購股權於損益確認以權益結算以股份為基礎的補償開支6,798,000港元(二零一八年：5,297,000港元)。

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32. Share option reserve (continued)

For the year ended 31 December 2019, 100,000, 50,000 and 9,000,000 share options were lapsed, forfeited and cancelled (2018: 2,050,000 and 3,000,000 share options were lapsed and forfeited, respectively) prior to the vesting date.

32. 購股權儲備(續)

截至二零一九年十二月三十一日止年度，100,000、50,000及9,000,000份購股權於歸屬日期前失效、沒收及註銷(二零一八年：分別有2,050,000及3,000,000份購股權失效或沒收)。

		2019 二零一九年		2018 二零一八年	
		Weighted average exercise price HK\$ 加權平均 行使價 每股港元	Number of options 購股權數目	Weighted average exercise price HK\$ per share 加權平均 行使價 每股港元	Number of options 購股權數目
At 1 January	於一月一日	1.971	65,844,303	2.071	70,886,908
Granted during the year	年內授出	1.450	18,200,000	1.720	10,000,000
Forfeited during the year	年內沒收	1.720	(50,000)	4.854	(3,000,000)
Lapsed during the year	年內失效	1.720	(100,000)	4.154	(2,050,000)
Cancelled during the year	年內註銷	4.854	(9,000,000)	—	—
Exercised during the year	年內行使	—	—	1.119	(9,992,605)
At 31 December	於十二月三十一日	1.498	74,894,303	1.971	65,844,303

At 31 December 2019, the Company had 74,894,303 (2018: 65,844,303) share options outstanding under the Share Option Scheme, which represents approximately 0.97% (2018: 0.85%) of the Company's shares in issue as at 31 December 2019. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 74,894,303 additional ordinary shares of the Company and additional share capital of HK\$112,193,000 (before issuance expenses). The option periods of the share options are from 24 April 2012 to 9 June 2021, from 10 January 2014 to 9 January 2024, from 13 July 2017 to 12 July 2027, 4 July 2018 to 3 July 2028 and 11 September 2019 to 10 September 2029.

於二零一九年十二月三十一日，本公司有74,894,303份(二零一八年：65,844,303份)購股權計劃項下尚未行使的購股權，佔本公司於二零一九年十二月三十一日已發行股份的約0.97%(二零一八年：0.85%)。根據本公司目前的資本架構，若其餘購股權悉數行使，會導致額外發行74,894,303股本公司普通股，以及額外股本112,193,000港元(未扣除發行開支)。購股權的期權行使期間為二零一二年四月二十四日至二零二一年六月九日、二零一四年一月十日至二零二四年一月九日、二零一七年七月十三日至二零二七年七月十二日、二零一八年七月四日至二零二八年七月三日及二零一九年九月十一日至二零二九年九月十日。

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33. Share award reserve

On 27 October 2011, the Company adopted the share award scheme (the "Share Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected employees (including directors) of any members of the Group (the "Selected Employees") pursuant to the terms of the scheme rules and trust deed of the Share Award Scheme. The share award scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date, i.e., 26 October 2021.

The aggregate number of the Awarded Shares permitted to be awarded under the Share Award Scheme throughout the duration of the Share Award Scheme is limited to 10% of the issued share capital of the Company as at the adoption date (i.e. 164,000,000 shares). The maximum number of the Awarded Shares which may be awarded to a Selected Employee in any 12-month period up to and including the date of award shall not in aggregate exceed 1% of the issued share capital of the Company as at the adoption date (i.e. 16,400,000 shares).

When a Selected Employee has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the board of directors of the Company at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the trustee shall transfer the relevant Awarded Shares to that employee at no cost.

The voting rights and powers of any shares held under the Share Award Scheme shall be exercised by the independent trustee who shall abstain from voting.

33. 股份獎勵儲備

於二零一一年十月二十七日，本公司採納股份獎勵計劃（「股份獎勵計劃」），據此，本公司股份（「獎勵股份」）可根據股份獎勵計劃的計劃規則及信託契據條款授予本集團任何成員公司的獲選僱員（包括董事）（「獲選僱員」）。股份獎勵計劃於採納日期生效，除非另行終止或修訂，否則將自該日期起十年（即至二零二一年十月二十六日）有效。

於股份獎勵計劃期間於股份獎勵計劃項下獲准授出的獎勵股份總數不得超過本公司於採納日期已發行股本的10%（即164,000,000股股份）。向獲選僱員授出的獎勵股份最高數目在由授出股份之日（包含此日）起計的任何十二個月內合共不得超逾本公司於採納日期已發行股本的1%（即16,400,000股股份）。

倘獲選僱員符合本公司董事會於作出有關獎勵時列明的全部歸屬條件（其中可能包括服務年期及／或表現的條件），便可獲取有關獎勵的本公司股份，受託人須無償向該名僱員轉讓有關獎勵股份。

獨立受託人有權行使股份獎勵計劃項下持有的股份的所有投票權及權力，惟獨立受託人將放棄投票。

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33. Share award reserve (continued)

Details of the Awarded Shares granted and unvested as at 31 December 2019 are set out below:

Date of Awarded Shares granted 授出獎勵股份的日期	Average fair value per share 每股平均公平值	Number of Awarded Shares granted 授出獎勵股份的數目	Number of Awarded Shares vested 已歸屬獎勵股份的數目	Number of Awarded Shares lapsed 已失效獎勵股份的數目	Number of Awarded Shares unvested 未歸屬獎勵股份的數目	Vesting dates 歸屬日期
13/4/2018	HK\$2.36 2.36港元	34,804,000	(21,450,000)	(3,690,000)	9,664,000	30/11/2020
16/4/2019	HK\$1.60 1.60港元	34,872,000	(11,767,000)	(1,824,000)	10,667,000	30/11/2020
					10,614,000	30/11/2021

The Group has recognised a share-based compensation expense of HK\$57,325,000 for the Awarded Shares under the Share Award Scheme in profit or loss (2018: HK\$69,471,000). 29,027,000 Awarded Shares have been either transferred to the grantees or sold in accordance with their instructions at no cost (2018: 26,063,000 Awarded Shares) for the year ended 31 December 2019.

3,826,000 Awarded Shares lapsed prior to their vesting date as a result of staff resignation for the year ended 31 December 2019 (2018: 3,908,000 Awarded Shares).

After considering the number of shares which were granted in prior years, as at 31 December 2019, the total number of the Awarded Shares that can be awarded was 2,509,000 which represent approximately 0.03% of the Company's shares in issue as at 31 December 2019.

33. 股份獎勵儲備(續)

於二零一九年十二月三十一日授出及未歸屬的獎勵股份的詳情載列如下：

本集團已就股份獎勵計劃項下的獎勵股份於損益確認以股份為基礎的補償開支57,325,000港元(二零一八年：69,471,000港元)。截至二零一九年十二月三十一日止年度，29,027,000股獎勵股份已按零成本轉讓予承授人或根據彼等的指示出售(二零一八年：26,063,000股獎勵股份)。

截至二零一九年十二月三十一日止年度，由於員工辭職，3,826,000股獎勵股份(二零一八年：3,908,000股獎勵股份)於歸屬日期前失效。

經考慮過往年度所授出之股份數目，於二零一九年十二月三十一日，可進行獎勵的獎勵股份總數為2,509,000股，約佔本公司於二零一九年十二月三十一日已發行股份的約0.03%。

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34. Shares held under the Share Award Scheme

Movements of shares held under the Share Award Scheme during the year are as follows:

		2019 二零一九年		2018 二零一八年	
		HK\$'000 千港元	Number of shares 股份數目	HK\$'000 千港元	Number of shares 股份數目
At 1 January	於一月一日	142,051	63,416,400	181,281	61,800,400
Purchased during the year	於年內購買	4,004	2,500,000	52,579	27,679,000
Vested and transferred out during the year	於年內歸屬或轉出	(72,997)	(29,027,000)	(91,809)	(26,063,000)
At 31 December	於十二月三十一日	73,058	36,889,400	142,051	63,416,400

During the year ended 31 December 2019, the trustee acquired 2,500,000 ordinary shares (2018: 27,679,000 ordinary shares) of the Company for the Share Award Scheme through purchases in the open market at a total cost, including related transaction costs, of approximately HK\$4,004,000 (2018: HK\$52,579,000).

35. Other Reserve

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

Other reserve of the Group as at 31 December 2019 and 2018 represents a merger reserve, being the difference between the issued share capital of HK\$31,980,000 of Guotai Junan (Hong Kong) Limited and the amount of share capital and share premium of HK\$1,268,440,000 of the Company transferred and issued to GJHL in exchange for the entire issued share capital of Guotai Junan (Hong Kong) Limited on 14 June 2010.

34. 股份獎勵計劃項下持有的股份

股份獎勵計劃項下持有的股份於年內的變動如下：

於截至二零一九年十二月三十一日止年度，受託人就股份獎勵計劃以總成本(包括相關交易成本)約4,004,000港元(二零一八年：52,579,000港元)在公開市場買入2,500,000股本公司普通股(二零一八年：27,679,000股普通股)。

35. 其他儲備

本集團的儲備金額及其變動於綜合權益變動表內呈報。

於二零一九年及二零一八年十二月三十一日，本集團其他儲備為合併儲備，即國泰君安(香港)有限公司的已發行股本31,980,000港元於二零一零年六月十四日與本公司向國泰君安控股轉讓及發行股本及股份溢價的(以換取國泰君安(香港)有限公司的全部已發行股本)金額1,268,440,000港元之間的差額。

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36. Commitments

Capital commitments

The Group had capital commitments for system upgrade and renovation of premises of approximately HK\$6,180,000 which were contracted but not provided for as at 31 December 2019 (2018: HK\$9,575,000).

Other commitments

The Group undertakes underwriting obligations on placing, IPO, takeover and merger activities and financial obligations to loan facilities granted to customers. As at 31 December 2019, the underwriting and financial obligations were approximately HK\$6 million and nil respectively (2018: HK\$451 million and HK\$53 million).

Operating lease commitments as at 31 December 2018

As at 31 December 2018, the Group had total future minimum lease payables under non-cancellable operating leases falling due as follows:

		2018 二零一八年 HK\$'000 千港元
Within one year	一年內	20,851
In the second to fifth years, inclusive	二至五年(包括首尾兩年)	33,192
		54,043

36. 承擔

資本承擔

本集團就升級系統及物業裝修作出資本承擔約6,180,000港元，該款項已訂約但並未於二零一九年十二月三十一日予以撥備(二零一八年：9,575,000港元)。

其他承擔

本集團為配售、首次公開發售、收購及合併活動承擔承銷責任及為授予客戶的貸款融資承擔融資責任。於二零一九年十二月三十一日，承銷及融資責任分別約為6百萬港元及零(二零一八年：451百萬港元及53百萬港元)。

於二零一八年十二月三十一日的經營租賃承擔

於二零一八年十二月三十一日，本集團根據不可撤銷經營租賃在下列期限內到期的未來應付的最低租賃款項總額如下：

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37. Directors' and chief executive's emoluments

(a) Directors and chief executive's current emoluments

The current emoluments of every director of the Company paid/payable by the Group for the years ended 31 December 2019 and 2018 are set out below:

Year ended 31 December 2019

Name of director	董事姓名	Directors' fees 董事袍金 HK\$'000 千港元	Salaries and allowances 薪金及津貼 HK\$'000 千港元	Discretionary bonuses 酌情花紅 HK\$'000 千港元	Employer's contribution to pension scheme 僱主向退休金計劃供款 HK\$'000 千港元	Total 總計 HK\$'000 千港元
<i>Executive directors:</i>		<i>執行董事:</i>				
Yim Fung (note (i))	閻峰(附註(i))	—	3,755	9,374	18	13,147
Wong Tung Ching	王冬青	—	3,528	5,621	18	9,167
Qi Haiying	祁海英	—	3,480	7,055	18	10,553
Li Guangjie	李光杰	—	3,420	4,996	18	8,434
<i>Non-executive directors:</i>		<i>非執行董事:</i>				
Liu Yiyong	劉益勇	—	—	—	—	—
Xie Lebin	謝樂斌	—	—	—	—	—
<i>Independent non-executive directors:</i>		<i>獨立非執行董事:</i>				
Fu Tingmei	傅廷美	550	—	—	—	550
Song Ming	宋敏	550	—	—	—	550
Tsang Yiu Keung	曾耀強	550	—	—	—	550
Chan Ka Keung Ceajer	陳家強	400	—	—	—	400
		2,050	14,183	27,046	72	43,351

37. 董事及最高行政人員酬金

(a) 董事及最高行政人員現時酬金

本集團截至二零一九年及二零一八年十二月三十一日止年度已付／應付本公司各董事現時的酬金載列如下：

截至二零一九年十二月三十一日止年度

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37. Directors' and chief executive's emoluments (continued)

(a) Directors and chief executive's current emoluments (continued) Year ended 31 December 2018

Name of director	董事姓名	Directors' fees 董事袍金 HK\$'000 千港元	Salaries and allowances 薪金及津貼 HK\$'000 千港元	Discretionary bonuses 酌情花紅 HK\$'000 千港元	Employer's contribution to pension scheme 僱主向退休金計劃供款 HK\$'000 千港元	Total 總計 HK\$'000 千港元
<i>Executive directors:</i>		<i>執行董事：</i>				
Yim Fung	閻峰	—	3,755	6,552	18	10,325
Wong Tung Ching	王冬青	—	3,528	3,780	18	7,326
Qi Haiying	祁海英	—	3,481	6,650	18	10,149
Li Guangjie	李光杰	—	3,420	4,312	18	7,750
<i>Non-executive directors:</i>		<i>非執行董事：</i>				
Liu Yiyong	劉益勇	—	—	—	—	—
Xie Lebin	謝樂斌	—	—	—	—	—
<i>Independent non-executive directors:</i>		<i>獨立非執行董事：</i>				
Fu Tingmei	傅廷美	550	—	—	—	550
Song Ming	宋敏	550	—	—	—	550
Tsang Yiu Keung	曾耀強	550	—	—	—	550
Chan Ka Keung Ceajer	陳家強	145	—	—	—	145
		1,795	14,184	21,294	72	37,345

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Note (i): Dr. Yim Fung is the executive director and chief executive officer of the Company.

37. 董事及最高行政人員酬金 (續)

(a) 董事及最高行政人員現時酬金(續) 截至二零一八年十二月三十一日止年度

年內並無董事或主要行政人員放棄或同意放棄任何薪酬的安排。

附註(i)：閻峰博士為本公司執行董事兼行政總裁。

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37. Directors' and chief executive's emoluments (continued)

(b) Directors and chief executive's deferred emoluments

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss and other comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

Certain directors were granted share awards under the share award scheme of the Company, further details of which are set out in note 33 to the financial statements. As at 31 December 2019, the total number of the Awarded Shares awarded to directors amounted to 5,461,000 and a share-based compensation expense of HK\$11.9 million has been recognised in profit or loss.

The amount of share-based compensation expense illustrated in the below table represents amortisation to profit or loss of the fair value of these share options and awarded shares granted to the directors measured at the respective grant dates.

37. 董事及最高行政人員酬金 (續)

(b) 董事及最高行政人員遞延酬金

於年內，若干董事於本公司購股權計劃項下就其為本集團提供的服務而獲授購股權，進一步詳情載於財務報表附註32。有關購股權的公平值(已於歸屬期間的損益及其他全面收益表中確認)乃於授出日期釐定，而計入本年度財務報表的金額已列入上述董事及主要行政人員薪酬披露中。

若干董事於本公司股份獎勵計劃項下獲授股份獎勵，進一步詳情載於財務報表附註33。於二零一九年十二月三十一日，授予董事的獎勵股份總數為5,461,000股，11.9百萬港元以股份為基礎的補償開支已於損益中確認。

下表所述以股份為基礎的補償開支金額為授予董事的購股權及獎勵股份按有關授出日期計量的公平值於損益中的攤銷金額。

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37. Directors' and chief executive's emoluments (continued)

(b) Directors and chief executive's deferred emoluments
(continued)
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37. 董事及最高行政人員酬金 (續)

(b) 董事及最高行政人員遞延酬金(續)
截至二零一九年十二月三十一日止年度

Name of director	董事姓名	Share-based compensation reserve 以股份為基礎補償儲備			
		Share option scheme 購股權計劃		Share award scheme 股份獎勵計劃	
		Date of grant 授出日期	Share option expense (Note 32) 購股權開支 (附註32) HK\$'000 千港元	Date of grant 授出日期	Share award expense (Note 33) 股份獎勵開支 (附註33) HK\$'000 千港元
<i>Executive directors:</i>					
Yim Fung (note (i))	閻峰(附註(i))	13/7/2017	179	13/4/2017	519
		4/7/2018	150	13/4/2018	1,207
		11/9/2019	95	16/4/2019	1,290
Wong Tung Ching	王冬青	13/7/2017	179	13/4/2017	524
		4/7/2018	150	13/4/2018	1,219
		11/9/2019	95	16/4/2019	744
Qi Haiying	祁海英	13/7/2017	179	13/4/2017	384
		4/7/2018	150	13/4/2018	1,093
		11/9/2019	95	16/4/2019	1,309
Li Guangjie	李光杰	13/7/2017	179	13/4/2017	251
		4/7/2018	150	13/4/2018	794
		11/9/2019	95	16/4/2019	849
<i>Non-executive directors:</i>					
Liu Yiyong	劉益勇		—		—
Xie Lebin	謝樂斌		—		—
<i>Independent non-executive directors:</i>					
Fu Tingmei	傅廷美		—		—
Song Ming	宋敏		—		—
Tsang Yiu Keung	曾耀強		—		—
Chan Ka Keung Ceajer	陳家強		—		—
			1,696		10,183

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37. Directors' and chief executive's emoluments (continued)

(b) Directors and chief executive's deferred emoluments
(continued)
Year ended 31 December 2018

37. 董事及最高行政人員酬金 (續)

(b) 董事及最高行政人員遞延酬金(續)
截至二零一八年十二月三十一日止年度

Name of director	董事姓名	Share-based compensation reserve 以股份為基礎補償儲備			
		Share option scheme 購股權計劃		Share award scheme 股份獎勵計劃	
		Date of grant 授出日期	Share option expense (note 32) 購股權開支 (附註32) HK\$'000 千港元	Date of grant 授出日期	Share award expense (note 33) 股份獎勵開支 (附註33) HK\$'000 千港元
<i>Executive directors:</i>		<i>執行董事:</i>			
Yim Fung (note (i))	閻峰(附註(i))	13/7/2017	405	18/4/2016	761
		4/7/2018	101	13/4/2017	1,404
				13/4/2018	2,200
Wong Tung Ching	王冬青	13/7/2017	405	18/4/2016	903
		4/7/2018	101	13/4/2017	1,419
				13/4/2018	2,222
Qi Haiying	祁海英	11/6/2015	756	18/4/2016	563
		13/7/2017	405	13/4/2017	1,039
		4/7/2018	101	13/4/2018	1,991
Li Guangjie	李光杰	13/7/2017	405	18/4/2016	451
		4/7/2018	101	13/4/2017	680
				13/4/2018	1,449
<i>Non-executive directors:</i>		<i>非執行董事:</i>			
Liu Yiyong	劉益勇		—		—
Xie Lebin	謝樂斌		—		—
<i>Independent non-executive directors:</i>		<i>獨立非執行董事:</i>			
Fu Tingmei	傅廷美		—		—
Song Ming	宋敏		—		—
Tsang Yiu Keung	曾耀強		—		—
Chan Ka Keung Ceajer	陳家強		—		—
			2,780		15,082

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37. Directors' and chief executive's emoluments (continued)

(b) Directors and chief executive's deferred emoluments (continued)

Note (i): Dr. Yim Fung is the executive director and chief executive officer of the Company.

For the year ended 31 December 2019, the directors received total remuneration amounting to HK\$55.2 million (2018: HK\$55.2 million), which included share-based compensation and share award expenses of approximately HK\$1.7 million (2018: HK\$2.8 million) attributable to share options granted and of HK\$10.2 million (2018: HK\$15.1 million) attributable to share awards granted by Company, part of which was in respect of their services to the Company.

37. 董事及最高行政人員酬金 (續)

(b) 董事及最高行政人員遞延酬金(續)

附註(i): 閻峰博士為本公司執行董事兼行政總裁。

截至二零一九年十二月三十一日止年度，董事收取的薪酬總額為55.2百萬港元(二零一八年：55.2百萬港元)，包括本公司授出的購股權應佔以股份為基礎的補償及股份獎勵開支約1.7百萬港元(二零一八年：2.8百萬港元)及授出的股份獎勵應佔10.2百萬港元(二零一八年：15.1百萬港元)，其中部分乃就彼等向本公司提供的服務而支付。

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38. Notes to the consolidated statement of cash flows 38. 綜合現金流量表附註

(a) Cash flows from operating activities

(a) 經營活動產生的現金流量

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Cash flows from operating activities	經營活動產生的現金流量		
Profit before tax	除稅前溢利	1,005,443	983,272
Adjustments for:	經調整：		
Depreciation	折舊	65,078	36,541
Share-based compensation expense	以股份為基礎的 補償開支	64,123	74,768
Unrealised (gain)/loss on financial instruments measured at fair value through profit and loss	按公平值計入損益的金 融工具未變現 (收益)/虧損	(1,972,662)	1,041,106
Unrealised loss/(gain) on debt securities in issue	已發行債務證券未變現 虧損/(收益)	1,515,460	(1,179,372)
Unrealised loss on derivative financial instruments	衍生金融工具 未實現虧損	34,138	9,703
Finance cost	融資成本	879,294	713,754
Interest income	利息收入	(1,941,948)	(1,809,156)
Dividend income	股息收入	(24,529)	(19,583)
Gain on disposal of intangible assets	出售無形資產收益	(978)	—
Loss on deposits forfeited	沒收存款虧損	490	—
Effect of impairment allowance on loans and advances to customers, net	給予客戶貸款及墊款 減值撥備影響淨額	908,530	265,870
Effect of impairment allowance on accounts receivable, net	應收款項減值撥備 影響淨額	1,949	(21,583)
Foreign exchange adjustment on provision of impairment on accounts receivable	應收款項減值撥備之 外匯調整	—	21
Effect of impairment allowance on client trust bank balance, net	客戶信託銀行結餘 減值撥備影響淨額	(6,594)	(4,610)
Effect of impairment allowance on loan commitments, net	貸款承擔減值 撥備影響淨額	(337)	324
Effect of impairment allowance on other receivables, net	其他應收款項 減值撥備影響淨額	(89)	85
Effect of impairment allowance on receivable from reverse repurchase agreements, net	反向回購協議應收款項 減值撥備影響淨額	4,254	(27)
Effect of impairment allowance on cash and cash equivalents, net	現金及現金等價物減值 撥備影響淨額	244	12
Effect of impairment allowance on bank deposits, net	銀行存款減值撥備影響 淨額	758	—
		532,624	91,125

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38. Notes to the consolidated statement of cash flows (continued)

(a) Cash flows from operating activities (continued)

(a) 經營活動產生的現金流量(續)

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
(Increase)/decrease in other assets	其他資產(增加)／減少	(703)	7,643
Increase in financial assets at fair value through profit or loss	按公平值計入損益的金融資產增加	(7,909,347)	(14,251,548)
Decrease in derivative financial instruments	衍生金融工具減少	13,273	19,824
(Increase)/decrease in loans and advances to customers	給予客戶的貸款及墊款(增加)／減少	(360,767)	3,094,939
Decrease/(increase) in accounts receivable	應收款項減少／(增加)	1,194,275	(978,259)
Decrease/(increase) in receivable from reverse repurchase agreements	反向回購協議應收款項減少／(增加)	856,839	(1,595,802)
Increase in obligations under repurchase agreements	回購協議的債項增加	5,042,709	6,911,560
Decrease/(increase) in prepayments, deposits and other receivables	預付款項、按金及其他應收款項減少／(增加)	54,343	(208,964)
(Decrease)/increase in financial liabilities at fair value through profit or loss	按公平值計入損益的金融負債(減少)／增加	(3,083,417)	2,274,131
Decrease/(increase) in client trust bank balances	客戶信託銀行結餘減少／(增加)	3,169,046	(1,967,363)
Decrease in restricted cash	受限制現金減少	128,975	—
Increase in time deposits	定期存款增加	(92,483)	(484)
Increase in bank deposits	銀行存款增加	(67,198)	—
(Decrease)/increase in accounts payable	應付款項(減少)／增加	(4,320,821)	1,931,591
Increase in other payables and accrued liabilities	其他應付款項及應計負債增加	152	15,263
Cash used in operations	經營業務動用現金	(4,842,500)	(4,656,344)
Hong Kong profits tax paid	已付香港利得稅	(55,905)	(261,184)
Interest received	已收利息	1,921,008	1,698,988
Interest paid	已付利息	(834,051)	(665,035)
Dividend received	已收股息	24,529	26,293
Net cash flows used in operating activities	經營活動動用現金流量淨額	(3,786,919)	(3,857,282)

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38. Notes to the consolidated statement of cash flows (continued)

(b) Changes in liabilities arising from financing activities

		Bank borrowings 銀行借款 HK\$'000 千港元	Lease liabilities 租賃負債 HK\$'000 千港元	Debt securities in issue 已發行債務證券 HK\$'000 千港元
At 1 January 2018	於二零一八年一月一日	13,781,721	—	16,363,891
Changes from financing cash flows	融資現金流量變動	(4,344,427)	—	10,829,808
Foreign exchange movement, net	外匯變動淨額	3,789	—	(15,055)
Interest expense	利息開支	293,763	—	202,479
Interest paid classified as operating cash flows	分類為經營現金流量的已付利息	(294,414)	—	(183,916)
Changes in interest payable	應付利息變動	651	—	(18,563)
Unrealised gain on debt securities in issue	已發行債務證券未實現收益	—	—	(1,179,372)
At 31 December 2018	於二零一八年十二月三十一日	9,441,083	—	25,999,272
Effect of adoption of HKFRS 16	採納香港財務報告準則第16號的影響	—	51,106	—
At 1 January 2019	於二零一九年一月一日	9,441,083	51,106	25,999,272
Changes from financing cash flows	融資現金流量變動	1,812,849	(23,895)	6,125,116
Foreign exchange movement, net	外匯變動淨額	(52,822)	10	(140,266)
Interest expense	利息開支	319,163	1,862	240,618
Increase arising from acquisition of a subsidiary	因收購一間附屬公司而上升	—	2,610	—
New leases	新租賃	—	17,078	—
Interest paid classified as operating cash flows	分類為經營現金流量的已付利息	(319,304)	—	(204,590)
Changes in interest payable	應付利息變動	141	—	(36,028)
Unrealised loss on debt securities in issue	已發行債務證券未實現虧損	—	—	1,515,460
At 31 December 2019	於二零一九年十二月三十一日	11,201,110	48,771	33,499,582

(c) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$17,078,000 and HK\$17,078,000, respectively, in respect of lease arrangements for property, plant and equipment (2018: nil).

(b) 融資活動產生的負債變動

(c) 主要非現金交易

於年內，本集團就物業、廠房及設備的租賃安排分別以非現金添置使用權資產及租賃負債17,078,000港元及17,078,000港元(2018年：零)。

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39. Unconsolidated structured entity

A structured entity is an entity in which voting rights are not the dominant factor in deciding control. Structured entity is generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.

Depending on the Group's power over the activities of the entity and its exposure to and the ability to influence its own returns, it may consolidate the entity. In other cases, it may sponsor or have an interest in such an entity but does not consolidate it. The Group sponsors an entity when:

- (i) It is the majority user of the entity;
- (ii) Its name appears in the name of the entity or on the products issued by the entity;
- (iii) It provides implicit or explicit guarantees of the entity's performance; and
- (iv) It led the formation of the entity.

Income from the sponsored structured entity and assets transferred to the structured entity are as follows:

	2019 二零一九年			2018 二零一八年		
	Interest income 利息收入 HK\$'000 千港元	Commission and fees 佣金及費用 HK\$'000 千港元	Assets transferred 已轉讓資產 HK\$'000 千港元	Interest income 利息收入 HK\$'000 千港元	Commission and fees 佣金及費用 HK\$'000 千港元	Assets transferred 已轉讓資產 HK\$'000 千港元
Assets securitisations 資產證券化	19,717	7,164	174,248	4,053	15,635	597,963

39. 未綜合結構性實體

結構性實體為投票權並非決定控制權的主導因素的實體。結構性實體通常為實現某一狹窄而明確界定的目標而設，其持續經營活動受到限制。

視乎本集團對實體活動的權力及其受實體回報的影響程度及其影響實體回報的能力而定，其可能將實體綜合入賬。在其他情況下，其可能資助實體或於實體中擁有權益，但不將實體綜合入賬。下列情況屬本集團贊助一間實體：

- (i) 其為該實體的主要用戶；
- (ii) 其名稱出現在該實體的名稱或該實體發行的產品上；
- (iii) 其為該實體的業績提供隱含或明確的擔保；及
- (iv) 其牽頭成立該實體

來自受贊助的結構性實體的收入及轉讓予結構性實體的資產如下：

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40. Five highest paid individuals

Excluding amounts paid or payable by way of commission of sales generated by the individuals, the five highest paid employees during the year included two (2018: two) directors, details of whose remuneration are set out in note 37 above. Details of the remuneration of the remaining three (2018: three) non-director and highest paid employees for the year are as follows:

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Salaries and allowances	薪金及津貼	9,114	8,286
Discretionary bonuses	酌情花紅	27,300	23,100
Employer's contribution to pension scheme	僱主向退休金計劃供款	54	54
Sub-total	小計	36,468	31,440
Share-based compensation reserve	以股份為基礎補償儲備		
- Share option expense	- 購股權開支	528	556
- Share award expense	- 股份獎勵開支	9,643	10,958
Total	總計	46,639	42,954

The number of non-director of the Company and highest paid employees of the Group whose emoluments fell within the following bands is as follows:

40. 五位最高薪酬人士

除以個別人士產生的銷售佣金的方式支付或應付的款項外，年內五位最高薪酬僱員包括兩名(二零一八年：兩名)董事，其薪酬詳情載於上文附註37。年內其餘三名(二零一八年：三名)非董事及最高薪酬僱員的薪酬詳情如下：

非本公司董事，而為本集團最高薪酬僱員的人數及其酬金範圍如下：

		2019 二零一九年 Number of employees 僱員人數	2018 二零一八年 Number of employees 僱員人數
Emolument bands	酬金範圍		
- HK\$12,500,001 to HK\$13,000,000	- 12,500,001港元至13,000,000港元	-	1
- HK\$13,500,001 to HK\$14,000,000	- 13,500,001港元至14,000,000港元	-	1
- HK\$14,000,001 to HK\$14,500,000	- 14,000,001港元至14,500,000港元	1	-
- HK\$14,500,001 to HK\$15,000,000	- 14,500,001港元至15,000,000港元	1	-
- HK\$16,000,001 to HK\$16,500,000	- 16,000,001港元至16,500,000港元	-	1
- HK\$17,000,001 to HK\$17,500,000	- 17,000,001港元至17,500,000港元	1	-
		3	3

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41. Related party transactions

- (a) In addition to the transactions and balances set out elsewhere in the financial statements, the Group had the following material transactions with related parties during the year.

41. 關聯方交易

- (a) 除於財務報表另行載列的交易及結餘外，本集團於年內與關聯方進行以下重大交易。

			2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Commission expenses to the ultimate holding company	支付予最終控股公司的佣金開支	(i)	(978)	(1,644)
Commission expenses to the ultimate holding company for trading in RMB Qualified Foreign Institutional Investors (RQFII) account	就於人民幣合格境外機構投資者(RQFII)賬戶內交易支付予最終控股公司的佣金開支	(ii)	(53)	(352)
Professional and consultancy fees paid to fellow subsidiaries	支付予同系附屬公司的專業及諮詢費	(iii)	(30,373)	(27,017)
Management fee income and performance fee income of a private fund managed by a wholly-owned subsidiary of the Company and invested by a fellow subsidiary	自本公司全資附屬公司管理及同系附屬公司投資的私募基金收取的管理費收入及表現費收入	(iv)	1,579	5,148
Commission income received from the private fund mentioned in note (iv)	自附註(iv)所述的私募基金收取的佣金收入	(v)	184	177
Commission income of a public fund managed by a fellow subsidiary	自同系附屬公司管理的公募基金收取的佣金收入	(vi)	24	41
Commission income from an intermediate holding company	自中介控股公司收取的佣金收入	(vii)	132	1,073
Commission income from the ultimate holding company	自最終控股公司收取的佣金收入	(viii)	15,882	23
Underwriting commission income from the ultimate holding company	自最終控股公司收取的包銷佣金收入	(ix)	18,563	—

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41. Related party transactions (continued)

(a) (continued)

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
	Notes 附註		
Management fee income from a public fund managed by a wholly-owned subsidiary of the Company and controlled by the intermediate holding company	自本公司全資附屬公司管理及中介控股公司控制的公募基金收取的管理費收入	—	417
	(x)		
Management fee income and handling fee income from a public fund managed by a wholly-owned subsidiary of the Company and invested by a fellow subsidiary	自本公司全資附屬公司管理及同系附屬公司投資的公募基金收取的管理費收入及手續費收入	—	4,223
	(xi)		
Commission income from a public fund	自公募基金收取的佣金收入	—	398
	(xii)		
Commission income from a fellow subsidiary	自同系附屬公司收取的佣金收入	283	1,066
	(xiii)		
Commission income and handling income from another fellow subsidiary	自另一同系附屬公司收取的佣金收入及手續費收入	271	64
	(xiv)		
Commission income from an immediate holding company	自直接控股公司收取的佣金收入	5	610
	(xv)		
Equity distribution on Perpetual Securities paid to the intermediate holding company	支付予中介控股公司的永續證券權益分派	—	(17,621)
	(xvi)		
Consultancy service fee and corporate finance service fee paid to the ultimate holding company and intermediate holding company	支付予最終控股公司及中介控股公司的諮詢服務費及企業融資服務費	(28,821)	(26,808)
	(xvii)		
Management fee income and handling fee income from a private fund managed by a wholly-owned subsidiary of the Company and controlled by an intermediate holding company	自本公司全資附屬公司管理及中介控股公司控制的私募基金收取的管理費收入及手續費收入	1,166	800
	(xviii)		

41. 關聯方交易 (續)

(a) (續)

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41. Related party transactions (continued)

(a) (continued)

Notes:

- (i) The commission expenses to the ultimate holding company were calculated based on the percentage of the transaction value stated in the Cooperation Agreement signed with a wholly-owned subsidiary of the Company.
- (ii) The commission expenses to the ultimate holding company were calculated based on the percentage of the transaction value through RQFII account as stated in the Cooperation Agreement signed with a wholly-owned subsidiary of the Company.
- (iii) The professional and consultancy fees paid to the fellow subsidiaries for the provision of capital market information were charged at HK\$30,373,000 for the year ended 31 December 2019 (2018: HK\$27,017,000).
- (iv) The management fee income and performance fee income received from a private fund managed by a wholly-owned subsidiary of the Company and invested by a fellow subsidiary were charged at 1.5% per annum of the net asset value at the last working day of each month and 20% of the positive increment in the net asset value for the year ended 31 December 2019.
- (v) The commission fees received from the private fund mentioned in note (iv) above included commission income which was based on 0.15% (2018: 0.15%) of the transaction value.
- (vi) The commission income received from the public fund managed by the fellow subsidiary was based on the pricing stated in the signed brokerage agreement with the wholly-owned subsidiary of the Company.
- (vii) The commission income received from the intermediate holding company was based on the pricing stated in the signed brokerage agreement with wholly-owned subsidiaries of the Company.

41. 關聯方交易(續)

(a) (續)

附註：

- (i) 支付予最終控股公司的佣金開支乃按與本公司的一家全資附屬公司簽立的合作協議列明的交易值百分比計算。
- (ii) 支付予最終控股公司的佣金開支乃按與本公司的一家全資附屬公司簽立的合作協議列明的透過RQFII賬戶交易值百分比計算。
- (iii) 截至二零一九年十二月三十一日止年度就同系附屬公司提供資本市場資料的專業及諮詢費支付30,373,000港元(二零一八年：27,017,000港元)。
- (iv) 自本公司全資附屬公司管理及同系附屬公司投資的私募基金收取的管理費收入及表現費收入按截至二零一九年十二月三十一日止年度各月最後一個工作日的資產淨值每年1.5%以及資產淨值增加額的20%收費。
- (v) 自上文附註(iv)所述私募基金收取的佣金費用包括按交易值的0.15%(二零一八年：0.15%)計算的佣金收入。
- (vi) 自同系附屬公司管理的公募基金收取的佣金收入按與本公司一家全資附屬公司簽立的經紀協議列明的定價收費。
- (vii) 自中介控股公司收取的佣金收入乃按與本公司全資附屬公司簽立的經紀協議列明的定價收費。

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41. Related party transactions (continued)

(a) (continued)

Notes: (continued)

- (viii) The commission income received from the ultimate holding company was based on the pricing stated in the signed brokerage agreement with a wholly-owned subsidiary of the Company.
- (ix) The underwriting commission income received from the ultimate holding company was based on the underwriting agreement with the ultimate holding company.
- (x) The management fee income received from a public fund in 2018 was managed by a wholly-owned subsidiary of the Company and controlled by the intermediate holding company. The management fee income was based on a percentage prescribed in the respective investment management agreements.
- (xi) The management fee income and handling fee income received from a public fund in 2018 was managed by a wholly-owned subsidiary of the Company and invested by a fellow subsidiary and the intermediate holding company. The management fee income and handling fee income was based on the percentage prescribed in the investment management agreement.
- (xii) The commission income received in 2018 from a public fund mentioned in note (xi) above was based on the percentage stated in the signed brokerage agreement with another wholly-owned subsidiary of the Company.
- (xiii) The commission income received from a fellow subsidiary was based on the pricing stated in the signed brokerage agreement with a wholly-owned subsidiary of the Company.
- (xiv) The commission income and handling income received from another fellow subsidiary were based on the pricing stated in the signed brokerage agreement with a wholly-owned subsidiary of the Company.

41. 關聯方交易(續)

(a) (續)

附註：(續)

- (viii) 自最終控股公司收取的佣金收入乃按與本公司一家全資附屬公司簽立的經紀協議列明的定價收費。
- (ix) 自最終控股公司收取的包銷佣金收入按與最終控股公司簽立的包銷協議收費。
- (x) 二零一八年自本公司全資附屬公司管理並由中介控股公司控制的公募基金收取的管理費收入按相關投資管理協議規定的百分比收取。
- (xi) 二零一八年自本公司全資附屬公司管理並由同系附屬公司及中介控股公司投資的公募基金收取的管理費收入及手續費收入按相關投資管理協議規定的百分比收取。
- (xii) 二零一八年自上文附註(xi)所述公募基金收取的佣金收入乃按與本公司另一家全資附屬公司簽立的經紀協議列明的百分比收費。
- (xiii) 自同系附屬公司收取的佣金收入乃按與本公司一家全資附屬公司簽立的經紀協議列明的定價收費。
- (xiv) 自另一同系附屬公司收取的佣金收入及手續費收入乃按與本公司一家全資附屬公司簽立的經紀協議列明的定價收費。

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41. Related party transactions (continued)

(a) (continued)

Notes: (continued)

- (xv) The commission income received from an immediate holding company was based on the pricing stated in the signed brokerage agreement with an immediate holding company of the Company.
- (xvi) The equity distribution on Perpetual Securities paid to the intermediate holding company was based on the initial distribution rate stated in the subscription agreement with the Company.
- (xvii) The consultancy service fee and corporate finance service fee paid to the ultimate holding company and intermediate holding company were based on the pricing stated in consultancy services and corporate finance services agreements with wholly-owned subsidiaries of the Company.
- (xviii) The management fee and handling income received from a private fund managed by a wholly-owned subsidiary of the Company and controlled by an intermediate holding company were based on the percentage prescribed in the investment management agreement for the year ended 2019.
- (xix) Included in the Group's accounts payable was a broker payable due to the ultimate holding company of HK\$18,504,000 (2018: HK\$6,383,000) arising from dealing in securities as at 31 December 2019. The balance was unsecured, interest-free and payable on the settlement day under the relevant market practices.
- (xx) Included in the Group's accounts receivable was a broker receivable due from the ultimate holding company of HK\$38,658,000 (2018: HK\$17,644,000) arising from dealing in securities as at 31 December 2019. The credit terms provided to the ultimate holding company were consistent with the practice of the securities dealing industry. The balance was unsecured, interest-free and receivable on the settlement day under the relevant market practices.

41. 關聯方交易(續)

(a) (續)

附註：(續)

- (xv) 自直接控股公司收取的佣金收入乃按與本公司直接控股公司簽立的經紀協議列明的定價收費。
- (xvi) 支付予中介控股公司的永續證券權益分派按與本公司訂立的認購協議列明的初始分派率分派。
- (xvii) 支付予最終控股公司與中介控股公司的諮詢服務費及企業融資服務費按與本公司全資附屬公司的諮詢服務及企業融資服務協議所載定價收取。
- (xviii) 自本公司全資附屬公司管理及中介控股公司控制的私募基金收取的管理費及手續費收入乃根據截至二零一九年的投資管理協議所訂明的百分比。
- (xix) 本集團的應付款項包括於二零一九年十二月三十一日買賣證券產生的應付最終控股公司證券交易款項18,504,000港元(二零一八年：6,383,000港元)。根據相關市場慣例，該結餘為無抵押、免息及須於結算日支付。
- (xx) 本集團的應收款項包括於二零一九年十二月三十一日買賣證券產生的應收最終控股公司證券交易款項38,658,000港元(二零一八年：17,644,000港元)。向最終控股公司提供的信貸條款與證券買賣行業的慣例一致。根據相關市場慣例，該結餘為無抵押、免息及須於結算日收取。

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41. Related party transactions (continued)

(a) (continued)

Notes: (continued)

(xxi) Included in the Group's prepayment, deposits and other receivable of HK\$50,443,000 (2018: HK\$13,763,000) was an advance prepayment to the fellow subsidiary for professional and consultancy fee mentioned in the note (iii).

(xxii) Included in the accounts receivable were management fee and performance fee receivables due from an investment fund managed by the Group mentioned above of HK\$150,000 (2018: HK\$649,000) arising from the provision of asset management services as at 31 December 2019 mentioned in notes (iv) and (xviii). The balances were unsecured, interest-free and receivable monthly in arrears.

(xxiii) Included in the Group's accounts payable were amounts due to the intermediate holding company of nil (2018: HK\$11,371,000), the ultimate holding company of HK\$5,212,000 (2018: HK\$79,000), the fellow subsidiary of HK\$57,419,000 (2018: HK\$56,300,000) and another fellow subsidiary of HK\$38,702,000 (2018: HK\$15,930,000) arising from dealing in securities, futures and foreign exchange as at 31 December 2019. The balances were unsecured, interest-free and payable on demand.

(xxiv) Included in the Group's accounts payable were the accounts payable to the ultimate holding company mentioned in note (xvii) for the consulting service fee and corporate finance service fee of HK\$11,055,000 (2018: HK\$5,000,000) as at 31 December 2019.

41. 關聯方交易(續)

(a) (續)

附註：(續)

(xxi) 本集團的預付款項、按金及其他應收款項 50,443,000 港元(二零一八年：13,763,000 港元)包括就附註(iii)所述專業及諮詢費向同系附屬公司的墊款預付款項。

(xxii) 應收款項包括附註(iv)及(xviii)所述於二零一九年十二月三十一日提供資產管理服務產生的應收由上述本集團管理投資基金的管理費款項及表現費款項 150,000 港元(二零一八年：649,000 港元)。該結餘乃無抵押、免息及須於每月後收取。

(xxiii) 於二零一九年十二月三十一日，本集團之應付款項包括因買賣證券、期貨及外匯產生之應付中介控股公司款項零港元(二零一八年：11,371,000 港元)、應付最終控股公司 5,212,000 港元(二零一八年：79,000 港元)、應付同系附屬公司 57,419,000 港元(二零一八年：56,300,000 港元)及應付另一間同系附屬公司 38,702,000 港元(二零一八年：15,930,000 港元)。該結餘乃無抵押、免息及須於要求時支付。

(xxiv) 於二零一九年十二月三十一日本集團的應付款項包括於上文附註(xvii)所述給予最終控股公司的諮詢服務費及企業融資服務費 11,055,000 港元(二零一八年：5,000,000 港元)。

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41. Related party transactions (continued)

(a) (continued)

The Group's ultimate holding company, GJSCL, is subject to the control of the PRC Government which also controls a significant portion of assets and entities in the PRC (collectively referred to as "state-owned enterprises"). Therefore, transactions with state-owned enterprises are regarded as related party transactions.

Majority of the bank borrowings and deposits of the Group were entered into with state-owned banks. In addition, the Group enters into transactions with state-owned enterprises that relate to the Group's normal business activities, including but not limited to brokerage services, corporate finance business, asset management business, loan and financing business and investment holding and market making business. These transactions are entered into in the ordinary course of business at an arm's length and under the normal commercial terms and conditions as to those that would have been entered into with non-state-owned enterprises, which were not considered as individually significant in accordance with HKAS 24.

The related party transactions in respect of items (i), (ii), (iii), (vi), (vii), (viii), (ix), (xiii), (xv) and (xvii) also constitute continuing connected transactions to be disclosed in the annual report as defined in Chapter 14A of the Listing Rules.

(b) Details of the remuneration of the key management personnel of the Group are disclosed in note 37 to the financial statements.

41. 關聯方交易(續)

(a) (續)

本集團的最終控股公司國泰君安控股受中國政府控制，而中國政府亦控制中國國內的大部分資產及實體(統稱為「國有企業」)。因此，與國有企業的交易均被視為關聯方交易。

本集團大部分銀行借款及存款均與國有銀行訂立。此外，本集團與國有企業進行與本集團日常業務活動有關的交易，包括但不限於經紀服務、企業融資業務、資產管理業務、貸款及融資業務、投資控股及做市業務。該等交易乃於日常業務過程中公平地按與非國有企業進行的交易類似的正常商業條款及條件進行，並按照香港會計準則第24號沒有被視為個別重大交易。

上文第(i)、(ii)、(iii)、(vi)、(vii)、(viii)、(ix)、(xiii)、(xv)及(xvii)項的關聯方交易亦構成須於年報披露之持續關連交易(定義見上市規則第十四A章)。

(b) 本集團主要管理人員薪酬詳情於財務報表附註37披露。

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財務報表附註

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42. Financial risk management

The Group's activities mainly expose to such financial risks as credit risk, market risk and liquidity risk. The Group's overall risk management framework focuses on the analysis, evaluation, acceptance and monitoring of these risks which are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise any potential adverse effect on the Group's financial performance.

The Group's risk management policies are approved by the board of directors and are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and adherence to limits by means of reliable and up-to-date information. The board of directors provides written principles for overall risk management. The Group regularly reviews its risk management policies to reflect any change in the market and clients.

The main financial risks arising from the Group's financial instruments are credit risk, market risk and liquidity risk. The policies for managing each of these risks are summarised below:

Credit risk

Credit exposures arise principally from loans and advances to customers, accounts receivable, debt securities, bank balances and client trust bank balances which are included in the Group's asset portfolio.

Credit risk limit control and mitigation policies

The board of directors delegates to the credit committee and risk management committee the duties to monitor the credit risk of the Group. Members of the credit committee and risk management committee include, inter alia, the chief executive officer, responsible officers, the chief financial officer and the head of related control departments. The credit committee is responsible for the development of financing business and approval of major credit exposure and the risk management committee to provide independent supervision of all credit risk metrics and limits.

42. 金融風險管理

本集團的業務主要面臨該等金融風險、信貸風險、市場風險及流動資金風險。本集團整體風險管理框架集中於分析、評估、接受及監控該等於業務過程中不可避免的風險。因此，本集團的目標為適當地平衡風險與回報，並將對本集團財務表現潛在的任何不良影響減至最低。

本集團的風險管理政策由董事會批准，旨在識別及分析上述風險，設定適當的風險限額並控制及監控風險及使用可靠及先進的資訊以嚴守限額。董事會就整體風險管理制定書面原則。本集團定期檢討其風險管理政策，以反映市場及客戶的任何變動。

本集團金融工具產生的主要金融風險為信貸風險、市場風險及流動資金風險。管理各項風險的政策概括如下：

信貸風險

信貸風險主要源自本集團資產組合中的給予客戶的貸款及墊款、應收款項、債務證券、銀行結餘及客戶信託銀行結餘。

信用風險限額控制及緩釋政策

董事會委派信貸委員會及風險管理委員會監控本集團信貸風險。信貸委員會及風險管理委員會包括(其中包括)行政總裁、負責人員、首席財務總監及相關監控部門主管。信貸委員會負責發展金融業務及批准主要信貸風險及風險管理委員會獨立監察所有信貸風險參數及限額。

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42. Financial risk management (continued)

Credit risk (continued)

Credit risk limit control and mitigation policies (continued)

The risk management department and equity finance department are responsible for approval, monitoring and review of the Group's credit risk of margin clients. It is also responsible for making settlement calls when the trades of margin clients exceed their respective limits. Failure to meet margin calls may result in liquidation of the client's position. The credit limit and margin limit for each client and the lending ratio of securities acceptable as margin collateral prepared by the equity financing department and approved by risk management department, the significant transaction will be approved by the credit committee.

The Group also grants term loans to customers that may contain an element of credit risk. The Group minimises such risk exposure by performing a detailed credit analysis, and dedicated professionals are assigned to oversee and monitor the performance. These key investment decisions are also subject to approval by the credit committee.

Loans and advances to customers including IPO loans for subscription of new shares are normally settled within 1 week from the drawdown date. Forced liquidation action would be taken if the customers fail to settle their shortfall within a specific period of tolerance after the IPO allotment result is announced.

For debt securities, external rating such as Standard & Poor's and Moody's ratings or their equivalents are used by the risk management department for managing credit risk exposures as supplemented by the Group's own assessment through the use of internal rating tools.

The Group's bank balances are deposited in respectable and large commercial banks. For the client trust bank balances which are held in segregated accounts, they are deposited in authorised financial institutions. The credit risk of bank balances and client trust bank balances is considered to be manageable.

42. 金融風險管理(續)

信貸風險(續)

信用風險限額控制及緩釋政策(續)

風險管理部及融資融券部負責批准、監控及審閱本集團的孖展客戶信貸風險。其亦須於孖展客戶的交易超過其各別限額時發出補倉通知。未能補倉的客戶可能被斬倉。各客戶的信貸限額及孖展限額以及融資融券部門釐定及風險管理部批准可接納為孖展抵押的證券貸款比率、重大交易將由信貸委員會批准。

本集團亦向客戶授出定期貸款，該等貸款可能包含信貸風險因素。本集團透過進行詳細信貸分析降低有關風險承擔，並指派專業人士監督及監控表現。該等主要投資決策亦須經信貸委員會批准。

給予客戶的貸款及墊款包括有關認購新股的首次公開發售貸款，一般於自提取日期起一周內結算。倘客戶於首次公開發售配發結果公佈後的指定寬限期內未能結算其差額，則將會被斬倉。

就債務證券而言，風險管理部門採用外部信貸評級(如標準普爾及穆迪評級或其同行評級)進行信貸風險管理，本集團透過使用內部評級工具進行補充性自行評估。

本集團銀行結餘乃存於聲譽良好的大型商業銀行。就以獨立賬戶持有的客戶信託銀行結餘而言，該等結餘乃存於認可金融機構。銀行結餘及客戶信託銀行結餘的信貸風險屬可管理範圍內。

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42. Financial risk management (continued)

Credit risk (continued)

Credit risk limit control and mitigation policies (continued)

Accounts receivable from clients represent receivables from clients arising from dealing in securities, which normally had a delivery-against payment settlement term of 1 to 3 days. The Group allows credit up to the settlement dates of the respective securities transactions (normally from T+1 to T+3 days). All applications for credit limits must be reviewed by the credit manager and approved by risk management department or the credit committee. The risk management department and equity financing department determines whether a forced liquidation action is to be taken against clients with overdue balances on a case-by-case basis. The credit committee regularly reviews the overdue balances.

The Group only accepts margin deposits in the form of cash for futures, options and leveraged foreign exchange dealing and broking. No unauthorised transaction is allowed to be executed if the current position of the customer exceeds its trading limit. The margin deposit placed and the aggregate of the required margin deposits of each futures, options and leveraged foreign exchange contract are timely monitored by both the dealers and the risk management department. Margin calls will be executed by the on-site duty staff for futures, options and leveraged foreign exchange brokerage business if there is a deficit with the margin deposit. Forced liquidation of the customer's position will be executed if the customer fails to meet the margin calls.

With the above stated controls, management considers that the credit risk of the Group resulting from securities, futures, options and leveraged foreign exchange brokerage business as well as margin and other loan financing is manageable.

Accounts receivable from brokers and dealers are placed with large financial institutions which are governed by regulators. The credit risk of accounts receivable from brokers and dealers is considered to be manageable.

42. 金融風險管理(續)

信貸風險(續)

信用風險限額控制及緩釋政策(續)

應收客戶款項指證券交易產生的應收客戶款項，付款交收的結算期一般為一至三天。本集團授予的信貸期最多至各項證券交易的結算日(一般為T+1至T+3日內)。所有信貸限額的申請均須經信貸主任審計及由風險管理部或信貸委員會批准。風險管理部及融資融券部門釐定是否就逾期結餘逐筆對個別客戶採取強制清盤措施。信貸委員會定期檢討逾期結餘。

本集團對期貨、期權及槓桿外匯買賣及經紀僅接受現金形式的保證金。倘客戶的本期財務狀況超過交易限額，則不得進行任何未經授權的交易。所投入的保證金及各項期貨、期權及槓桿外匯合約所要求的保證金總額由交易商及風險管理部門及時監察。倘保證金不足，現場在職的員工會就期貨、期權及槓桿外匯經紀業務發出補倉通知。未能補倉的客戶將被斬倉。

在上文所述監控下，管理層認為本集團因證券、期貨、期權及槓桿外匯經紀業務以及孖展及其他貸款融資所面臨的信貸風險均在可管理範圍之內。

應收經紀及交易商的款項存放於監管機構管治下的大型金融機構。應收經紀及交易商的款項的信貸風險乃視為在可管理範圍內。

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42. Financial risk management (continued)

Credit risk (continued)

Credit risk limit control and mitigation policies (continued)

The credit risk of accounts receivable from corporate clients and investment funds arising from corporate finance, asset management and investment holding and market making businesses are manageable as the credit rating and reputation of trade counterparties are sound.

The credit risk of accounts receivable from the Stock Exchange and other clearing houses is considered to be minimal.

Impairment and provisioning policies

The Group's policy requires the review of individual outstanding amounts at least monthly or more regularly depending on individual circumstances or market condition.

The Group has adopted HKFRS 9, where the impairment requirements under HKFRS 9 are based on an expected credit loss model. The Group applies simplified approach to measure expected credit losses ("ECL") on accounts receivable from corporate clients, investment funds and others; and general approach to measure ECL on loans and advances to customers, time deposits and other financial assets accounted for at amortised cost as well as loan commitments. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Lifetime ECL – not credit-impaired and Stage 3: Lifetime ECL – credit-impaired.

42. 金融風險管理(續)

信貸風險(續)

信用風險限額控制及緩釋政策(續)

由於交易對手方的信用評級及聲譽穩健，故企業融資、資產管理及投資控股以及做市業務所產生的應收企業客戶及投資基金款項的信貸風險在可管理範圍之內。

應收聯交所及其他結算所的應收款項的信貸風險甚微。

減值及撥備政策

本集團的政策要求至少每月或在特定情況或因應市況下更為頻繁地對個別未結清款項進行審閱。

本集團已採納香港財務報告準則第9號，香港財務報告準則第9號下的減值要求以預期信用損失模型為依據。本集團應用簡易方法計量企業客戶、投資基金及其他的應收款項的預期信用損失（「預期信用損失」），並應用一般方法計量給予客戶的貸款及墊款、定期存款及其他按攤銷成本入賬的金融資產以及貸款承擔的預期信用損失。根據簡易方法，本集團基於全期預期信用損失計量虧損撥備。按照一般方法，金融工具乃基於初步確認後的信貸風險變動，透過下列三個階段予以轉撥：第1階段：十二個月的預期信用損失、第2階段：全期預期信用損失 – 並無信貸減值及第3階段：全期預期信用損失 – 信貸減值。

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42. Financial risk management (continued)

Credit risk (continued)

Impairment and provisioning policies (continued)

Assessment of significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information. The loan and advances use the number of days past due ("DPD") and loan-to-collateral value ("LTV") to determine significant increase in credit risk. For non-standard financing, internally derived credit ratings have been identified as representing the best available determinant of credit risk. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition.

Calculation of expected credit losses

The ECL are assessed by the Group on semi-annual basis. Based on DPD, LTV and internally derived credit ratings, loans and advances to customers are classified into 3 stages.

ECL for retail margin loan under stage 1 is calculated on collective basis. The probabilities of price changes of various scenarios are calculated based on the observed historical price movements of the underlying collateral stocks. The ECL of each scenario is then calculated in accordance with the respective loan exposure. When the retail margin loan classified under stage 2 and stage 3, the lifetime ECL is calculated.

The ECL of non-standard financing is calculated on an individual basis. The Group has pre-defined loss rate of each loan's category. The loss rates are referenced to the default rate for performing and non-performing grades from external rating agencies. As at 31 December 2019, the average loss rate for 12-month ECL and lifetime ECL was 0.06% (2018: 0.11%) and 71.32% (2018: 48.66%) respectively.

42. 金融風險管理(續)

信貸風險(續)

減值及撥備政策(續)

評估信貸風險大幅增加

於釐定自初始確認以來違約風險是否大幅增加時，本集團兼顧定量及定性資料以及基於本集團過往經驗及專家風險評估的分析，包括前瞻性資料。貸款及墊款採用逾期天數(「逾期天數」)及貸款與抵押品價值比(「貸款與抵押品價值比」)釐定信貸風險是否大幅增加。就非標準融資而言，已確立內部信貸評級作為信貸風險的最佳可用指標。倘若報告日期的信貸評級相較初始確認日期的信貸評級大幅惡化，則信貸風險視為已大幅增加。

預期信用損失的計算

本集團每半年評估預期信用損失。根據逾期天數、貸款與抵押品價值比及內部制定的信貸評級，給予客戶的貸款及墊款分為三個階段。

第1階段下的零售孖展貸款的預期信用損失集中進行計算。各種情境下的價格可能變動依據相關抵押股票的可觀察歷史價格變動計算。隨後，根據相關貸款敞口計算各情境下的預期信用損失。倘零售孖展貸款分類為第2階段及第3階段，則計算全期預期信用損失。

非標準融資的預期信用損失逐項進行計算。本集團就每項貸款類別設有預定虧損率。預定虧損率參考外部評級機構對良好及不良級別評定的違約率。於二零一九年十二月三十一日，12個月預期信用損失及全期預期信用損失的平均虧損比率分別為0.06% (二零一八年：0.11%)及71.32% (二零一八年：48.66%)。

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42. Financial risk management (continued)

Credit risk (continued)

Impairment and provisioning policies (continued)

Calculation of expected credit losses (continued)

If there is material decrease in collateral value and the full recovery of the loan is in doubt, the retail and non-standard loan will be classified into stage 3. For the loans classified as stage 3, the Group may further calculate the ECL based on probability-weighted scenarios to measure the expected credit loss. Each scenario is associated with different exposure at default and probability.

Incorporation of forward-looking information

When estimating the ECL on loan and advances to customers, the Group has incorporated forward-looking economic information through the use of industry trend and experienced credit judgement to reflect the qualitative factors, and through the use of multiple probability-weighted scenarios by the stock market analysis.

Maximum exposure to credit risk before collateral held or other credit enhancements

The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period, in relation to each class of financial assets, is the carrying amount of those assets as indicated in the statement of financial position.

These amounts represent the worst case scenario of credit risk exposure to the Group at 31 December 2019 and 2018, without taking account of any collateral held or other credit enhancements attached.

42. 金融風險管理(續)

信貸風險(續)

減值及撥備政策(續)

預期信用損失的計算(續)

倘抵押品價值大幅下降且貸款能否悉數收回存疑，則零售及非標準貸款分類為第3階段。就分類為第3階段的貸款而言，本集團可根據概率加權情境計算預期信用損失，以計量預期信用損失。不同的情境與不同的違約敞口及概率相關。

納入前瞻性資料

於估計給予客戶的貸款及墊款時，本集團已納入前瞻性經濟資料，包括透過使用行業趨勢及基於經驗的信用判斷以反映定量因素，以及透過使用多種概率加權情境進行股票市場分析。

除所持抵押品或其他信貸提升前所面對的最高信貸風險

倘交易對手未能於報告期間結束時履行其責任，則本集團所面對的與各類金融資產相關的最高信貸風險值為財務狀況表內所示該等資產的賬面值。

該等金額為本集團於二零一九年及二零一八年十二月三十一日所面對的信貸風險的最差情形，且未計及任何所持抵押品或所附其他信貸提升情況。

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42. Financial risk management (continued)

Credit risk (continued)

Concentration of risks of financial assets with credit risk exposure

(a) Bank balances and client trust bank balances

The counterparties of all client trust bank balances and the majority of cash and bank balances are located in Hong Kong. As the Group's bank balances and client trust bank balances are deposited with a number of financially sound financial institutions, in the opinion of the directors, the concentration risk of the Group's bank balances and client trust bank balances is insignificant.

(b) Loans and advances to customers and accounts receivable from clients

The counterparties of the majority of loans and advances to customers (including margin loans, IPO loans and other loan financing) and accounts receivable from clients are individuals who are mainly located in China. The equity financing department and risk management department daily prepares an analysis of key margin client and futures, options and leveraged foreign exchange client exposure for review to avoid excessive concentration of risk. As the Group trades with a large number of diversified clients, in the opinion of the directors, the concentration of risk of loans and advances to customers and accounts receivable from clients is manageable.

(c) Accounts receivable from brokers, dealers as well as clearing houses and others

The Group also has accounts receivable from clearing houses, brokers and dealers from its securities, futures, options and leveraged foreign exchange brokerage business as well as other receivables from asset management, corporate finance and investment holding and market making businesses. Responsible officers timely monitor excess deposits placed with dealers and brokers to ensure the concentration of risk of accounts receivable is manageable.

42. 金融風險管理(續)

信貸風險(續)

面臨信貸風險的金融資產的風險集中程度

(a) 銀行結餘及客戶信託銀行結餘

所有客戶信託銀行結餘及大部分現金及銀行結餘的交易對手均位於香港。由於本集團的銀行結餘及客戶信託銀行結餘乃存於多家財務穩健的金融機構，故董事認為本集團的銀行結餘及客戶信託銀行結餘的集中風險不大。

(b) 給予客戶的貸款及墊款以及應收客戶款項

大部分給予客戶的貸款及墊款(包括孖展貸款、首次公開發售貸款及其他貸款融資)以及應收客戶款項的交易對手為個人，主要居於中國。融資融券部門及風險管理部門每日編製及審閱主要孖展客戶及期貨、期權及槓桿外匯客戶風險分析，以期避免過度集中的風險。由於本集團與大量各行各業的客戶交易，故董事認為給予客戶的貸款及墊款以及應收客戶款項的集中風險在可管理範圍之內。

(c) 應收經紀、交易商以及結算所及其他人士的款項

本集團亦有應收結算所、經紀及交易商有關證券、期貨、期權及槓桿外匯經紀業務的款項以及來自資產管理、企業融資及投資控股以及做市業務的其他應收款項。負責人員定時監察存於個別交易商及經紀的超額存款，以確保應收款項的集中風險在可管理範圍之內。

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42. Financial risk management (continued)

Credit risk (continued)

Securities borrowing and lending

In the normal course of brokerage business, the Group may enter into securities borrowing and lending arrangements with financial institutions and the Group's customers. As at 31 December 2019, the Group borrowed equity securities of HK\$68,480,000 (2018: HK\$125,785,000) from financial institutions and set aside equity securities of HK\$430,937,000 (2018: HK\$549,155,000) pledged by margin clients, for such lending arrangements to customers. Cash collateral of HK\$519,380,000 (2018: HK\$730,926,000) was received from the customers while HK\$72,889,000 (2018: HK\$129,116,000) was placed to the financial institutions as at 31 December 2019.

The Group maintains no net position in such securities borrowing and lending transactions and is not subject to significant price risk. However, under the securities borrowing and lending arrangements, the cash collateral received and cash collateral placed are included in the accounts payable and accounts receivable from brokers and dealers, respectively. The Group is principally liable for repaying the borrowed securities in case of any default by the customers.

Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

The financial instruments held by the Group mainly exposed it to interest rate risk and price risk. The market risk mainly includes cash flow interest rate risk and price risk. The Group has established policies and procedures for monitoring and controlling the market risk arising from these financial instruments.

42. 金融風險管理(續)

信貸風險(續)

證券借貸

於正常經紀業務過程中，本集團可能與金融機構和本集團客戶訂立證券借貸安排。於二零一九年十二月三十一日，本集團向金融機構借股本證券68,480,000港元(二零一八年：125,785,000港元)並撥出由孖展客戶抵押的股本證券430,937,000港元(二零一八年：549,155,000港元)用作此類客戶該等借貸安排。於二零一九年十二月三十一日，現金抵押品519,380,000港元(二零一八年：730,926,000港元)乃收取自客戶及72,889,000港元(二零一八年：129,116,000港元)存放於金融機構。

本集團於該等證券借貸交易中並無維持任何淨倉，故並無面對重大價格風險。然而，根據證券借貸安排，所收取的現金抵押品以及所存放的現金抵押品分別計入應付款項以及應收經紀及交易商款項。本集團的主要責任為在任何客戶出現任何違約時償還所借入的證券。

市場風險

本集團所面對的市場風險，乃指由於市場價格變動而引致金融工具的公平值或未來現金流量變動的風險。市場風險乃主要因利率、貨幣及股權產品等的未平倉而產生，並受到一般及特定的市場變動及市場利率或價格(如利率、匯率及股價)波幅變動的風險所影響。

本集團所持有的金融工具主要面對利率風險及價格風險。市場風險主要包括現金流量利率風險及價格風險。本集團已制定有關政策及程序，以監測及控制該等金融工具所產生的市場風險。

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31 December 2019
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42. Financial risk management (continued)

Market risk (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and advances to customers, accounts receivable, financial assets and liabilities at fair value through profit or loss, accounts payable to clients, bank borrowings, debt securities in issue, receivable from reverse repurchase agreements, obligations under repurchase agreements, client trust bank balances and cash and bank balances. Debt investments usually bear a fixed rate interest and they are managed through the strategy of trading them within a short period of time.

Interest on cash at banks will fluctuate at floating rates based on daily bank deposit rates. Bank borrowings and margin loans receivable at variable rates exposed the Group to cash flow interest rate risk. Other financial assets and liabilities which are mainly carried at amortised cost are either non-interest-bearing or fixed interest-bearing with short term maturities within one year, of which the interest rate risk is also considered to be minimal. The Group mitigates its interest rate risk by monitoring market interest rate movements and revising the interest rates offered to its customers on an ongoing basis in order to limit potential adverse effects of interest rate movements on net interest income. The Group regularly calculates the impact on profit or loss of a possible interest rate shift on its portfolio of bank borrowings, margin loans receivable, debt securities investment and interest-bearing bank deposits.

The following table illustrates the potential impact, of a parallel upward or downward shift of 100 basis points in interest rate curves with all other variables held constant on the Group's net profit for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets, interest-bearing liabilities and debt securities investments at year end.

42. 金融風險管理(續)

市場風險(續)

利率風險

本集團面臨的市場利率變動風險主要與本集團給予客戶的貸款及墊款、應收款項、按公平值計入損益的金融資產及負債、應付客戶款項、銀行借款、已發行債務證券、反向回購協議應收款項、回購協議的債項、客戶信託銀行結餘以及現金與銀行結餘有關。債務投資通常按固定利率計息，通過在短時期內買賣的戰略對其進行管理。

銀行存款利息按根據每日銀行存款利率計算的浮動利率而波動。本集團面對以浮息計息的銀行借款及應收孖展貸款款項所產生的現金流量利率風險。主要按攤銷成本列賬的其他金融資產及負債乃不計息或按固定利率計息，期限為一年以內，故其利率風險亦被認為微乎其微。本集團透過監控市場利率變動並持續修訂給予客戶的利率，從而減輕利率變動對利息收入淨額的潛在不利影響。本集團定期計算其銀行借款、應收孖展貸款款項、債務證券投資及計息銀行存款組合可能產生的利率變動對損益的影響。

根據本集團於年末的生息資產，計息負債及債務證券的情況，下表顯示利率曲線平移向上或向下100個基點而其他所有變數維持不變對本集團報告日起計未來12個月的淨利潤潛在影響。

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42. Financial risk management (continued)

Market risk (continued)
Interest rate sensitivity analysis

		Increase/(decrease) in profit before tax 除稅前溢利增加/(減少)	
		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Interest rate increase 100 basis points	利率基點上升100基點		
Interest-earning assets and interest-bearing liabilities	生息資產及計息負債	(38,367)	44,912
Fixed income securities investment	固定收益證券投資	(261,812)	(140,255)
Net Amount	淨額	(300,179)	(95,343)

The estimated 1% increase or decrease in interest rate represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting period. The sensitivity analysis is unrepresentative because the year-end exposure does not reflect the exposure during the year.

For the financial products and derivative financial instruments held by the Group are structured as debt securities in issue for sales to customers. They are not subject to significant risk as the risk has been transferred to customers accordingly.

Price risk

The Group is exposed to equity securities price risk from equity derivative instruments and fund investments held by the Group which are classified in the statement of financial position as financial assets and liabilities at fair value through profit or loss. Price risk is the risk of changes in fair value of financial instruments from fluctuations, whether such a change in price is caused by factors specific to the individual instrument or factors affecting all instruments traded in the markets. The Group mitigates its price risk by performing detailed due diligence analysis of investments and dedicated professionals are assigned to oversee and monitor the performance of investments.

42. 金融風險管理(續)

市場風險(續)
利率敏感度分析

估計利率1%的增加或減少指管理層對下個年度報告期間前期間的利率合理變動的評估。該敏感性分析不具代表性，原因是年末的風險不能反映全年的風險。

本集團持有的金融產品及衍生金融工具結構化為已發行債務證券來售予客戶。由於風險已轉移予客戶，因此彼等不承擔重大風險。

價格風險

本集團因持有權益類衍生工具及基金投資(於財務狀況表分類為按公平值計入損益的金融資產及負債)而承受股本證券價格風險。價格風險指金融工具公平值因波動而出現變動的風險，無論有關價格變動是因個別工具特有的因素或影響市場上所有買賣工具的因素所引致。本集團透過對投資進行詳細的盡職分析降低價格風險，並指派專業人士監督及監控投資表現。

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42. Financial risk management (continued)

Market risk (continued)

Price risk (continued)

The sensitivity analysis below has been determined based on the assumption that the price of all the investment of equity instruments and funds move according to the historical correlation with the Hong Kong Hang Seng Index and other relevant indexes. The analysis is based on the assumption that the equity index had changed by 10% with all other variable held constant, it represents management's assessment of the reasonably possible change in equity index.

Price sensitivity analysis

Changes in relevant indexes	相關指數變動	2019	2018
		二零一九年 HK\$'000 千港元	二零一八年 HK\$'000 千港元
Increase 10%	上升10%	86,764	69,557
Decrease 10%	下降10%	(86,764)	(69,557)

The sensitivity analysis is unrepresentative because the year-end exposure does not reflect the exposure during the year.

For the financial products and derivative financial instruments held by the Group are structured as equity derivative products in issue for sales to customers and for hedging purpose. They are not subject to significant risk as the risk has been either transferred to customers or properly hedged and mitigated accordingly.

Besides, the asset quality of the margin clients' margin collateral will deteriorate when the market comes down drastically, scenario analysis and stress testing are regularly performed on an individual client basis.

Foreign currency risk

Foreign currency risk refers to the risk that movements in foreign currency exchange rates will affect the Group's financial results and its cash flows.

The Group's foreign exchange risk principally arises from its leveraged foreign exchange dealing and broking business as well as the Group's transactions which are denominated in currencies other than the Hong Kong dollars.

42. 金融風險管理(續)

市場風險(續)

價格風險(續)

以下敏感度分析乃假設所有權益類產品及基金投資的價格根據與香港恆生指數及其他相關指數之過往關係變動而釐定。分析乃以假設股票指數變動10%而其他變數維持不變，這代表管理層對股票指數合理可能變動的評估。

價格敏感度分析

該敏感性分析不具代表性，原因是年末的風險不能反映全年的風險。

本集團所持金融產品及衍生金融工具列為向客戶銷售的已發行權益類衍生產品及用於對沖目的。其並無承受重大風險，因為有關風險已相應轉移客戶或進行適當對沖或緩和。

此外，孖展客戶的孖展抵押品的資產質素會於市場嚴重下滑時惡化。情景分析及壓力測試乃按個別客戶基準定期進行。

外匯風險

外匯風險指影響本集團財務業績及其現金流量的外幣匯率變動的風險。

本集團的外匯風險主要來自其槓桿式外匯買賣及經紀業務以及本集團以港元以外貨幣為單位的交易。

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42. Financial risk management (continued)

Market risk (continued)

Foreign currency risk (continued)

For the leveraged foreign exchange brokerage business, the Group hedges the majority of the client positions through back-to-back transactions with external counterparties. As the Group adopts a stringent control over its positions, it is considered that foreign exchange risk exposure is manageable.

The Group's principal operations are transacted and recorded in Hong Kong dollars, United States dollars ("US\$") and Renminbi ("RMB"). The Group is not exposed to material foreign exchange risk because HK\$ is pegged with US\$. The Group also conducts appropriate hedging activities when it is exposed to material exchange risk in RMB. Other foreign currency exposure is relatively minimal to its total assets and liabilities. The foreign exchange risk is daily managed and monitored by the Treasury and Finance Department. As a result, it is considered that foreign exchange risk exposure is manageable.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the treasury department maintains flexibility in funding by maintaining available committed credit facilities from the banks.

Sources of liquidity are daily reviewed by treasury department to ensure the availability of sufficient liquid funds to meet all obligations.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities) and cash and cash equivalents on the basis of expected cash flows in strict compliance with statutory requirements. This is achieved by monitoring the liquidity position of the individual companies within the Group on a daily basis to ensure the availability of sufficient liquid funds to meet all obligations and compliance with the statutory requirements such as the Hong Kong Securities and Futures (Financial Resources) Rules.

42. 金融風險管理(續)

市場風險(續)

外匯風險(續)

就槓桿外匯經紀業務，本集團透過與外部對手方的背對背交易對沖大多數客戶的倉位。由於本集團對其倉位採納嚴格監控，故其認為外匯風險屬可管理範圍。

本集團的主要業務以港元、美元(「美元」)及人民幣(「人民幣」)交易及列賬。由於港元與美元掛鈎，故本集團並無面臨重大外匯風險。本集團亦於其面臨重大的人民幣外匯風險時採取適當的對沖活動。其他外幣風險相對於其總資產及負債所承接者相對較低。外匯風險由庫務及財務部每日管理及監督，故其認為外匯風險屬可管理範圍。

流動資金風險

審慎的流動資金風險管理包括維持充足的現金，透過已承諾信貸融資的足夠額度備有資金，及有能力減少市場持倉。由於相關業務的多變性質，庫務部致力透過已承諾的可用銀行信貸融資維持資金的靈活性。

庫務部每日審計流動資金來源，以確保可獲得充足流動資金，履行所有責任。

管理層根據預期現金流量監控本集團的流動資金儲備(包括未提取借款融資)及現金及現金等價物的滾存預測，以嚴格遵守法定要求。為達到此目的，本集團需要每日監控旗下公司的流動資金狀況，以確保能夠取得充足的流動資金履行所有責任，並符合有關法定要求(如香港證券及期貨(財政資源)規則)。

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42. Financial risk management (continued)

Liquidity risk (continued)

The following tables summarise the maturity profile of the Group's financial liabilities, based on the contractual and undiscounted cash flows:

As at 31 December 2019

		Up to 1 month 一個月內 HK\$'000 千港元	1 to 3 months 一至三個月 HK\$'000 千港元	3 to 12 months 三至十二個月 HK\$'000 千港元	1 to 5 years 一至五年 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Liabilities	負債					
Accounts payable	應付款項	14,587,372	—	—	—	14,587,372
Interest bearing borrowings	計息借款	9,257,999	942,296	1,035,534	24,804	11,260,633
Debt securities in issue	已發行債務證券	22,772,919	768,727	2,318,374	7,710,607	33,570,627
Financial liabilities at fair value through profit or loss	按公平值計入損益的金融負債	6,810,580	—	—	—	6,810,580
Obligations under repurchase agreements	回購協議的債項	14,730,933	3,117,760	403,931	—	18,252,624
		68,159,803	4,828,783	3,757,839	7,735,411	84,481,836
Off-balance sheet items	資產負債表外項目					
Underwriting obligations	承銷承諾	6,075	—	—	—	6,075
Financial obligations to loan facilities	貸款融資財務責任	—	—	—	—	—
Capital commitments	資本承擔	6,180	—	—	—	6,180
		12,255	—	—	—	12,255
Derivative cash flows	衍生現金流量					
Derivative financial instruments settled on a gross basis	按總額結算的衍生金融工具					
Total inflows	總流入	2,004,907	837,896	5,970,010	2,373,481	11,186,294
Total outflows	總流出	(1,988,973)	(850,522)	(6,208,759)	(2,460,907)	(11,509,161)
		15,934	(12,626)	(238,749)	(87,426)	(322,867)

42. 金融風險管理(續)

流動資金風險(續)

根據合約及未貼現現金流量，下表概述本集團金融負債的到期情況：

於二零一九年十二月三十一日

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42. Financial risk management (continued)

Liquidity risk (continued)
As at 31 December 2018

42. 金融風險管理(續)

流動資金風險(續)
於二零一八年十二月三十一日

		Up to 1 month 一個月內 HK\$'000 千港元	1 to 3 months 一至三個月 HK\$'000 千港元	3 to 12 months 三至十二個月 HK\$'000 千港元	1 to 5 years 一至五年 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Liabilities	負債					
Accounts payable	應付款項	18,883,841	–	–	–	18,883,841
Interest bearing borrowings	計息借款	9,466,415	–	–	–	9,466,415
Debt securities in issue	已發行債務證券	18,988,388	860,471	1,344,577	4,841,178	26,034,614
Financial liabilities at fair value through profit or loss	按公平值計入損益的金融負債	8,731,117	–	–	–	8,731,117
Obligations under repurchase agreements	回購協議的債項	11,803,449	1,385,468	–	–	13,188,917
		67,873,210	2,245,939	1,344,577	4,841,178	76,304,904
Off-balance sheet items	資產負債表外項目					
Underwriting obligations	承銷承諾	451,204	–	–	–	451,204
Financial obligations to loan facilities	貸款融資財務責任	53,295	–	–	–	53,295
Capital commitments	資本承擔	9,575	–	–	–	9,575
		514,074	–	–	–	514,074
Derivative cash flows	衍生現金流量					
Derivative financial instruments settled on a gross basis	按總額結算的衍生金融工具					
Total inflows	總流入	2,194,764	572,579	2,958,804	16,350	5,742,497
Total outflows	總流出	(2,194,716)	(601,816)	(2,924,846)	(16,400)	(5,737,778)
		48	(29,237)	33,958	(50)	4,719

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42. Financial risk management (continued)

Fair values of financial assets and liabilities

Financial instruments not measured at fair value

At the end of the reporting period, the fair values of the Group's financial assets and liabilities not measured at fair value were not materially different from their carrying amount due to their short term nature.

Financial instruments measured at fair value

Group's valuation process

The fair values of financial assets in Level 1 and Level 2 are measured by reference to quoted market prices and brokers' quotes, respectively. The Group has engaged an independent professionally qualified valuer, International Valuation Limited, to perform the valuation of financial instruments in Level 3 for financial reporting purposes. These valuation reports are sent to the finance department and the Audit Committee for discussion at least twice per annum, which is in line with the Group's reporting dates.

At each financial year end, the finance department reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3. Changes in fair values of financial assets in Levels 2 and 3 are analysed at each reporting date.

42. 金融風險管理(續)

金融資產及負債的公平值

並非按公平值計量的金融工具

於報告期間結束時，本集團並非按公平值計量的金融資產及負債的公平值因該等資產及負債的短期性質而與其賬面值無重大差異。

按公平值計量的金融工具

本集團的估值流程

第1級及第2級金融資產的公平值乃分別參考市場報價及經紀報價計量。本集團已委聘獨立專業合資格估值師國際評估有限公司對第3級金融工具進行估值，以作財務申報目的。該等估值報告將每年至少兩次(與本集團的報告日期一致)呈送予財務部及審核委員會，以供討論。

於各財政年度末，財務部審閱所有用於計量第3級金融工具公平值的重大無法觀察參數及估值調整。第2級及第3級金融資產的公平值變動於各報告日期進行分析。

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42. Financial risk management (continued)

Fair values of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

42. 金融風險管理(續)

金融資產及負債的公平值(續)

按公平值計量的金融工具(續)

公平值等級

下表闡明本集團金融工具的公平值計量等級：

按公平值計量的資產：

於二零一九年十二月三十一日

		Fair value measurement using 採用以下各項的公平值計量			
		Quoted prices in active markets (Level 1) 活躍 市場報價 (第1級) HK\$'000 千港元	Significant observable inputs (Level 2) 重大可 觀察參數 (第2級) HK\$'000 千港元	Significant unobservable inputs (Level 3) 重大無法 觀察參數 (第3級) HK\$'000 千港元	Total 總計 HK\$'000 千港元
Non-current	非流動				
Financial assets held for trading and investments	持作買賣及投資金融資產				
– Unlisted fixed income securities	– 非上市固定收益證券	–	1,594,507	–	1,594,507
Financial assets at fair value through profit or loss	按公平值計入損益的金融資產				
– Financial products	– 金融產品	367,710	1,117,294	4,782,781	6,267,785
		367,710	2,711,801	4,782,781	7,862,292
Current	流動				
Financial assets held for trading and investments	持作買賣及投資金融資產				
– Listed equity securities	– 上市股本證券	710,798	–	–	710,798
– Listed fixed income securities	– 上市固定收益證券	–	14,065,739	–	14,065,739
– Unlisted fixed income securities	– 非上市固定收益證券	–	2,493,982	–	2,493,982
Financial assets at fair value through profit or loss	按公平值計入損益的金融資產				
– Listed fund investments	– 上市基金投資	2,783	–	–	2,783
– Unlisted fund investments	– 非上市基金投資	–	1,758,316	–	1,758,316
– Unlisted convertible promissory note	– 非上市可換股承兌票據	–	–	4,298	4,298
– Other financial instruments	– 其他金融工具	–	250,731	–	250,731
– Financial products	– 金融產品	4,339,137	25,181,242	2,321,880	31,842,259
Derivative financial instruments	衍生金融工具	–	155,652	–	155,652
		5,052,718	43,905,662	2,326,178	51,284,558
		5,420,428	46,617,463	7,108,959	59,146,850

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42. Financial risk management (continued)

Fair values of financial assets and liabilities (continued)
Financial instruments measured at fair value (continued)
Fair value hierarchy (continued)
Assets measured at fair value: (continued)

As at 31 December 2018

42. 金融風險管理(續)

金融資產及負債的公平值(續)
按公平值計量的金融工具(續)
公平值等級(續)
按公平值計量的資產：(續)

於二零一八年十二月三十一日

		Fair value measurement using 採用以下各項的公平值計量			
		Quoted prices in active markets (Level 1) 活躍 市場報價 (第1級) HK\$'000 千港元	Significant observable inputs (Level 2) 重大可 觀察參數 (第2級) HK\$'000 千港元	Significant unobservable inputs (Level 3) 重大無法 觀察參數 (第3級) HK\$'000 千港元	Total 總計 HK\$'000 千港元
Non-current	非流動				
Financial assets at fair value through profit or loss	按公平值計入損益的金融 資產				
– Financial products	– 金融產品	–	1,048,926	3,284,311	4,333,237
Current	流動				
Financial assets held for trading and investments	持作買賣及投資金融資產				
– Listed equity securities	– 上市股本證券	521,238	–	–	521,238
– Listed fixed income securities	– 上市固定收益證券	–	13,319,376	–	13,319,376
– Unlisted fixed income securities	– 非上市固定收益證券	–	473,057	–	473,057
Financial assets at fair value through profit or loss	按公平值計入損益的金融 資產				
– Listed fund investments	– 上市基金投資	2,753	–	–	2,753
– Unlisted fund investments	– 非上市基金投資	–	447,903	–	447,903
– Unlisted convertible promissory note	– 非上市可換股承兌 票據	–	–	23,847	23,847
– Other financial instruments	– 其他金融工具	–	231,247	–	231,247
– Financial products	– 金融產品	2,836,277	20,738,164	4,934,370	28,508,811
Derivative financial instruments	衍生金融工具	–	76,832	–	76,832
		3,360,268	35,286,579	4,958,217	43,605,064
		3,360,268	36,335,505	8,242,528	47,938,301

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31 December 2019
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42. Financial risk management (continued)

Fair values of financial assets and liabilities (continued)
Financial instruments measured at fair value (continued)
Fair value hierarchy (continued)
Liabilities measured at fair value:

As at 31 December 2019

42. 金融風險管理(續)

金融資產及負債的公平值(續)
按公平值計量的金融工具(續)
公平值等級(續)
按公平值計量的負債：

於二零一九年十二月三十一日

		Fair value measurement using 採用以下各項的公平值計量			
		Quoted prices in active markets (Level 1) 活躍 市場報價 (第1級) HK\$'000 千港元	Significant observable inputs (Level 2) 重大可 觀察參數 (第2級) HK\$'000 千港元	Significant unobservable inputs (Level 3) 重大無法 觀察參數 (第3級) HK\$'000 千港元	Total 總計 HK\$'000 千港元
Non-current	非流動				
Debt securities in issue designated at fair value through profit and loss	指定按公平值計入損益的已發行債務證券	—	(1,009,692)	(5,114,328)	(6,124,020)
Current	流動				
Debt securities in issue designated at fair value through profit and loss	指定按公平值計入損益的已發行債務證券	—	(18,369,478)	(2,321,880)	(20,691,358)
Financial liabilities held for trading	持作買賣金融負債				
– Listed equity securities	– 上市股本證券	(20,472)	—	—	(20,472)
– Listed fixed income securities	– 上市固定收益證券	—	(2,200,728)	—	(2,200,728)
Financial liabilities designated at fair value through profit or loss	指定為按公平值計入損益的金融負債				
– Financial products	– 金融產品	—	(4,103,810)	—	(4,103,810)
– Other financial instruments	– 其他金融工具	—	(55,386)	—	(55,386)
– Third-party interest in consolidated investment funds	– 納入合併投資基金的第三方權益	—	(430,184)	—	(430,184)
Derivative financial instruments	衍生金融工具	—	(149,851)	—	(149,851)
		(20,472)	(25,309,437)	(2,321,880)	(27,651,789)
		(20,472)	(26,319,129)	(7,436,208)	(33,775,809)

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42. Financial risk management (continued)

Fair values of financial assets and liabilities (continued)
Financial instruments measured at fair value (continued)
Fair value hierarchy (continued)
Liabilities measured at fair value: (continued)

As at 31 December 2018

42. 金融風險管理(續)

金融資產及負債的公平值(續)
按公平值計量的金融工具(續)
公平值等級(續)
按公平值計量的負債：(續)

於二零一八年十二月三十一日

		Fair value measurement using 採用以下各項的公平值計量			
		Quoted prices in active markets (Level 1) 活躍 市場報價 (第1級) HK\$'000 千港元	Significant observable inputs (Level 2) 重大可 觀察參數 (第2級) HK\$'000 千港元	Significant unobservable inputs (Level 3) 重大無法 觀察參數 (第3級) HK\$'000 千港元	Total 總計 HK\$'000 千港元
Non-current	非流動				
Debt securities in issue designated at fair value through profit and loss	指定按公平值計入損益的已發行債務證券	–	(1,070,379)	(3,770,799)	(4,841,178)
Current	流動				
Debt securities in issue designated at fair value through profit and loss	指定按公平值計入損益的已發行債務證券	–	(9,574,005)	(4,862,830)	(14,436,835)
Financial liabilities held for trading	持作買賣金融負債				
– Listed equity securities	– 上市股本證券	(41,913)	–	–	(41,913)
– Listed fixed income securities	– 上市固定收益證券	–	(3,334,378)	–	(3,334,378)
Financial liabilities designated at fair value through profit or loss	指定為按公平值計入損益的金融負債				
– Financial products	– 金融產品	–	(5,004,994)	(32,095)	(5,037,089)
– Third-party interest in consolidated investment funds	– 納入合併投資基金的第三方權益	–	(317,737)	–	(317,737)
Derivative financial instruments	衍生金融工具	–	(23,620)	–	(23,620)
		(41,913)	(18,254,734)	(4,894,925)	(23,191,572)
		(41,913)	(19,325,113)	(8,665,724)	(28,032,750)

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42. Financial risk management (continued)

Fair values of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

Fair value hierarchy (continued)

(a) Financial instruments in Level 1

The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, or broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market prices used for financial assets and financial liabilities held by the Group are the current bid price and the current ask price.

(b) Financial instruments in Level 2

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs used in the valuation for financial instruments are observable, the financial instruments are included in Level 2.

If one or more of the significant inputs are not based on observable market data, the financial instrument is included in Level 3.

42. 金融風險管理(續)

金融資產及負債的公平值(續)

按公平值計量的金融工具(續)

公平值等級(續)

(a) 第1級金融工具

於交投活躍市場買賣的金融工具公平值根據報告期末的市場報價計算。交投活躍的市場指可輕易及定期從交易所、交易商、經紀取得報價的市場，而該等報價代表按公平基準進行的實際及常規市場交易。本集團所持金融資產及金融負債所用的市場報價為當時的買盤價及賣盤價。

(b) 第2級金融工具

並非於活躍市場(例如場外市場)買賣的金融工具公平值乃使用估值技術釐定。該等估值技術盡可能採用可觀察市場數據(如有)，盡量不依賴實體的特定估計。如金融工具估值所用的所有重大參數均為可觀察參數，該金融工具列入第2級。

倘有一個或多個重大參數並非以可觀察市場數據為基準，該金融工具列入第3級。

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42. Financial risk management (continued)

Fair values of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

Fair value hierarchy (continued)

(c) Financial instruments in Level 3

The following table presents the changes in Level 3 financial instruments for the years ended 31 December 2019 and 2018.

Level 3 financial assets

For the year ended 31 December 2019

42. 金融風險管理(續)

金融資產及負債的公平值(續)

按公平值計量的金融工具(續)

公平值等級(續)

(c) 第3級金融工具

下表呈列截至二零一九年及二零一八年十二月三十一日止年度，第3級金融工具的變動。

第3級金融資產

截至二零一九年十二月三十一日止年度

		Unlisted convertible promissory note 非上市可換股承兌票據 HK\$'000 千港元	Financial product 金融產品 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 January 2019	於二零一九年一月一日	23,847	8,218,681	8,242,528
Purchases	購買	—	1,199,111	1,199,111
Disposals	出售	—	(294,000)	(294,000)
Receipt on maturity	到期時收取	(19,579)	—	(19,579)
Transfer out to level 1	轉至第1級	—	(38,268)	(38,268)
Accrued interest income	應計利息收入	53	—	53
Net loss recognised in profit or loss	於損益內確認的虧損淨額	(23)	(1,980,863)	(1,980,886)
At 31 December 2019	於二零一九年十二月三十一日	4,298	7,104,661	7,108,959

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42. Financial risk management (continued)

Fair values of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

Fair value hierarchy (continued)

(c) Financial instruments in Level 3 (continued)

Level 3 financial assets (continued)

For the year ended 31 December 2018

42. 金融風險管理(續)

金融資產及負債的公平值(續)

按公平值計量的金融工具(續)

公平值等級(續)

(c) 第3級金融工具(續)

第3級金融資產(續)

截至二零一八年十二月三十一日止年度

		Unlisted convertible promissory note 非上市可換股承兌票據 HK\$'000 千港元	Financial product 金融產品 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 January 2018	於二零一八年一月一日	–	1,619,111	1,619,111
Purchases	購買	39,105	5,652,836	5,691,941
Receipt on maturity	到期時收取	(19,555)	(58,665)	(78,220)
Net gain recognised in profit or loss	於損益內確認的收益淨額	4,297	1,005,399	1,009,696
At 31 December 2018	於二零一八年十二月三十一日	23,847	8,218,681	8,242,528

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財務報表附註

31 December 2019
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42. Financial risk management (continued)

Fair values of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

Fair value hierarchy (continued)

(c) Financial instruments in Level 3 (continued)

Level 3 financial liabilities

For the year ended 31 December 2019

42. 金融風險管理(續)

金融資產及負債的公平值(續)

按公平值計量的金融工具(續)

公平值等級(續)

(c) 第3級金融工具(續)

第3級金融負債

截至二零一九年十二月三十一日止年度

		Financial product 金融產品 HK\$'000 千港元	Debt securities in issue 已發行債務證券 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 January 2019	於二零一九年一月一日	32,095	8,633,629	8,665,724
Issuance	發行	—	4,286,560	4,286,560
Redemption on maturity	於到期時贖回	(32,095)	(3,449,821)	(3,481,916)
Transfer out to level 1	轉至第1級	—	(38,060)	(38,060)
Net gain recognised in profit or loss	於損益確認的收益淨額	—	(1,996,100)	(1,996,100)
At 31 December 2019	於二零一九年十二月三十一日	—	7,436,208	7,436,208

For the year ended 31 December 2018

截至二零一八年十二月三十一日止年度

		Financial product 金融產品 HK\$'000 千港元	Debt securities in issue 已發行債務證券 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 January 2018	於二零一八年一月一日	—	2,211,321	2,211,321
Issuance	發行	78,210	5,428,594	5,506,804
Redemption on maturity	於到期時贖回	(58,665)	—	(58,665)
Net loss recognised in profit or loss	於損益確認的虧損淨額	12,550	993,714	1,006,264
At 31 December 2018	於二零一八年十二月三十一日	32,095	8,633,629	8,665,724

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42. Financial risk management (continued)

Fair values of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

Fair value hierarchy (continued)

(c) Financial instruments in Level 3 (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2019 and 2018:

31 December 2019

	Valuation technique 估值技術	Significant unobservable input 重大無法觀察參數	Average 平均	Sensitivity of the fair value to the input 公平值對參數的敏感度
Financial products 金融產品	Market approach 市場法	Pricing multiples of market comparable companies used to determine the estimated equity value of the Project Company: 用於釐定項目公司估計股權價值的市場可資比較公司的定價倍數： – Price to earnings multiple – 市盈率	7.8	10% increase or decrease in the underlying stock price, the fair value would be increased by HK\$70 million or decreased by HK\$70 million, respectively. 相關股價上升或降低10%，公平值將分別增加70百萬港元或減少70百萬港元。
Financial products 金融產品	Net asset value 資產淨值	N/A 不適用	N/A 不適用	N/A 不適用
An unlisted convertible promissory note 非上市可換股承兌票據	Discount cash flows 貼現現金流量	Discount rate 貼現率	12%	10% increase or decrease in the discount rate, the fair value would be increased by HK\$33,000 or decreased by HK\$33,000, respectively. 當貼現率增加或減少10%，公平值將會分別增加33,000港元或減少33,000港元。
Debt securities in issue 已發行債務證券	Market approach 市場法	Pricing multiples of market comparable companies used to determine the estimated equity value of the Project Company: 用於釐定項目公司估計股權價值的市場可資比較公司的定價倍數： – Price to earnings multiple – 市盈率	7.8	10% increase or decrease in the underlying stock price, the fair value would be increased by HK\$70 million or decreased by HK\$70 million, respectively. 相關股價上升或降低10%，公平值將分別增加70百萬港元或減少70百萬港元。
Debt securities in issue 已發行債務證券	Net asset value 資產淨值	N/A 不適用	N/A 不適用	N/A 不適用

42. 金融風險管理(續)

金融資產及負債的公平值(續)

按公平值計量的金融工具(續)

公平值等級(續)

(c) 第3級金融工具(續)

下文為金融工具於二零一九年及二零一八年十二月三十一日估值的重大無法觀察參數概要：

二零一九年十二月三十一日

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42. Financial risk management (continued)

Fair values of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

Fair value hierarchy (continued)

(c) Financial instruments in Level 3 (continued)

31 December 2018

42. 金融風險管理(續)

金融資產及負債的公平值(續)

按公平值計量的金融工具(續)

公平值等級(續)

(c) 第3級金融工具(續)

二零一八年十二月三十一日

	Valuation technique 估值技術	Significant unobservable input 重大無法觀察參數	Average 平均	Sensitivity of the fair value to the input 公平值對參數的敏感度
Financial products 金融產品	Market approach 市場法	Pricing multiples of market comparable companies used to determine the estimated equity value of the Project Company: 用於釐定項目公司估計股權價值的市場可資比較公司的定價倍數： – Price to book multiple – 市賬率 – Price to earnings multiple – 市盈率	1.2 9.4	10% increase or decrease in the underlying stock price, the fair value would be increased by HK\$22 million or decreased by HK\$22 million, respectively. 相關股價上升或降低10%，公平值將分別增加22百萬港元或減少22百萬港元。
Financial products 金融產品	Recent transaction price 近期交易價格	N/A 不適用	N/A 不適用	N/A 不適用
Financial products 金融產品	Net asset value 資產淨值	N/A 不適用	N/A 不適用	N/A 不適用
Financial products and unlisted convertible promissory note 金融產品及非上市可換股承兌票據	Discount cash flows 貼現現金流量	Discount rate 貼現率	11%	10% increase or decrease in the discount rate, the fair value would be increased by HK\$1.6 million or decreased by HK\$1.6 million, respectively. 當貼現率增加或減少10%，公平值將會分別增加1.6百萬港元或減少1.6百萬港元。

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42. Financial risk management (continued)

Fair values of financial assets and liabilities (continued)

Financial instruments measured at fair value (continued)

Fair value hierarchy (continued)

(c) Financial instruments in Level 3 (continued)

31 December 2018 (continued)

	Valuation technique 估值技術	Significant unobservable input 重大無法觀察參數	Average 平均	Sensitivity of the fair value to the input 公平值對參數的敏感度
Debt securities in issue 已發行債務證券	Market approach 市場法	Pricing multiples of market comparable companies used to determine the estimated equity value of the Project Company: 用於釐定項目公司估計股權價值的市場可資比較公司的定價倍數： – Price to book multiple – 市賬率 – Price to earnings multiple – 市盈率	1.2 9.4	10% increase or decrease in the underlying stock price, the fair value would be increased by HK\$22 million or decreased by HK\$22 million, respectively. 相關股價上升或降低10%，公平值將分別增加22百萬港元或減少22百萬港元。
Debt securities in issue 已發行債務證券	Recent transaction price 近期交易價格	N/A 不適用	N/A 不適用	N/A 不適用
Debt securities in issue 已發行債務證券	Net asset value 資產淨值	N/A 不適用	N/A 不適用	N/A 不適用
Debt securities in issue 已發行債務證券	Discount cash flows 貼現現金流量	N/A 不適用	N/A 不適用	10% increase or decrease in the discount rate, the fair value would be increased by HK\$1.0 million or decreased by HK\$1.0 million, respectively. 當貼現率增加或減少10%，公平值將會分別增加1.0百萬港元或減少1.0百萬港元。

42. 金融風險管理(續)

金融資產及負債的公平值(續)

按公平值計量的金融工具(續)

公平值等級(續)

(c) 第3級金融工具(續)

二零一八年十二月三十一日
(續)

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42. Financial risk management (continued)

Capital management

The Group's objectives for managing capital, which represent a broader concept than the "equity" on the face of the statement of financial position, are:

- to comply with the capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules for its subsidiaries which are licensed corporations;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to support the Group's stability and growth; and
- to maintain a strong capital base to support the development of its business.

The liquid capital is monitored daily by each individual licensed subsidiary's management based on the Securities and Futures (Financial Resources) Rules. The required information is filed with the SFC on a timely basis. The SFC requires each licensed corporation to maintain a level of required liquid capital which is the higher of the floor requirement ranging from HK\$0.1 million to HK\$15 million and 5% of the aggregate of its adjusted liabilities and clients' margin. All licensed corporations within the Group complied with their required liquid capital during the years ended 31 December 2019 and 2018.

A subsidiary of the Company is a member of the Hong Kong Confederation of Insurance Brokers and is required to maintain a minimum net asset value of HK\$0.1 million at all times. A subsidiary of the Company is a Registered Fund Management Company registered with the Monetary Authority of Singapore and is required to maintain a minimum base capital requirement of SG\$250,000 at all times. Another subsidiary of the Company registered with Monetary Authority of Singapore for dealing in capital market products is required to maintain a minimum total operational risk requirement of SG\$50,000.

The capital of the Group mainly comprises its total equity.

42. 金融風險管理(續)

資本管理

本集團資本管理的目標概念比財務狀況表的「權益」更為廣闊，即：

- 就本身為持牌法團的附屬公司而言，符合香港證券及期貨(財政資源)規則的資本規定；
- 保障本集團持續經營的能力，以繼續為股東提供回報及為其他利益相關者提供利益；
- 維持本集團的穩定及發展；及
- 維持穩固的資本基礎，以支持其業務的發展。

各持牌附屬公司的管理層根據證券及期貨(財政資源)規則每天監控流動資金，並按時向證監會提呈所需資料。證監會規定，各持牌法團須保持所需流動資本水平為介乎0.1百萬港元至15百萬港元的最低要求及其經調整負債及客戶保證金總和的5%兩者中的較高者。於截至二零一九年及二零一八年十二月三十一日止年度，本集團旗下所有持牌法團均符合所需流動資金水平規定。

本公司一家附屬公司是香港保險顧問聯會成員及須在所有時候維持最低資產淨值0.1百萬港元。本公司一家附屬公司是向新加坡金融管理局(Monetary Authority of Singapore)登記的註冊基金管理公司(Registered Fund Management Company)及須在所有時候維持最低基本資本規定250,000新加坡元。本公司另一附屬公司就買賣資本市場產品向新加坡金融管理局(Monetary Authority of Singapore)登記，並須維持最低總營運風險規定50,000新加坡元。

本集團的資本主要包括其權益總額。

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43. Offsetting financial assets and financial liabilities

The Group currently has a legally enforceable right to set off the Continuous Net Settlement (CNS) money obligations receivable and trade payables with HKSCC and it intends to settle on a net basis as accounts receivable from or accounts payable to the Stock Exchange. The net amount of CNS money obligations receivable or payable with HKSCC and the guarantee fund placed in HKSCC do not meet the criteria for offsetting in the financial statements and the Group does not intend to settle the balances on a net basis.

43. 抵銷金融資產與金融負債

本集團目前擁有合法可執行權利抵銷與香港結算的持續淨額交收(持續淨額交收)應收賬與交易應付款項，並擬按淨額基準作為應收或應付聯交所賬款結算。與香港結算的持續淨額交收應收賬或應付賬的淨額及存放於香港結算的保證基金並不符合於財務報表內抵銷的標準，本集團不擬按淨額基準結算有關結餘。

		Gross amount of recognised financial assets/ (liabilities)	Gross amount of recognised financial liabilities offset in the financial statements	Net amounts of financial liabilities reflected in the financial statements	Related amounts not set off in the statement of financial position	Net
		已確認金融資產/ (負債)總額	確認金融(資產)/ 負債總額	於財務報表呈列的金融負債淨額	尚未於財務狀況表抵銷的有關金額	淨額
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
As at 31 December 2019	於二零一九年十二月三十一日					
CNS money obligation receivable	持續淨額交收應收賬	1,798,962	(1,795,201)	3,761	—	3,761
CNS money obligation payable	持續淨額交收應付賬	(1,795,201)	1,795,201	—	—	—
As at 31 December 2018	於二零一八年十二月三十一日					
CNS money obligation receivable	持續淨額交收應收賬	609,368	(328,663)	280,705	—	280,705
CNS money obligation payable	持續淨額交收應付賬	(328,663)	328,663	—	—	—

The "net amounts of financial liabilities reflected in the financial statements", as set out above, is included in "accounts receivable and accounts payable arising from brokerage – the Stock Exchange and other clearing houses" in notes 18 and 24 to the financial statements, respectively.

上文所載的「於財務報表反映的金融資產淨額」分別包括在財務報表附註18及24的「經紀產生的應收款項及應付款項 – 聯交所及其他結算所」。

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44. Business combination

The Company acquired 50.97% equity interests in Vietnam Investment Securities Company ("IVS") through subscribing 35,350,000 new shares of IVS. The share subscription was in the form of cash of HK\$128,975,000. IVS is listed in the Hanoi Stock Exchange in Vietnam and is engaged in securities dealing and broking and margin financing business. The acquisition was made as part of the Group's strategy to expand its business in Southeast Asia.

The Group incurred transaction costs of HK\$2,758,000 in relation to this acquisition. The transaction costs have been expensed and included in other operating expenses in the consolidated statement of profit or loss.

The fair value of identifiable assets and liabilities of IVS as at the date of acquisition were as follows:

44. 業務合併

本公司透過認購35,350,000股越南投資證券股份有限公司(「IVS」)新股份，收購該公司的50.97%股本權益。股份認購以現金形式進行，金額為128,975,000港元。IVS於越南河內證券交易所上市，從事證券交易、經紀及孖展融資業務。該收購事項為本集團拓展其東南亞業務的策略一部分。

本集團就該收購事項產生交易成本2,758,000港元。交易成本已支銷，並計入綜合損益表中的其他經營開支。

於收購事項當日，IVS的可識別資產及負債的公平值如下：

		HK\$'000 千港元
Property, plant and equipment	物業、廠房及設備	4,174
Statutory deposits	法定存款	2,292
Loans and advances to customers	給予客戶的貸款及墊款	49,354
Accounts receivable	應收款項	22
Prepayments, deposits and other receivables	預付款項、按金及其他應收款項	1,640
Financial assets at fair value through profit or loss	按公平值計入損益的金融資產	3,318
Restricted cash	受限制現金	128,975
Client trust bank balances	客戶信託銀行結餘	24,449
Cash and bank balances	現金及銀行結餘	27,172
Accounts payable	應付款項	(24,352)
Other payables and accrued liabilities	其他應付款項及應計負債	(1,576)
Interest bearing borrowings	計息借款	(2,610)
Total net identifiable assets at fair value	以公平值列賬的可識別淨資產總額	212,858
Non-controlling interests	非控股權益	(104,356)
		108,502
Goodwill on acquisition	收購事項產生的商譽	20,473
Consideration paid in cash	以現金支付的代價	128,975

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44. Business combination (continued)

The fair value of the loan and advance to customers as at the date of acquisition amounted to HK\$49,354,000. The gross contractual amount of loan and advance to customers was HK\$49,379,000, of which HK\$25,000 ECL was provided.

The fair value of non-controlling interest in IVS as at the date of acquisition was estimated as the non-controlling interest's proportionate share of the IVS's net identifiable assets.

An analysis of the cash flow in respect of the acquisition of IVS is as follows:

44. 業務合併(續)

於收購日期，給予客戶的貸款及墊款的公平值為49,354,000港元。給予客戶的貸款及墊款的總合約金額為49,379,000港元，其中提供25,000港元的預期信用損失。

於收購日期，IVS非控股權益的公平值估計為非控股權益在IVS可識別資產淨額中所佔的比例份額。

收購IVS的現金流分析如下：

		HK\$'000 千港元
Cash consideration	現金代價	(128,975)
Cash and bank balances of the subsidiary	附屬公司的現金及銀行結餘	27,172
Net outflow of cash and cash equivalents included in cash flows from investing activities	投資活動現金流包括的現金及現金等價物流出淨額	(101,803)
Transaction costs of the acquisition included in cash flows from operating activities	經營活動現金流包括的收購事項交易成本	(2,758)
		(104,561)

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45. Events after the reporting period

Rights issue

On 14 January 2020, the Company proposes to raise a gross proceeds, before expenses, of up to approximately HK\$3,729 million, by way of a rights issue of not less than 1,919,219,266 rights shares but not more than 2,571,891,028 rights shares to the qualifying shareholders on the basis of one rights share for every 3 existing shares held on the record date 7 February 2020 at a price of HK\$1.45 per rights share.

On 17 March 2020 a total of 1,919,219,266 shares have been allotted. The gross proceeds raised from the rights issue are approximately HK\$2,782.87 million before expenses.

Impact of outbreak of Coronavirus

Since early January 2020, the coronavirus pandemic has spread globally, causing disruption to business and economic activity. This may affect the fair value of the financial assets and loans and advances to customers of the Group. The degree of the impact depends on the duration of the pandemic, the implementation of preventive measures and fiscal easing policies posted by the impacted countries.

Global stock markets in early 2020 have been adversely affected by concerns over the outbreak of coronavirus, resulting in increasing volatility and substantial decline. As the situation is rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group. The Group will continue monitoring the situation and actively react to the impacts to the Group's financial position and operating results.

Such impact is a non-adjusting event after the financial year end and does not result in any adjustments to the consolidated financial statements for the year ended 31 December 2019.

45. 報告期後事項

供股

於二零二零年一月十四日，本公司建議按於記錄日二零二零年二月七日持有的每三股現有股份對應一股供股股份的基準及每股供股股份1.45港元的價格，向合資格股東供股不少於1,919,219,266股但不多於2,571,891,028股供股股份，以籌集最多約3,729百萬港元的所得款項總額（扣除開支前）。

於2020年3月17日，本公司已配發合共1,919,219,266股股份。供股所得款項總額約為2,782.87百萬港元（扣除開支前）。

新型冠狀病毒疫情的影響

自二零二零年一月上旬以來，冠狀病毒大流行已蔓延至全世界，對商業及經濟活動造成了干擾。這可能會影響本集團金融資產及給予客戶的貸款及墊款的公平值。影響的程度取決於大流行的持續時間、受影響國家所採取的預防措施及財政寬鬆政策。

有關新型冠狀病毒爆發的憂慮於二零二零年初一直對全球股市造成不利影響，導致波幅加劇及跌幅擴大。由於有關情況正在迅速演變，我們認為無法切實可行地量化估計是次疫情爆發對本集團造成的潛在影響。本集團將繼續監察有關情況，並且積極應對其對本集團財務狀況及經營業績造成的影響。

該影響是於財政年度結束後的非調整事項，不會導致對截至二零一九年十二月三十一日止年度的綜合財務報表作出任何調整。

Notes to Financial Statements

財務報表附註

31 December 2019
二零一九年十二月三十一日

46. Statement of financial position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

46. 本公司財務狀況表

有關本公司於報告期末的財務狀況表的資料如下：

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Non-current assets	非流動資產		
Investments in subsidiaries	投資附屬公司	7,823,934	7,690,956
Deferred tax assets	遞延稅項資產	1	1
		7,823,935	7,690,957
Current assets	流動資產		
Prepayments, deposits and other receivables	預付款項、按金及其他應收款項	10,413	13,311
Amount due from subsidiaries	應收附屬公司款項	6,537,278	3,695,933
Cash and cash equivalents	現金及現金等價物	4,020	6,606
Total current assets	流動資產總額	6,551,711	3,715,850
Current liabilities	流動負債		
Accounts payable	應付款項	(29)	(26)
Other payables and accrued liabilities	其他應付款項及應計負債	(71,371)	(35,342)
Debt securities in issue	已發行債務證券	(4,372,507)	(2,694,443)
– At amortised cost	– 按攤銷成本	(3,446,273)	(2,577,411)
– Designated at fair value through profit or loss	– 指定按公平值計入損益	(926,234)	(117,032)
Tax payable	應付稅項	(2,299)	(3,480)
Total current liabilities	流動負債總額	(4,446,206)	(2,733,291)
Net current assets	流動資產淨值	2,105,505	982,559
Non-current liabilities	非流動負債		
Debt securities in issue	已發行債務證券		
– At amortised cost	– 按攤銷成本	(1,555,874)	–
Net assets	資產淨值	8,373,566	8,673,516

Notes to Financial Statements

財務報表附註

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46. Statement of financial position of the Company 46. 本公司財務狀況表(續) (continued)

		2019 二零一九年 HK\$'000 千港元	2018 二零一八年 HK\$'000 千港元
Equity	權益		
Share capital	股本	8,116,887	8,116,887
Currency translation reserve (note)	貨幣換算儲備(附註)	187	—
Share-based compensation reserve	以股份為基礎補償儲備	56,089	66,186
— Share option reserve (note)	— 購股權儲備(附註)	30,513	37,816
— Share award reserve (note)	— 股份獎勵儲備(附註)	25,576	28,370
Shares held under the share award scheme (note)	股份獎勵計劃項下持有的股份(附註)	(73,058)	(142,051)
Retained profits (note)	保留溢利(附註)	273,461	281,710
Equity attributable to holders of ordinary shares	普通股持有人應佔權益	8,373,566	8,322,732
Equity attributable to holders of other equity instrument	其他權益工具持有人應佔權益	—	350,784
Total equity	權益總額	8,373,566	8,673,516

Dr. YIM Fung
閻峰博士
Director
董事

Mr. LI Guangjie
李光杰先生
Director
董事

Notes to Financial Statements

財務報表附註

31 December 2019
二零一九年十二月三十一日

46. Statement of financial position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

附註：

本公司儲備概要如下：

		Currency translation reserve	Share option reserve	Share award reserve	Share held under the share award scheme	Retained profits	Total
		貨幣換算儲備	購股權儲備	股份獎勵儲備	股份獎勵計劃項下持有的股份	保留溢利	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
As at 1 January 2018	於二零一八年一月一日	–	40,769	24,204	(181,281)	426,200	309,892
Total comprehensive income for the year	年內全面收益總額	–	–	–	–	477,033	477,033
Recognition of equity-settled share-based payments (notes 32 and 33)	確認以權益計算以股份為基礎的付款(附註32及33)	–	5,297	69,471	–	–	74,768
Purchases of shares held under the share award scheme (note 34)	購買根據股份獎勵計劃持有的股份(附註34)	–	–	–	(52,579)	–	(52,579)
Vesting of shares for the share award scheme (notes 33 and 34)	股份獎勵計劃歸屬股份(附註33及34)	–	–	(65,305)	91,809	(30,364)	(3,860)
Shares issued upon exercise of share options under the share option scheme (note 32)	購股權計劃項下行使購股權而發行的股份(附註32)	–	(3,771)	–	–	–	(3,771)
Transfer of share option reserve upon the forfeiture of share options	購股權失效而轉讓購股權儲備	–	(4,479)	–	–	4,479	–
Final dividend paid for 2017	支付二零一七年末期股息	–	–	–	–	(343,960)	(343,960)
Interim dividend paid for 2018 (note 10)	支付二零一八年中期股息(附註10)	–	–	–	–	(251,678)	(251,678)
		–	37,816	28,370	(142,051)	281,710	205,845

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財務報表附註

31 December 2019
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46. Statement of financial position of the Company 46. 本公司財務狀況表(續)

(continued)

Note: (continued)

附註：(續)

		Currency translation reserve	Share option reserve	Share award reserve	Share held under the share award scheme	Retained profits	Total
		貨幣換算儲備	購股權儲備	股份獎勵儲備	股份獎勵計劃項下持有的股份	保留溢利	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
At 31 December 2018 and 1 January 2019	於二零一八年十二月三十一日及二零一九年一月一日	—	37,816	28,370	(142,051)	281,710	205,845
Total comprehensive income for the year	年內全面收益總額	187	—	—	—	481,502	481,689
Perpetual securities repurchase/redemption	永續證券購回/贖回	—	—	—	—	(12,914)	(12,914)
Recognition of equity-settled share-based payments (notes 32 and 33)	確認以權益計算以股份為基礎的付款(附註32及33)	—	6,798	57,325	—	—	64,123
Purchases of shares held under the share award scheme (note 34)	購買根據股份獎勵計劃持有的股份(附註34)	—	—	—	(4,004)	—	(4,004)
Vesting of shares for the share award scheme (notes 33 and 34)	股份獎勵計劃歸屬股份(附註33及34)	—	—	(60,119)	72,997	(16,632)	(3,754)
Transfer of share option reserve upon the forfeiture of share options	購股權失效而轉讓購股權儲備	—	(14,101)	—	—	14,101	—
Final dividend paid for 2018 (note 10)	支付二零一八年末期股息(附註10)	—	—	—	—	(152,995)	(152,995)
Interim dividend paid for 2019 (note 10)	支付二零一九年中期股息(附註10)	—	—	—	—	(321,311)	(321,311)
At 31 December 2019	於二零一九年十二月三十一日	187	30,513	25,576	(73,058)	273,461	256,679



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