



**信達國際控股有限公司**  
CINDA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 111



**2020**

ANNUAL REPORT



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# Corporate Information

<b>Registered office</b>	Clarendon House 2 Church Street Hamilton, HM 11 Bermuda
<b>Head office and principal place of business</b>	45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
<b>Directors</b>	<i>Executive Directors</i> Yu Fan Gong Zhijian Lau Mun Chung  <i>Non-executive Directors</i> Chow Kwok Wai Zhang Yi  <i>Independent Non-executive Directors</i> Hung Muk Ming Xia Zhidong Liu Xiaofeng
<b>Authorised representatives</b>	Gong Zhijian Lau Mun Chung
<b>Company secretary</b>	Lau Mun Chung
<b>Bermuda principal share registrar and transfer agent</b>	MUFG Fund Services (Bermuda) Limited 4th floor North, Cedar House 41 Cedar Avenue Hamilton HM 12 Bermuda
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Secretaries Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Auditors</b>	Ernst & Young <i>Certified Public Accountants</i> <i>Registered Public Interest Entity Auditor</i> 22/F, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
<b>Website</b>	<a href="http://www.cinda.com.hk">http://www.cinda.com.hk</a>

# Management Discussion and Analysis

## MARKET CONDITIONS

The worldwide spread of the COVID-19 pandemic in 2020 has led to the suspension of economic activities and concern for the rapid decline in economic growth. The large-scale suspension of economic activities has put many companies at risk of rupture in their cash flow. Many European countries have implemented lockdown measures at different levels since March, dealing a heavy blow to the economy. In particular, in the United States of America (“US”), the gross domestic product (“GDP”) in the first quarter shrank by 5.0% quarter-on-quarter, and significantly shrank by 31.4% in the second quarter. Meanwhile, many enterprises were at risk of rupture in their cash flow, resulting in tight US dollar liquidity and panic selling of risk assets in the market. To ease the impact of the pandemic on the economy, the US Federal Reserve (“Fed”) cut interest rates sharply in March, and lowered the federal funds target rate to 0% to 0.25%. Meanwhile, through the repurchase market and the establishment of temporary US dollar swap agreements with central banks of various countries to inject US dollar liquidity, the “US dollar shortage” in the financial market was greatly alleviated. The US dollar index fell sharply from its high of 102.992 in mid-March to its lowest level of 89.516 in December. To sum up for the whole year, the US dollar index fell by 6.7%. The three major US stock indexes fell by 14% to 23% in the first quarter. Since then, with the economic recovery in Europe and the US and the expectation that the COVID-19 vaccines would soon be available by the end of the year, together with the continued popularity of technology stocks and the sustained rebound of US stocks, all the three major US stock indexes hit new highs in December. To sum up for the whole year, the Nasdaq Index closed at 12,888.28 points in 2020, rose by 43.6% year-on-year; the S&P 500 Index closed at 3,756.07 points in 2020, rose by 16.3% year-on-year; and the Dow Jones Industrial Average Index closed at 30,606.48 points in 2020, rose by 7.3% year-on-year.

In Europe, the Euro zone’s GDP shrank quarter-on-quarter by 3.6% in the first quarter and 11.8% in the second quarter. The European Central Bank launched anti-pandemic and market rescue plans to mitigate the negative impact of the pandemic on the economy. The asset size of European Central Bank rose from 4.7 trillion Euros as at the end of February to 7.0 trillion Euros as at the end of December under multiple monetary easing measures. The European Central Bank kept the interest rates unchanged at its interest rate meeting in December. However, the Central Bank expanded the scale of Pandemic Emergency Purchase Program (“PEPP”) by 500 billion Euros to a total of 1.85 trillion Euros. The term of PEPP was extended for nine months from mid-2021 to March 2022, and maintained favorable financing conditions to continue lending to industries in need. The Pan-European Index Stoxx 600 and the German, French and British stock markets fell by 23.0% to 26.5% in the first quarter, and then recovered most of the lost. To sum up for the whole year, the Pan-European Index Stoxx 600 and the French and British stock markets fell ranging from 4.0% to 14.3%, while the German stock market rose by 3.6%. Compared with the US, the scale of current fiscal stimulus policies launched in the Euro zone was still more prudent. Therefore, the increase in fiscal deficit and national debt was lower than that of the US. As a result, the US dollar weakened sharply, while the Euro rebounded. The Euro rose repeatedly to 1.2310 in December after reaching a low of 1.0636 in March against the US dollar. To sum up for the whole year, the Euro rose by 8.9% against the US dollar.

In the Mainland China, the COVID-19 pandemic broke out in the first quarter of the year, mainly in several key cities in Hubei province. The government decisively implemented lockdown measures, mobilized medical and military personnel from other provinces to help fight the pandemic and imposed restriction to the movement of people, so as to prevent the spread of the pandemic. It caused the GDP to fall by 6.8% year-on-year in the first quarter due to the suspension of work and production in the Mainland China. After more than two months of fighting against the pandemic, it was put under control and China became the first country in the world that succeeded in fighting against the pandemic. In the second quarter, work and production began to resume, together with the continuous lockout in other countries, global orders for industrial products transferred to China. The annual value added of large industrial enterprises increased by 2.8% year-on-year, and the GDP increased by 2.3% year-on-year, making China the only country that recorded economic growth among the world’s leading economies. In addition, with the Fed continuing



# Management Discussion and Analysis

to purchase bonds in large scale and the yearning for possible introduction of fiscal stimulus policies after the US presidential election in the market, the new US president was expected to improve the relation between China and the US. Moreover, as the People's Bank of China emphasized that healthy monetary policies should be more flexible and target-based, subsequent monetary policies were expected to be gradually neutral, and the spreads between China and the US would be further widened, promoting the strength of RMB. To sum up for the whole year, the onshore RMB (CNY) and offshore RMB (CNH) appreciated by approximately 7%. The yield of the 10-year government bonds of the Mainland China rose after a fall in 2020, which stayed level for the whole year.

As to Hong Kong's economy, the COVID-19 pandemic has seriously disrupted various economic activities in Hong Kong and the regional supply chain. The initial value of the annual GDP fell by 6.1% year-on-year, the largest decline on record. The downward pressure on Hong Kong's economy increased, and the labor market was also adversely affected. According to the Census and Statistics Department, the unemployment rate was 6.6% at the end of 2020, a record high in the past 16 years. By industries, the total unemployment rate of consumption and tourism related industries, namely, retail, accommodation and catering services, was 10.6%. Among which, unemployment rate of catering services rose to 13.8%, and that of many other industries also increased.

The trend of Hong Kong stock market showed "V" type in 2020. The Hang Seng Index ("HSI") reached a high of 29,175 points in January, and the Hang Seng China Enterprises Index ("HSCEI") reached a high of 11,502 points, both hitting new highs since June 2019. However, as a result of the heavy selling of financial assets arising from the rapid spread of COVID-19 pandemic around the world, the suspension of the global economic activities and coupled with a period of tight US dollar liquidity, the HSI sharply dipped to 21,139 points in March, the lowest level since August 2016, and the HSCEI reached a low of 8,290 points, the lowest level since July 2016. Subsequently, the Fed and central banks of various countries significantly cut interest rates and launched a new round of asset purchase plans to ease the pressure of sharp economic contraction. At the same time, with the easing of the pandemic situation in many countries, they gradually relaxed the lockdown measures in varying degrees, and the risk aversion in the market cooled down. Coupled with the significant improvement in domestic economy, the price and volume of A shares have rebounded since June. The average daily turnover was RMB760.316 billion in the first half of the year, up 23% to RMB935.463 billion in the second half of the year. The Shanghai Composite Index closed at 3,473.07 points at the end of 2020, rose by 422.95 points from the end of 2019. At the same time, in line with the return of China concept stocks, a number of heavyweight stocks listed overseas came to Hong Kong for secondary listing, resulting in a substantial increase in trading volume of Hong Kong stocks in the fourth quarter. The market's average daily turnover for the whole year was HK\$129.5 billion, rose by 49% year-on-year. To sum up for the whole year, the HSI closed at 27,231 points, falling by 3.4% only as compared with the closing price at the end of 2019, while the HSCEI closed at 10,738.4 points, fell by 3.9% accumulatively. Moreover, the new issue market was booming, 154 new share listings were recorded during the period, with the raised funds up 26.5% year-on-year to HK\$397.5 billion (equivalent to approximately US\$51.3 billion), ranking second in the world after the NASDAQ. During the year, a total of nine China concept stocks returned, raising HK\$131.3 billion, accounting for 33% of the total funds raised.

# Management Discussion and Analysis

As to bonds, the market of the US dollar bonds issued by Chinese enterprises had been greatly impacted by the fluctuation of market environment in the year. In January 2020, Chinese enterprises issued a substantial amount of US dollar bonds, with an issuing amount of US\$25.1 billion in a single month. However, affected by the US dollar liquidity crisis, the issuing amount in April and May dropped sharply to only US\$4.86 billion and US\$6.61 billion in a single month, respectively. In June, due to the easing of the US dollar liquidity, the amount of US dollar bonds issued by Chinese enterprises rebounded, with an issuing amount of US\$26.16 billion in a single month. In August, due to the three red lines for real estate and seasonal factors for results announcement period, the issuing amount decreased. From September to October, with the US presidential election approaching, the issuing amount reached a new high. Since November, due to the market fluctuation and the off-season effect at the end of the year, the issuing amount has declined marginally.

To sum up, the total amount of US dollar bonds issued by Chinese enterprises in 2020 was US\$217.7 billion, with net proceeds amounting to US\$110.8 billion, representing a decrease of 4.2% and 9.4% as compared with that of US\$227.3 billion and US\$121.1 billion last year respectively.

## OVERALL PERFORMANCE

After the economic downturn caused by social events in 2019, the economy in Hong Kong suffered another major blow in 2020, with the continuous trade disputes between China and the US and the rampant COVID-19 pandemic. Four waves of pandemic broke out and escalated in the communities, and the pandemic prevention was out of control, leading to an unprecedented severe situation. Nevertheless, the Group adhered to the operation strategy of “three economic drivers” formulated years ago and masterminded integrated financial services available for both domestic and overseas markets together with our parent company Cinda Securities Co., Ltd. (“Cinda Securities”). While closely following the main business of distressed assets of China Cinda Asset Management Co., Ltd. (together with its associates, the “China Cinda Group”) as the head office’s asset management centre overseas, the Group proactively strengthened its traditional business and continued with the development of the three core business segments (i.e. asset management business, corporate finance business and sales and trading business). By strictly controlling risks and ensuring compliance with laws and regulations in the course of operation, the Group worked hard to minimize the market impact. The total revenue in the full year amounted to HK\$292.45 million (2019: HK\$307.69 million), representing a decrease of 5% year-on-year, among which, the turnover was HK\$213.02 million (2019: HK\$260.38 million), representing a decrease of 18% year-on-year, mainly due to the decrease in the size of management business of structured products developed by the Group and an associate during the year. Other income and gains amounted to HK\$79.43 million (2019: HK\$47.31 million), representing an increase of 68% year-on-year, mainly due to the increase in investment income and exchange gain on RMB held. As to expenses, the Group endeavored to control costs, and the operating expenses (excluding commission expenses and finance costs) amounted to HK\$187.24 million (2019: HK\$234.52 million), representing a decrease of 20% year-on-year, mainly due to a significant reduction in the expenditure on advisory fee paid by the Group to an associate. Besides, in line with the business development, the financing scale was increased simultaneously with the increase of business volume, and the finance costs also rose by 8% year-on-year. The Group recorded a profit before taxation of HK\$47.81 million (2019: HK\$33.17 million) before accounting for the results of associates and a joint venture, representing an increase of 44% year-on-year.

The Group recorded a share of profits from associates and a joint venture amounting to HK\$46.46 million (2019: HK\$36.77 million), representing an increase of 26% year-on-year. As a result, the Group’s profit before tax for the year amounted to HK\$94.27 million (2019: HK\$69.94 million). Profit after tax attributable to equity holders amounted to HK\$83.67 million (2019: HK\$51.56 million), representing an increase of 62% year-on-year, which was the best year after the completion of acquisition by China Cinda Group.

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## ASSET MANAGEMENT

The Group's asset management segment continued to be the most important profit contribution segment and its operations continued to be stable. The segment results for the year were HK\$87.77 million (2019: HK\$83.68 million), representing an increase of 5% year-on-year. Currently, the Group operates under light-asset strategy and remains the service centre of China Cinda Group's overseas asset management. The Group proactively developed its business revolving around the main business of China Cinda Group, concentrated its efforts to branch out to the troubled asset business, and actively explored innovative cross-border distressed asset business by strengthening its business operations. Against the severe situations, the Group, in collaboration with the parent company, focused on developing products such as the offshore troubled asset merger and acquisition ("M&A") fund and onshore distressed asset M&A fund so as to provide supporting asset management services to the main business of China Cinda Group and expand the size of assets under management. Moreover, during the period debt investments and investments in other structured products ancillary to asset management business increased and recorded good return under prudent investment strategy. As the size of management business of structured products developed by the Group and an associate during the year decreased, the asset management segment recorded revenue from external customers of HK\$58.37 million (2019: HK\$140.59 million), down by 58% year-on-year.

The Group proactively cooperated with associates and joint ventures in development of diversified businesses. The Group recorded a share of profits from associates and a joint venture amounting to HK\$46.46 million (2019: HK\$36.77 million), representing an increase of 26% year-on-year, mainly from Sino-Rock Investment Management Company Limited engaged in private equity investment and asset management, and Cinda Plunkett International Holdings Limited engaged in fund management business.

## CORPORATE FINANCE

The corporate finance business delivered a satisfactory performance in 2020, with operating revenue increased by 19% to HK\$68.90 million in the year from HK\$57.7 million in 2019, and segment profit amounted to HK\$16.02 million (2019: HK\$13.17 million), representing an increase of 22% year-on-year. The corporate finance business continued to provide equity issuance and debt issuance services to clients. With respect to equity issuance business, it acted as sponsor and underwriter in the initial public offering (IPO) of four companies which successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the year. At the same time, the segment completed two financial advisory projects on M&A during the year. In addition, the segment has been appointed as sole sponsor by a number of companies seeking listing on the Stock Exchange and as financial advisor of these companies. With respect to debt issuance business, the Group successfully completed seven Chinese enterprises offshore US dollar bond issuance projects in the year, totalling US\$4.61 billion. The Group served as the joint global coordinator in three of these projects and the sole underwriter for one project (there was no global coordinator for the project).

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## SALES AND TRADING BUSINESS

Although the global stock market was very volatile in the year, the trading volume did not fall but rose. The Group benefited from the increase in stock trading volume and the expansion of its own business scale, and welcomed an increase in its market share. As a result, the operating revenue of sales and trading business increased by 42% to HK\$72.76 million during the year from HK\$51.11 million in 2019, of which the Group recorded commission of HK\$46.22 million (2019: HK\$30.38 million) and interest income from securities financing and other interest income of HK\$26.28 million (2019: HK\$20.71 million). In view of the continuing uncertainty in the market, the Group prudently maintained margin loans and focused on improving the quality of loans through strict risk control, with no bad or doubtful debts occurred throughout the year. In addition, the securities business competition in Hong Kong was still extremely fierce in the year. According to the information from the Stock Exchange, there were 635 Stock Exchange participants as at the end of 2020. Some of the online brokers did not charge commission or service fee, and invested heavily in information technology, which increased the cost pressure of traditional brokers. As a result, the Group only recorded segment profit of HK\$1.23 million (2019: loss of HK\$14.01 million).

## FINANCIAL RESOURCES

The Group maintained sound financial strength during the year, and all subsidiaries licensed by the Securities and Futures Commission had liquid capital in excess of regulatory requirements. Meanwhile, the Group also improved its financing strategies to ensure liquidity. During the year, we obtained a floating rate term loan facility from a bank with duration of three years totalling HK\$300 million (or US dollar equivalent) and obtained another bank's advance extension agreement for a floating rate term loan with duration of three years totalling HK\$250 million to the end of June 2023 to provide long-term funding for the purpose of development of the Group, which in turn strengthened the Group's current ratio. As of 31st December 2020, the Group had term loan facility of HK\$650 million from banks, of which, a total of HK\$650 million were utilised. In addition, as of 31st December 2020, the Group had revolving bank loans and overdrafts facilities of HK\$1,400 million, of which, a total of HK\$80 million were utilised. In addition, the Group had outstanding fixed-rate medium-term bonds in the principal amount of HK\$52 million in total as at the end of the year. The Group did not issue any bond during the year.

## FLUCTUATION IN FOREIGN EXCHANGE RATES

A majority of assets and liabilities of the Group are denominated in HK dollar and US dollar to which HK dollar is pegged with. Some assets are denominated in RMB, mainly because the Group has two wholly-owned subsidiaries incorporated and operated in the Mainland China which account for all their assets and incomes in RMB. At the beginning of the year, the exchange rate of RMB against US dollar declined as affected by the Sino-US frictions. However, taking into account the growth of China's economy in long term, the information on the import and export, the measures for domestic economic protection and other factors, the Group considered that the decline of exchange rate of RMB would be of short-term within the year, and hedging was not carried out for such fluctuation in the exchange rate of RMB, let alone the mean cost-effectiveness of hedging. Eventually, RMB appreciated by 7% at the end of the year.



# Management Discussion and Analysis

## REMUNERATION AND HUMAN RESOURCES

As at 31st December 2020, the Group had a total number of 128 employees, of which 58 were male and 70 were female, 118 were based in Hong Kong office and 10 were based in our offices in the Mainland China. As at 31st December 2020, the total remuneration costs of the Group are set out in note 6 to the financial statements.

The Group has always valued the nurturing of capable personnel and has taken various measures to recruit and retain personnel of high calibre, which ensures sufficient support for steady operations amidst business development. The remuneration of the employees provided by the Group consists of basic salary and discretionary bonus. To encourage employees to deliver better performance and strengthen risk control, the Group has set up an incentive mechanism, according to which, performance and work targets for the year are set for each business department and supporting department at the beginning of each year and staff assessment is carried out both in the middle and at the end of each year so as to provide a basis for bonus. Besides, the Group also gives due weight to staff trainings and provides the employees with educational allowances and leave for professional examinations. During the year, the Group organized professional training courses and lectures for the staff and account executives from time to time in furtherance of their comprehension of the updated knowledge pertinent to their work, certain of which were conducted through electronic means. The Group has established a staff remuneration committee comprising the top management to conduct regular reviews over the remuneration policy of the Group and determine the remuneration package of each staff member, thereby ensuring that such pay and benefits are market-based.

## LOOKING FORWARD

The external environment remained complex at the beginning of 2021, and the COVID-19 pandemic was still raging which resulted in the continuous lockdown of many countries across the world. The pandemic prevention and control measures also caused severe disruption to various economic activities in Hong Kong and the supply chain in the region, with downward pressure on the economy mounting. However, due to the further recovery of the economy in the Mainland China and a low base effect, according to the comprehensive forecast from Bloomberg, it is expected that the local GDP in the market for the whole year of 2021 will rebound by 4.3% year-on-year while the unemployment rate will decrease slightly to 5.7%. With strict restriction measures on entry in place, tourism industry in Hong Kong is expected to remain weak at least in the first half of 2021. Meanwhile, the unemployment rate in Hong Kong will continue to see upward pressure and the wealth effect will continue to fade, which will further depress the recovery of the retail market. The current market forecast on the economic growth in 2021 may tend to be optimistic.

In Europe and the US, since November 2020, the positive clinical trial results of various vaccines for COVID-19 were announced one after another, and subsequently vaccination programme was commenced in succession in multiple countries, which is expected to be conducive to reducing the downward risks of the economic prospect. Nevertheless, although the vaccines for COVID-19 have been available, there is still some way to go before the roll out of a mass vaccination campaign for the public. Judging from the current progress of the vaccination, the situation in those western countries which are seriously stricken by the pandemic is expected to be alleviated in the second half of 2021. The international movement of people is expected to basically recover to normal level by the fourth quarter. In the short term, the development of the pandemic and the economic prospect are still subject to much uncertainties. The Fed expected the interest rate will be maintained at around zero by the end of 2023 at least and the size and details of bond purchases will remain unchanged until further substantial progress has been made in achieving maximum employment rate and stabilizing commodity price. In addition, the US will implement proactive fiscal policies. In January 2021, the new US president announced a new relief program with a total value of US\$1,900 billion would be promoted. Meanwhile, it is expected that the US will pursue looser fiscal policies and expand governmental spending.

# Management Discussion and Analysis

In the Mainland China, the pandemic situation has been under control. According to the Bloomberg comprehensive forecast, driven by the three drivers, i.e., domestic demand, new infrastructure and foreign trade, the economic growth in the Mainland China is expected to accelerate in 2021, with an increase of 8.4% year-on-year. As mentioned at the Central Economic Work Conference held at the end of 2020, to promote and maintain the economic operation within a reasonable range, continuous efforts are required for the tasks of “stability on the six fronts” and “security in the six areas”, and it was proposed at the conference that in 2021, the macro policies should be consistent, stable and sustainable and “no sharp turn is allowed” during the implementation of the macro policies. The fiscal and monetary policies are expected to return to normal gradually. Monetary policies should be flexible, moderate and target-based. The financial support mainly for the small and medium-sized enterprises should be strengthened. At the same time, the government will pay more attention to the prevention of financial risks and the control of macro leverage ratio. As an international financial hub of China, Hong Kong will proactively respond to the call from the Central Government and HKSAR Government, so as to strive to be one of the first economies to join the Regional Comprehensive Economic Partnership (RCEP), deepen the connect between the Mainland and Hong Kong in financial area, gradually expand the scope of eligible stocks for trading via the “Stock Connect”, speed up the implementation of the upcoming cross-border wealth management connect scheme in the Greater Bay Area, promote the real estate investment trusts (REIT) in Hong Kong and consolidate its position as a financial hub.

The Group will continue to pursue the “three economic drivers” development strategy and promote the development of the three core business segments (asset management, corporate finance, sales and trading). On one hand, we will stimulate the internal synergy among the three core business segments to boost resource sharing, refine management and enhance efficiency as well as maintain stable and compliant operation. On the other hand, externally we will deepen the cooperation with China Cinda Group in a bid to achieve win-win results. In terms of asset management business, we will focus on capitalising on market opportunities, especially the occasion for supporting China Cinda Group in handling troubled assets by emphatically setting up asset management products with different characteristics such as the troubled asset fund, M&A fund and special opportunity fund for the strategy of developing the Guangdong-Hong Kong-Macau Greater Bay Area. As for corporate finance business, we will maintain the parallel development of both equity and debt businesses. For the equity-related business, we will energetically provide sponsor and underwriting services, seize the development opportunity of the return of China concept stocks, actively explore business development opportunities and expand M&A businesses. As to debt-related business, the Group will explore demands for debt issuance of the domestic and Hong Kong customers of China Cinda Group and provide tailor-made issuance plans and services to such customers to catch issuing windows. In respect of the sales and trading business, we will make greater efforts to explore corporate and institutional customers leveraging on our relationship with the parent company and strive to enrich the Group’s product mix covering stocks, futures, bonds as well as products on wealth management, asset management and insurance so as to satisfy the customers’ need on asset allocation. In addition, the Group believes that for the year of 2021, the pandemic will ease and the market will stabilize, the Group would endeavor to bring satisfactory returns to the shareholders (“Shareholders”) of the Company through different measures by virtue of the solid foundations the Group has laid so far.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Yu Fan**, aged 57, was appointed as an executive Director, the Chairman and the chairman of the Nomination Committee of the Company on 30th October 2018. He is also a director of certain subsidiaries of the Company. He is currently a director of Cinda Securities Co., Ltd. (信達證券股份有限公司) (“Cinda Securities”), the direct controlling shareholder of the Company, and a director of China Cinda (HK) Holdings Company Limited (“China Cinda (HK)”). Mr. Yu was appointed as a director of Sino-Rock Investment Management Company Limited (an associated company of the Company) on 30th December 2020. Mr. Yu holds the professional title of Senior Economist.

Mr. Yu has substantial experience in the financial market of the People’s Republic of China (the “PRC”). He was the law lecturer of the Management Officers’ College of the Chemistry Ministry of the PRC and had been the deputy general manager and general manager of the office management department, research department and investment business department of China Cinda Trust and Investment Company. He was the senior manager of the debt management department of China Cinda Asset Management Corporation (中國信達資產管理公司), the predecessor of China Cinda Asset Management Co., Ltd. (“China Cinda”), a joint stock company incorporated in the PRC with limited liability whose shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 1359), the indirect controlling shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”)) of the Company; the secretary of the board of directors and deputy general manager of Hongyuan Securities Co., Ltd. (宏源證券股份有限公司); the deputy general manager of the investment banking department and the general manager of the investment and financing department of China Cinda; the secretary of the board of directors, deputy general manager, executive deputy general manager and general manager of Cinda Securities; the chairman of the board of Shanghai Cinda Guoxin Equity Investment Management Co., Ltd. (上海信達國鑫股權投資管理有限公司); and the chairman of First State Cinda Fund Management Co., Ltd. (信達澳銀基金管理有限公司.)

**Mr. Gong Zhijian**, aged 54, was appointed as an executive Director and the Deputy Chairman of the Company on 2nd December 2008 and 30th October 2018 respectively. He is currently the chief executive officer of the Company. He is also a director of certain subsidiaries of the Company and a director of JianXinJinYuan (Xiamen) Equity Investment Management Limited (a joint venture company of the Company) and a director of Cinda Agriculture Investment Limited (a subsidiary of China Cinda (HK)). He ceased as a director of each of China Cinda Foundation Management Company Limited on 11th May 2020 and Well Kent International Enterprises (Shenzhen) Co., Ltd. on 18th December 2020 (both are subsidiaries of China Cinda (HK)); both Cinda Plunkett International Holdings Limited and Sino-Rock Investment Management Company Limited on 30th December 2020; Cinda International Investment Holdings Limited on 26th January 2021 (all are associated companies of the Company). Prior to joining the Group, Mr. Gong worked and held management positions in China Construction Bank Corporation (Xiamen Branch), the accounts department of China Construction Bank Corporation (Head Office), China Construction Bank Corporation (Shenzhen Branch) and China Cinda (HK).

Mr. Gong graduated from Lujiang University and Zhongnan University of Economics and Law in 1987 and 2004 respectively. He has over 30 years of experience in commercial banking, investment banking, corporate finance and accounting management.

# Biographical Details of Directors and Senior Management

**Mr. Lau Mun Chung**, aged 56, was appointed an executive Director on 3rd March 2007 and is currently the deputy chief executive officer of the Company. He is a director and/or a secretary of certain subsidiaries of the Company and the Company Secretary of the Company. Mr. Lau is also a director of Cinda Agriculture Investment Limited (a subsidiary of China Cinda (HK)) and a director of a company invested/interested by the Group. Mr. Lau is in charge of the accounting and finance, information technology, company secretarial, settlement and sales and trading function of the Group.

Mr. Lau graduated from the University of Hong Kong with a Bachelor Degree in Social Science in 1986 and received his Master Degree in Laws (Corporate and Financial Law) in the same university in 2013. He is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

## NON-EXECUTIVE DIRECTORS

**Mr. Chow Kwok Wai**, aged 54, was appointed as a non-executive director of the Company on 2nd December 2008. He is a member of the Remuneration Committee of the Company. He had worked in PriceWaterhouse, which is now known as PriceWaterhouseCoopers, and accumulated valuable audit experience there. Mr. Chow received his Bachelor Degree in Social Sciences from the University of Hong Kong in 1990. He is a fellow member of the Association of Chartered Certified Accountants, a fellow CPA of the Hong Kong Institute of Certified Public Accountants and a fellow member and a registered Chartered Tax Adviser of The Taxation Institute of Hong Kong. He has over 25 years of experience in accounting, financial management and corporate finance. Mr. Chow is also an independent non-executive director of SSY Group Limited (formerly known as Lijun International Pharmaceutical (Holding) Co., Ltd.), the shares of which are listed on the Stock Exchange (stock code: 2005); He ceased to be an independent non-executive director of Youyuan International Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 2268), on 9th October 2019. He also ceased to be the deputy general manager and the company secretary of Silver Grant International Holdings Group Limited (formerly known as Silver Grant International Industries Limited), the shares of which are listed on the Stock Exchange (stock code: 171), on 17th July 2019.

**Mr. Zhang Yi**, aged 42, was appointed as a non-executive director of the Company on 31st March 2020. He is currently the general manager of finance planning department of Cinda Securities.

Mr. Zhang graduated from Tsinghua University with a bachelor degree in international accounting in July 2001. He is a Chartered Financial Analyst and a Financial Risk Manager. Mr. Zhang has substantial experience in operation management of securities companies. He worked as a deputy general manager of Sinodata Co., Ltd. (a joint-stock company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002657)) from January 2017 to October 2018; and the chairman of Shanghai Baichuan Jinzhi Intelligent Technology Co., Ltd. (a company incorporated in the PRC with limited liability) from October 2018 to June 2019 respectively.

# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Hung Muk Ming**, aged 55, was appointed as an independent non-executive director of the Company on 2nd December 2008. He is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Hung is a Certified Public Accountant (Practising) and is a fellow CPA of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of the Association of Chartered Certified Accountants, an associate of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Mr. Hung received his Bachelor Degree in Social Sciences from the University of Hong Kong in 1990, and a Master Degree in Corporate Governance from the Hong Kong Polytechnic University in 2008. He has over 25 years of experience in the accounting and audit sector. Mr. Hung is currently an independent non-executive director of the following companies listed on the Stock Exchange: (i) Silver Grant International Holdings Group Limited (formerly known as Silver Grant International Industries Limited), the shares of which are listed on the Stock Exchange (stock code: 171); (ii) Century Sage Scientific Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1450); (iii) CA Cultural Technology Group Limited (formerly known as China Animation Characters Company Limited), the shares of which are listed on the Stock Exchange (stock code: 1566); and (iv) IBO Technology Company Limited, the shares of which are listed on the Stock Exchange (stock code: 2708).

**Mr. Xia Zhidong**, aged 66, was appointed as an independent non-executive director of the Company on 28th July 2016. He is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. He worked as senior management or director of various well-known financial institutions and accounting firms including China Construction Bank, Ernst & Young, Tin Wah CPA Limited (天華會計師事務所) and Grant Thornton. He has been the external director of Qingling Motors (Group) Company Limited (慶鈴汽車(集團)有限公司) since 2014, the independent director of China Jingu International Trust Co., Ltd. (中國金谷國際信託有限責任公司) since 2014, independent director of CITIC-Prudential Fund Management Co., Ltd. (中信保誠基金管理有限責任公司, formerly known as 信誠基金管理有限責任公司) since 2005, and an independent director of Wangfujing Group Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600859), since 23rd December 2019. Mr. Xia worked as deputy director of accounting research department of Research Institute for Fiscal Science which is now known as Chinese Academy of Fiscal Sciences from 1985 to 1988. He graduated from Tianjin University of Finance and Economics with a Bachelor degree of Finance in 1982 and completed his master degree of Finance from Research Institute for Fiscal Science in 1985. He has been a qualified accountant and senior qualified accountant in the PRC since 1995.

**Mr. Liu Xiaofeng**, aged 58, was appointed as an independent non-executive director of the Company on 28th July 2016. He is a member of the Audit Committee and the Nomination Committee of the Company. Mr. Liu has over 25 years of experience in corporate finance and had worked with various international financial institutions since 1993, including NM Rothschild & Sons, N M Rothschild & Sons (Hong Kong) Limited, JP Morgan Chase, DBS Asia Capital Limited and China Resources Capital Holdings Company Limited. He is currently an independent director of UBS Securities Co. Limited and an independent non-executive director of the following companies listed on the Stock Exchange: (i) Kunlun Energy Company Limited, the shares of which are listed on the Stock Exchange (stock code: 135); (ii) Honghua Group Limited, the shares of which are listed on the Stock Exchange (stock code: 196); (iii) Sunfonda Group Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1771); and (iv) AAG Energy Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 2686). He was an independent non-executive director of Hisense Kelon Electrical Holdings Company Limited which is now known as Hisense Home Appliances Group Co., Ltd., the shares of which are listed on the Stock Exchange (stock code: 00921) from September 2017 to August 2018. Mr. Liu obtained a Master's degree and a Ph.D. from the Faculty of Economics, University of Cambridge in 1988 and 1994 respectively, a Master of Science degree in Development Studies from the University of Bath, England, in 1987, and a Bachelor of Economics degree from Southwestern University of Finance and Economics, China (previously known as Sichuan Institute of Science and Technology) in 1983.



# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

**Ms. Zhou Lu**, aged 41, is currently the deputy chief executive officer of the Company. She is responsible for overseeing the asset management department, cross border business department and research department of the Group. She is a director of certain subsidiaries of the Company, and a director of each of High Grade (HK) Investment Management Limited, Cinda Agriculture Investment Limited and Cinda International HGB Investment (UK) Limited (both are subsidiaries of China Cinda (HK)), a director of Cinda Plunkett International Holdings Limited since 30th December 2020 and Cinda International Investment Holdings Limited since 26th January 2021 (all are associated companies of the Company). She is also a director of certain companies invested/interested by the Group. Prior to joining the Group, Ms. Zhou worked in China Cinda (HK) as an investment manager. She has over 16 years of experience in investment and asset management industry. Ms. Zhou received her Bachelor Degree in Law from the Central University of Finance and Economics in 2001, and a Master Degree in Commerce from the University of New South Wales in 2003.

**Mr. Liu Jialin**, aged 58, is the Managing Director of the Group's asset management department responsible for overseeing the operation of various funds. He is also a shareholder and a director of Cinda Plunkett International Holdings Limited, an associated company of the Company and an independent non-executive director of the following companies listed on the Stock Exchange: (i) Far East Horizon Limited, the shares of which are listed on the Stock Exchange (stock code: 3360); and (ii) Changyou Alliance Group Limited (formerly known as Fortunet e-Commence Group Limited), the shares of which are listed on the Stock Exchange (stock code: 1039). He was an independent non-executive director of China Merchants Securities Co., Ltd., the shares of which are listed on the Stock Exchange (stock code: 6099). Prior to joining the Group in February 2011, Mr. Liu worked for Morgan Stanley group of companies and once served as a member of the Global Management Committee and Asia Executive Committee as well as a Managing Director in the Fixed Income Division in Hong Kong between 1992 to 2007. Mr. Liu has over 30 years of experience in finance and securities industry. Mr. Liu obtained a bachelor's degree in science from Peking University and master of science in Physics from Massachusetts Institute of Technology.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and code provisions set out in the Corporate Governance Code (“CG Code”) under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange” and “Listing Rules”, respectively).

Throughout the financial year 2020, the Group has complied with all the code provisions set out in the CG Code.

The Board continues to monitor and review the Group’s corporate governance practices to ensure compliance. The key corporate governance principles and practices of the Company are summarized as follows:

## BOARD OF DIRECTORS

The Board assumed overall responsibility for leading and supervising the Group. The Board laid down the direction of business for the Group and decided on important issues. The implementation of policies laid down by the Board rests with the Executive Management Committee (“EMC”), which at material time comprised certain executive directors of the Company (“EDs”) and member(s) from the senior management.

### Composition

As at the date of this annual report, the Board comprises three EDs, two non-executive directors (“NEDs”) and three independent non-executive directors (“INEDs”) and is in compliance with the minimum number of independent non-executive directors required under Rule 3.10(1), the appropriate professional accounting or related financial management expertise required by Rule 3.10(2) and the proportion of INEDs in the Board required by Rule 3.10A of the Listing Rules.

The Board comprises the following Directors:

#### *EDs*

Mr. Yu Fan	(Chairman)
Mr. Gong Zhijian	(Deputy Chairman and Chief Executive Officer)
Mr. Lau Mun Chung	(Deputy Chief Executive Officer)

#### *NEDs*

Mr. Chow Kwok Wai	
Ms. Zheng Yi	(resigned effective from 31st March 2020)
Mr. Zhang Yi	(appointed effective from 31st March 2020)

#### *INEDs*

Mr. Hung Muk Ming
Mr. Xia Zhidong
Mr. Liu Xiaofeng

# Corporate Governance Report

The Board possesses, with regard to individual Directors and collectively, appropriate experience, competence and personal qualities, including professionalism and integrity, to discharge its responsibilities adequately and effectively. In addition, the Board collectively has adequate knowledge and expertise relevant to each of the core business activities that the Group pursues and the associated risks in order to ensure effective governance and oversight.

Members of the Board, who come from different backgrounds, have a diverse range of financial and professional expertise. The biographical particulars of all Directors are disclosed in the section headed “Biographical Details of Directors and Senior Management”. None of the Directors has any financial, business, family or other material/relevant relationship with one another. The list of Directors identifying their role and function is also available on the websites of the Company and the Stock Exchange from time to time.

## Chairman and Chief Executive Officer

Throughout the year, Mr. Yu Fan served as the Chairman who is primarily responsible for leading the Board and ensuring that good corporate governance practices and procedures are established whereas Mr. Gong Zhijiang served as the Chief Executive Officer, who is responsible for the overall operation of the Group. The role of the Chairman is separate from that of the chief executive for achieving a clear division of separate responsibility and a balance of power and authority which in turn avoid concentration of power in any one individual. Directors are encouraged to make a full and active contribution to the Board’s affairs and participate actively in all Board and committee meetings.

## NEDs and INEDs

The NEDs and the INEDs provide the Group with diversified expertise and experience. Their views and participation in Board and committee meetings bring independent judgement and advice on issues relating to the Group’s strategies, policies, performance, accountability, key appointments, conflicts of interest and management process, to ensure that the interests of all shareholders are taken into account. A culture of openness and debate is promoted in order to facilitate effective contribution of the NEDs and the INEDs and ensure constructive relations between EDs and NEDs (including the INEDs).

The two NEDs and the three INEDs were appointed for a term of two years and are subject to rotation in accordance with the provisions in the bye-laws of the Company (“Bye-laws”). The Board has received annual written confirmation from all the INEDs for the year 2020 and is satisfied that all of them were acting independently throughout the year.

INEDs are identified as such in all corporate communications containing their names.

## Board Meetings

The Board meets regularly and at other time when necessary. The Chairman is responsible for ensuring that all Directors are properly briefed on matters to be discussed at Board meetings. All Directors have access to relevant and timely information and are given an opportunity to include matters in the agenda for all Board meetings. They can seek independent professional advice at the Company’s expenses when the situation requires. They also have access to the advice and services of the Company Secretary, who is responsible for providing Directors with Board papers and related materials, and ensuring that Board procedures are followed. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. Minutes of Board meetings are kept by the Company Secretary which record in sufficient detail the matters considered and decisions reached.

# Corporate Governance Report

The attendance of the Directors at the Board meetings and general meetings held during the financial year 2020 is set out below:

<b>Name of Directors</b>	<b>Number of Board meetings attended/held</b>	<b>Number of general meetings attended/held</b>
<i>EDs</i>		
Mr. Yu Fan	4/4	1/1
Mr. Gong Zhijian	4/4	1/1
Mr. Lau Mun Chung	4/4	1/1
<i>NEDs</i>		
Mr. Chow Kwok Wai	4/4	1/1
Ms. Zheng Yi (resigned effective from 31st March 2020)	1/1	0/0
Mr. Zhang Yi (appointed effective from 31st March 2020)	3/3	1/1
<i>INEDs</i>		
Mr. Hung Muk Ming	4/4	1/1
Mr. Xia Zhidong	4/4	1/1
Mr. Liu Xiaofeng	4/4	1/1

For a matter to be considered by the Board which has a conflict of interest with the substantial shareholder or a Director and has been determined by the Board as material, the matter would be dealt with by a physical Board meeting. In other cases, where Directors are unable to meet together, matters are resolved by written resolutions in the manner prescribed by the Bye-laws. Full meeting materials are circulated and commented through electronic mail.

Notice of at least 14 days is given of a regular Board meeting to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice will be given. Minutes of the Board meetings are prepared and circulated to all Directors in reasonable time, kept by a designated secretary and open for inspection at any reasonable time on reasonable notice by any Director.

During the year, the Chairman held a meeting with the NEDs and the INEDs without the presence of the EDs.

Management reports are sent to all Directors to keep the Directors apprised of the latest development and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

## Rotation and Re-election of Directors

The Bye-laws provide that every Director, including the Chairman and/or the Managing Director, shall retire by rotation at least once every three years. Directors appointed by the Board during the year shall hold office only until the first general meeting (in the case of filling a casual vacancy) or until the next following annual general meeting (“AGM”) (in the case of an addition to the existing Board), at which time they shall retire and be eligible for re-election by the shareholders.

Particular consideration will also be given in assessing the independence of those INEDs who have been serving on the Board for more than nine years and seeking re-election in the AGM. Reasons will be given in the AGM circular to explain why the Board believes those INEDs are still independent and should be re-elected.

# Corporate Governance Report

## Changes in Directors' Biographical Details

Changes in Directors' biographical details which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules are set out below:

### Major appointment

- Mr. Yu Fan was appointed as a director of Sino-Rock Investment Management Company Limited (an associated company of the Company) on 30th December 2020.
- Mr. Gong Zhijian ceased as a director of each of China Cinda Foundation Management Company Limited on 11th May 2020 and Well Kent International Enterprises (Shenzhen) Co., Ltd. on 18th December 2020 (both are subsidiaries of China Cinda (HK) Holdings Company Limited); Cinda Plunkett International Holdings Limited and Sino-Rock Investment Management Company Limited on 30th December 2020, Cinda International Investment Holdings Limited on 26th January 2021 (all are associated companies of the Company).
- Mr. Xia Zhidong was appointed as an independent director of Wangfujing Group Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600859) on 23rd December 2019.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its code of conduct for Directors' dealing in its shares. All Directors confirmed that they had complied with the required standards at all times throughout the financial year 2020.

## REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, including two INEDs, Mr. Xia Zhidong and Mr. Hung Muk Ming, and one NED, Mr. Chow Kwok Wai. It is chaired by Mr. Xia Zhidong.

A written terms of reference was adopted by the Remuneration Committee at its inception, and is available on the websites of the Company and the Stock Exchange and is updated when necessary. The Remuneration Committee is responsible for devising the remuneration policy for the Group and determining the specific package of each ED. The Remuneration Committee also approves the terms of service contracts and determines the remuneration packages of all EDs. Recommendations on the remuneration of NEDs (including INEDs) are submitted to the Board for consideration. The Remuneration Committee have access to independent professional advice at the Company's expenses if necessary. During the year, the Remuneration Committee engaged an independent human resources consulting firm to review the remuneration package of all EDs and key management personnels. Full minutes and related materials of the meetings are kept by a designated secretary.



# Corporate Governance Report

The Remuneration Committee held two meetings in the financial year 2020. The following is the attendance record:

<b>Name of committee members</b>	<b>Number of meetings attended/held</b>	<b>Attendance rate</b>
Mr. Xia Zhidong (Chairman)	2/2	100%
Mr. Hung Muk Ming	2/2	100%
Mr. Chow Kwok Wai	2/2	100%

In case members are unable to meet together, issues are resolved through written resolutions in the manner prescribed under the Bye-laws. Full materials are circulated and commented mainly through electronic mail.

## Directors' Remuneration

Each ED is entitled to a director's fee determined by the Remuneration Committee. Three EDs, namely Mr. Yu Fan, Mr. Gong Zhijian and Mr. Lau Mun Chung, have entered into service contracts with the Company, the terms of which were approved by the Remuneration Committee. The director's service contracts provide the three EDs with a fixed monthly salary, housing allowance (where applicable) determined in accordance with their qualification, experience and the prevailing market conditions together with an annual management bonus decided with reference to the Group's financial performance, the individual's performance during the year and the market conditions. Mr. Yu Fan's service contract commenced on 1st September 2019 for a period of three years. Prior to 1st September 2019, Mr. Yu did not receive any remuneration. NEDs and the INEDs are entitled to a director's fee decided by the Board except Ms. Zheng Yi and Mr. Zhang Yi who did not receive any director's fee pursuant to their letters of appointment. The Board confirms that no Directors or their associates (as defined in the Listing Rules) are involved in determining their own remuneration.

## NOMINATION COMMITTEE

The Nomination Committee comprises three members, including two INEDs, Mr. Xia Zhidong and Mr. Liu Xiaofeng, and the Chairman of the Board, Mr. Yu Fan who is also the chairman of the committee.

A written terms of reference was adopted by the Nomination Committee at its inception, and is available on the websites of the Company and the Stock Exchange and is updated when necessary. The Nomination Committee can seek independent professional advice at the Company's expenses if necessary. The main duties of the Nomination Committee are as follows:

1. review the structure, size and composition of the Board at least annually and make recommendations to the Board regarding any proposed changes;
2. identify suitable individuals qualified to become Board members and make recommendations to the Board on suitable candidates to be nominated for directorships;
3. assess the independence of INEDs on their appointment or when their independence is called into question; and
4. make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

# Corporate Governance Report

The Nomination Committee held one meeting in the financial year 2020. The following is the attendance record. Full minutes and related materials of the meetings are kept by a designated secretary.

<b>Name of committee members</b>	<b>Number of meetings attended/held</b>	<b>Attendance rate</b>
Mr. Yu Fan	1/1	100%
Mr. Xia Zhidong	1/1	100%
Mr. Liu Xiaofeng	1/1	100%

## Nomination Policy

The Board has adopted the Nomination Policy. The selection process of Directors will be transparent and fair. The Nomination Committee will select from a broad range of candidates and as far as feasible including those who are outside the Board's circle of contacts and in accordance with the Company's Board Diversity Policy. The Nomination Committee will consider the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity. It will also consider succession planning to ensure the long term success of the Company.

## Board Diversity Policy

The Board has adopted the Board Diversity Policy. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, independence that the candidate can bring to the Board in all aspects, commitment in respect of sufficient time and attention to the Company's business, and the conditions required by the stock exchange on which its shares are listed and by the regulatory authorities of the places of its listing, etc.

The Company remains committed to meritocracy in the boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard and their concerns are attended to and they serve in an environment where bias and discrimination on any matter are not tolerated.

# Corporate Governance Report

## TRAINING FOR DIRECTORS

The Company will provide a comprehensive, formal and tailored induction to each newly appointed Director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and ensure that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the Directors. According to the records provided by the Directors and maintained by the Company. The training received by the Directors for the year ended 31st December 2020 is summarized as follows:

	<b>Directors' duty and corporate governance</b>	<b>Legal and regulatory updates</b>	<b>Business updates</b>
<i>EDs</i>			
Mr. Yu Fan	Yes	Yes	Yes
Mr. Gong Zhijian	Yes	Yes	Yes
Mr. Lau Mun Chung	Yes	Yes	Yes
<i>NEDs</i>			
Mr. Chow Kwok Wai	Yes	Yes	Yes
Mr. Zhang Yi (appointed effective from 31st March 2020)	Yes	Yes	Yes
Ms. Zheng Yi (resigned effective from 31st March 2020)	Yes	Yes	Yes
<i>INEDs</i>			
Mr. Hung Muk Ming	Yes	Yes	Yes
Mr. Xia Zhidong	Yes	Yes	Yes
Mr. Liu Xiaofeng	Yes	Yes	Yes

## INSURANCE COVER FOR DIRECTORS

The Company has arranged appropriate insurance cover in respect of legal action against its Directors to comply with the requirement of the code provision.

# Corporate Governance Report

## AUDITORS' REMUNERATION

Ernst & Young (“EY”) has been acting as the external independent auditor of the Company since June 2015. The financial statements of the Company for the year have been audited by EY.

During the year, the fees paid/payable to EY are set out below:

Category of services	Fee paid/payable <i>HK\$</i>
Audit service	1,227,000
Non-audit services	928,000
Total	2,155,000

## AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are INEDs. The committee is chaired by Mr. Hung Muk Ming who possesses appropriate professional qualifications and experience in accounting and financial management. The other two members are Mr. Xia Zhidong and Mr. Liu Xiaofeng.

A written terms of reference was adopted by the Audit Committee at its inception, and is available on the websites of the Company and the Stock Exchange and is updated when necessary. The major roles and functions of the Audit Committee include:

1. evaluating the effectiveness of the Group’s internal control system;
2. reviewing the financial reporting process;
3. reviewing the interim and annual financial statements before submission to the Board for consideration;
4. endorsing the annual audit plans proposed by the auditor;
5. reviewing and approving continuing connected transactions; and
6. monitoring the appointment and remuneration of the auditor.

# Corporate Governance Report

The Audit Committee held two meetings in the financial year 2020. Representative from the EDs and the Deputy General Manager who supervises, among others, the compliance and internal audit department (“CAIA”) and risk management department (“RM”) of the Group are answerable in the Audit Committee meetings. During the year, two private sessions between the auditor and the Audit Committee members were held immediately after the Audit Committee meeting in March and August 2020 respectively. Full minutes and related materials of the meetings are kept by a designated secretary. The following is the attendance record of the meetings held by the Audit Committee during the year:

<b>Name of committee members</b>	<b>Number of meetings attended/held</b>	<b>Attendance rate</b>
Mr. Hung Muk Ming (Chairman)	2/2	100%
Mr. Xia Zhidong	2/2	100%
Mr. Liu Xiaofeng	2/2	100%

A summary of the work performed by the Audit Committee during the financial year 2020 was listed below:

- (1) reviewed and approved the reappointment, the remuneration and the terms of engagement of the external auditor;
- (2) reviewed and monitored the external auditor’s independence and objectivity and the effectiveness of the audit process;
- (3) reviewed and commented on each of the interim and annual financial statements of the Group and the independent auditor’s report before submission to the Board;
- (4) reviewed the Group’s financial control, internal control and risk management systems;
- (5) reviewed the results of the audit on continuing connected transactions;
- (6) reviewed the findings and the recommendations of the Group’s internal auditor on the Group’s operations and the regulatory review carried out by the regulators; and
- (7) monitored the financial reporting process of the Group.

The work and findings of the Audit Committee have been reported to the Board. During the year, no issue brought to the attention of the Board was of sufficient importance to require disclosure in the annual report.

## ACCOUNTABILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for the preparation of financial statements for the Company which gives a true and fair view of the state of affairs of the Company as at 31st December 2020, and its profit and the cash flows for the year. The financial statements are prepared on the assumption of going concern and are in accordance with the statutory requirements and applicable accounting and financial reporting standards. The Directors also ensure that the publication of the financial statements of the Group is done in a timely manner.

The statements of the Directors and the auditor of the Company regarding their respective responsibilities on the financial statements of the Company are set out in the Independent Auditor’s Report on pages 51 to 57 of this annual report.



# Corporate Governance Report

## INTERNAL CONTROL AND RISK MANAGEMENT

The Group strives to maintain a sound and effective internal control and risk management system to safeguard the assets of the Group and its clients. The Board acknowledges its responsibilities for the risk management and internal control systems and reviews their effectiveness regularly. To achieve this end, a proper segregation of duties and responsibilities is in place. Procedures have been designed against unauthorized use or disposal, for maintaining proper accounting records, ensuring the reliability and usefulness of financial information for internal business use or for publication, and monitoring the compliance with applicable laws, rules and regulations. They are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses.

The Directors have assessed the effectiveness of the internal control and risk management system with the assistance of the CAIA and RM respectively during the year and perform it annually. The CAIA and RM assess the internal control and risk management procedures respectively to validate its effectiveness and regularly report the findings to the Audit Committee. In addition, to ensure full compliance with related rules and regulations promulgated by the Securities and Futures Commission, the CAIA performs regular compliance and internal control testing. Exceptional results are brought to the management's attention. Disciplinary actions are in place to deal with identified non-compliance cases.

The Directors have also reviewed from time to time adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit, risk management and financial reporting functions. The Board considers the internal control and risk management system of the Company effective and adequate, and the code provisions on risk management and internal control are complied with. The Group acknowledges that the strengthening of the internal control and risk management system is an ongoing process and will continue to design and implement appropriate measures to meet the changing business and regulatory environment.

### Dissemination of Inside Information

The Group discloses inside information to the public as soon as reasonably practicable in accordance with the requirements under the Listing Rules and the Securities and Futures Ordinance (Cap. 571). Before full disclosure of the inside information to the public, the Group will ensure that the information is kept strictly confidential. The Group also strives to present information in a clear and balanced way, which requires equal disclosure of both positive and negative facts, and to ensure that information contained in all corporate communications is not false or misleading as to a material fact, or false or misleading through the omission of a material fact.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out below:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

# Corporate Governance Report

## OTHER CORPORATE GOVERNANCE PRACTICE

There are three major management committees established by the Group, each charged with specific duties of leading and controlling the daily operation and management of the Group. Chaired by the Chief Executive Officer, the EMC is responsible for setting up and implementing Group policy, exercising control over operational activities, reviewing and approving budgets, and making decisions on all major issues. Other members of the EMC include an ED and members from the senior management of the Group.

The Risk Management Committee (the “RMC”) is accountable to the EMC. The RMC is responsible for dealing with all risk management issues of the Group, and reviewing clients’ complaints. The RMC was chaired by the deputy general manager whom was overseeing CAIA and RM up to 1st November 2020. From 2nd November 2020 the head of RM became the chairperson of the RMC.

The Investment Management Committee (the “IMC”) is also accountable to the EMC. The IMC is responsible for formulating investment policies including the setting of investment limits of the Group and approving investment projects proposed by business units/departments of the Group. It is chaired by the Chief Executive Officer.

## COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensuring that the Group complies with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company. The Board has the overall responsibility to ensure that the Company maintains an ongoing dialogue with the shareholders, and to provide them with information necessary to evaluate the performance of the Company. The Board adopted the Shareholders Communication Policy in March 2012. Information regularly provided to the shareholders includes annual and interim reports, circulars and announcements in accordance with the Listing Rules.

Notice of at least 20 clear business days for AGMs and at least 10 clear business days for all other general meetings will be given respectively to shareholders before the meetings. A separate resolution will be proposed for each substantially separate issue at a general meeting. The chairman of every general meeting will provide an explanation of the detailed procedures for conducting a poll.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend the general meetings in order to have personal communication with shareholders. The external auditor is also required to be present to answer questions about the conduct of the audit, the preparation and content of the auditor’s report, the accounting policies and auditor’s independence.

For both institutional and retail investors, the Company’s website, [www.cinda.com.hk](http://www.cinda.com.hk), provides up-to-date information about the Group. All key information such as announcements, annual and interim reports can be downloaded from this website.

### Dividend Policy

The Board adopted the Dividend Policy in December 2018, pursuant to which the Board may propose to declare and distribute dividends to the shareholders after taking into consideration of, inter alia, the following factors:

- (a) general economic conditions;
- (b) the Group’s financial results;

# Corporate Governance Report

- (c) the Group's capital requirement for business strategies and future development needs;
- (d) taxation considerations;
- (e) possible effects on the Group's liquidity;
- (f) shareholders' expectations; and
- (g) other factors which the Board may consider appropriate.

Declaration of the dividend by the Company is also subject to any restrictions under the Laws of Bermuda, the Bye-laws and any applicable laws, rules and regulations. The Company in general meeting may from time to time declare dividends in any currency to be paid to the shareholders but no dividend shall be declared in excess of the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appeared to the Board to be justified by the profits of the Group.

## SHAREHOLDERS' RIGHTS

### **(1) Procedures for shareholders to convene a special general meeting ("SGM") and putting forward proposals at shareholders' meetings**

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's office in Hong Kong at 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong, for the attention of the Company Secretary.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

As regards shareholders proposing a person for election as a director, please refer to the procedures as set out in the "Procedure for shareholders to propose a person for election as a director" on the website of the Company at [www.cinda.com.hk](http://www.cinda.com.hk).

### **(2) Shareholders' enquiries**

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's office in Hong Kong at 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong.

# Corporate Governance Report

## CONSTITUTIONAL DOCUMENTS

There were no changes in the Company's constitutional documents during the year.

## COMPANY SECRETARY

The Company Secretary is an employee of the Company, responsible for advising the Board on governance matters and facilitating induction and professional development of Directors. The Company Secretary reports to the Chairman. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, all applicable laws, rules and regulations are followed. The approval for the selection, appointment or dismissal of the Company Secretary rests with the Board at a physical Board meeting.

Mr. Lau Mun Chung, who is a certified public accountant (as defined in the Professional Accountants Ordinance (Cap. 50)), was appointed Company Secretary of the Company since 25th May 2000. During the financial year 2020, Mr. Lau had received no less than 15 hours of relevant professional training.

## CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to actively contributing to the community and fostering a caring culture. To achieve this end, the Group constantly organises various social services activities and encourages staff members to participate in voluntary work. In addition, the Company has become a Silver Member of WWF-Hong Kong since October 2011 in order to support environmental conservation and education work. The Company has been awarded the Caring Company Logo for 15 consecutive years since 2006 in recognition of its contribution to community service continuously. Furthermore, the Company was awarded the Hong Kong Awards for Environmental Excellence under the sector of Servicing and Trading (Merit) for 12 consecutive years since 2008. As a corporate citizen, the Group will continue to uphold its corporate social responsibility.

The Environmental, Social and Governance Report is set out on pages 27 to 41 of this annual report.

# Environmental, Social and Governance Report

## ABOUT THIS REPORT

To comply with the requirements set forth in Appendix 27 Environmental, Social and Governance (“ESG”) Reporting Guide (“ESG Reporting Guide”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange” and “Listing Rules”, respectively), Cinda International Holdings Limited (the “Company”, and together with its subsidiaries, the “Group” or “We”) must publish an ESG report (“ESG Report”) on an annual basis and regarding the same period covered in its annual reports. An ESG report may be presented as information in the Group’s annual report or in a separate report. Regardless of the format adopted, the ESG report must be published on the Stock Exchange’s and the Group’s website.

The Group hereby presents this ESG Report for the year ended 31st December 2020 (“Reporting Period”). The ESG Report is organized into two ESG subject areas: environmental aspect and social aspect. The Group is in compliance with the mandatory disclosure requirements and “comply or explain” provisions set out in the ESG Reporting Guide.

## STATEMENT FROM THE BOARD

### Governance Structure

The board (the “Board”) of directors of the Company believes that a comprehensive corporate governance and well-developed operation practices are the foundation of the Group’s sustainable and long-term development. To ensure appropriate and effective ESG policies are in place, the Board acts a leading role and takes full responsibility for the oversight of ESG matters including evaluating and determining material ESG-related issues and risks.

The Board attaches great importance to ESG and has overall responsibility for its strategy and reporting. The Board strives to create long-term value to stakeholders while taking account of ESG and related risks. The Board aims to put ESG considerations into business decision making process. The Board intends to communicate with the management on an ongoing basis in order to review, evaluate, prioritize and manage material ESG-related issues and risks in operation that may have impact to the Group, so as to ensure the current policies follow law and regulations as well as to meet business needs and stakeholders’ expectations.

The Group cherishes every feedback from key stakeholder groups, which comprise its customers, employees, shareholders, investors and the community (the “Stakeholders”), that is conducive to the continuous improvement of the Group and creates valued contribution to our business decisions. The Group provides a range of channels such as meetings, interviews, reporting, surveys, and feedback channel on intranet and/or corporate website to collect the views on ESG from the stakeholders in order to review ESG-related goals and targets.

### Reporting Principles

**Materiality:** The ESG report covers the material ESG factors that are related to different stakeholders. The Board and the management are mainly responsible for identification of key ESG factors on the basis of the feedback from the stakeholders.

**Quantitative:** To provide a comprehensive comparison of the performance in emissions and energy consumption of the Group between 2019 and 2020, summary tables of performance are shown in relevant sections. Information on the standards, methodologies, assumptions and/or calculation tools, and source of conversion factors used for the reporting of emissions and energy consumption are referred to the guideline set out in Appendix 2: Reporting Guidance on Environmental KPIs of ESG Reporting Guide.

**Consistency:** Methodologies and key performance indicators are used and calculated in a consistent approach. If there are any changes in consistency that may affect a meaningful comparison details would be disclosed.

# Environmental, Social and Governance Report

## Reporting Boundary

The ESG Report covers the main business scope of the Group, excluding associated companies and joint ventures. Disclosures relating to material ESG issues identified have been included in this ESG Report pursuant to the ESG Reporting Guide. There is no significant change in reporting boundary from 2019 annual report.

## A. ENVIRONMENTAL

### A1. Emissions

Environmental protection plays an essential role for a corporation's sustainability. It is the strategy of the Group to keep reducing the environmental impact from its operations, and to promote awareness of environmental protection of its stakeholders in which the Group's operations are located.

The Group is principally engaged in the provision of asset management, corporate finance advisory services, securities brokering, commodities and futures brokering, financial planning and insurance brokering. We do not have significant air emission nor do we generate hazardous waste, so the main contributors to the Group's carbon footprint are (1) indirect greenhouse gas ("GHG") emission from electricity consumption (which is mainly attributed to the use of lighting system, air-conditioning and office equipment), (2) direct GHG emission from petrol consumption of the two motor vehicles, (3) indirect GHG emission from business travel by flight and (4) paper consumption in business operation. As such, the Group keeps minimizing the environmental impacts by reducing GHG emission from its operations with the following means:

#### (a) Control of GHG emission from minimizing air travel and electricity consumption

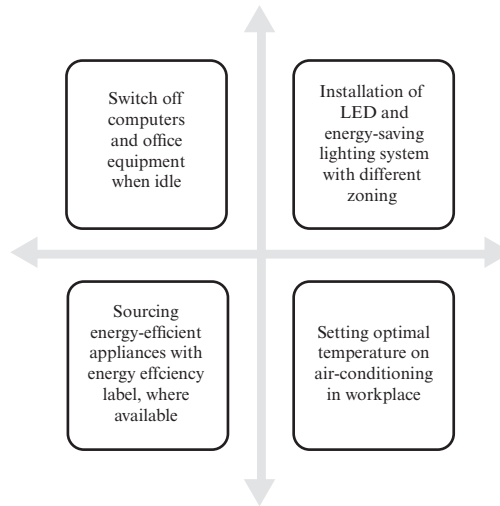
During the Reporting Period, as impacted by the COVID-19 pandemic, frequency of air travel has been significantly reduced, whereas the Group encourages its employees to adopt electronic means of communication such as video or telephone conferencing. Video conference equipment is available in conference rooms upon request. Employees are also encouraged to use mobile applications such as WeChat, VooV and Zoom to conduct virtual meetings. As a result of the above measures, GHG emission from air travel has been greatly reduced.

In view of the impact of COVID-19 pandemic may continue in 2021, air travel may still be restricted. The Group expects and set a target for the year 2021 that indirect GHG emission from business travel by flight will remain at a relatively low-level as in 2020.



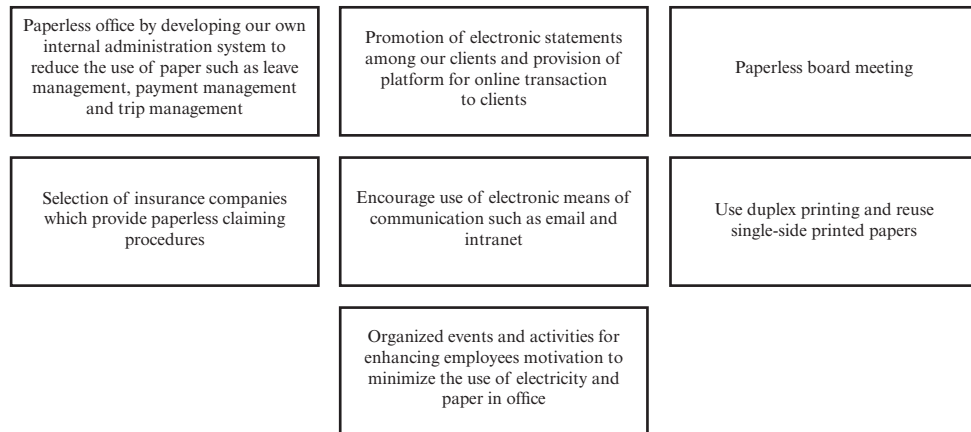
# Environmental, Social and Governance Report

Electricity consumption is the major generator of the Group's GHG emission. We have adopted the following measures to reduce and control the electricity consumption so as to reduce the GHG emission level of the Group:



## (b) Control of paper consumption

The business operation of the Group consumes significant amount of papers and the Group has adopted a series of initiatives to reduce the level of paper consumption:



# Environmental, Social and Governance Report

(c) **Emission summary:**

*i) GHG emission*

<b>Indicators</b>	<b>2019</b>	<b>2020</b>
Scope 1: Direct GHG emissions (tonnes)		
– motor vehicles	7.67	<b>4.51</b>
Scope 2: Energy indirect GHG emissions (tonnes)		
– electricity consumption	271.90	<b>265.3</b>
Scope 3: Other indirect GHG emissions		
– paper consumption (tonnes)	20.17	<b>18.18</b>
Scope 3: Other indirect GHG emissions		
– flight travel (tonnes)	894.64	<b>23.18</b>
<b>Total</b>	<b>1,194.38</b>	<b>311.17</b>

The total GHG emissions have been significantly decreased by 73.95% compared with 2019. Under the influence of COVID-19 pandemic, indirect GHG emission related to air travel has been greatly reduced due to entry restrictions imposed by different cities and countries. Substantial reduction of air travel and continued effectiveness of the adopted measures are the main reasons for the decline in GHG emissions. The Group will continue to strengthen the above measures. Due to the uncertain development of COVID-19 pandemic, which will directly affect the frequency of air travel, the Group expects the total GHG emissions in year 2021 will be similar to that in the Reporting Period, or will probably decreased by around 1–3% in year 2021, as far as reasonably practicable.

*ii) The key air pollutants from the Group's operation mainly consist of nitrogen oxides, sulphur oxides and respirable suspended particulars, which mainly generated by the two motor vehicles.*

Air pollutants emission

<b>Indicators (g)</b>	<b>2019</b>	<b>2020</b>
Nitrogen Oxides (NOx)	1,440.81	<b>727.73</b>
Sulphur Oxides (SOx)	41.62	<b>24.49</b>
Respirable Suspended Particulars (RSP)	106.01	<b>53.58</b>

# Environmental, Social and Governance Report

## (d) Control of production of hazardous and non-hazardous wastes:

In view of the nature of the Group's operations, it did not generate any hazardous wastes. The Group upholds the principle of waste management. All of our waste management practices comply with relevant laws and regulations. The Group arranges independent third-party collector to collect all scrapped electronic equipment for proper treatment.

During the Reporting Period, the Group generated non-hazardous wastes, the majority of which was paper, with a weight of 3,787.11kg. Compared with 2019, the total paper consumption has been reduced by 11%. The Group will continue to strengthen the control measures and aims to set the reduction target on paper consumption around 1–3%, as far as reasonably practicable.

We strive to reduce, reuse and recycle throughout our operations to minimize the disposal of waste to landfill. Different facilities have been provided to employees in office to facilitate source separation and waste recycling. The Group has adopted policy to evaluate and balance the number of electronic devices replacement for the need of employees and the device performance, aiming to minimize the production of solid and electronic waste by boosting the device performance instead of periodic replacement of new devices. The recycling rate of electronic wastes has been increased by 30.77% compared with 2019. The new policy achieved a remarkable result in recycling of electronic wastes. The Group will continue this policy.

## A2. Use of Resources

- (a) The Group continues with initiatives to conserve resources for environmental and operating efficiency purposes. Fuel (unleaded petrol) consumption and electricity consumption are respectively the main source of direct and indirect energy consumption. Both fuel and electricity consumptions are the main sources of GHG emissions. To pursue our environmental commitment, an environmental policy and a purchasing policy are in place. We have implemented various initiatives throughout our operations such as deploying energy-efficient devices which carry Energy Label issued by the Electrical and Mechanical Services Department of the HKSAR Government, minimizing the use of paper, reducing water consumption and encouraging the use of public transportation. Through actively monitoring and managing the use of resources, we aim to reduce our carbon footprints as well as our operating cost.

The results achieved by such improvements are reflected in the energy consumption summary below.

Energy consumption summary:

Indicators	2019	2020
Direct energy consumption (unleaded petrol) (KWh)	2,831	1,666.2
Indirect emissions (electricity) (KWh)	344,179	341,354
Total energy consumption (KWh)	347,010	343,020.2

The reduction in energy consumption between 2019 and 2020 indicates that the energy consumption control implemented by the Group is effective. We strive to follow the controls in energy usage and aims to cut down energy consumption by 1–3% in 2021 as far as reasonably practical.

# Environmental, Social and Governance Report

- (b) The Group is committed to conserving clean water. In order to build the awareness of water conservation, reminders and labels are placed in such water consumption areas as pantries and lavatories to remind employees. As the Group is operating in several leased office premises of which the respective building management is responsible for both water consumption and discharge, and thus data in relation to volume of water consumed and discharged would not be provided for any occupants. The management fee of each of the leased premises paid to the respective building management company includes charges for water supply and discharge.
- (c) The Group provides various financial services, given the nature of its business, the Group does not involve packaging materials.

## A3. The Environment and Natural Resources

During the Reporting Period, the Group continues to make its best endeavor to protect the environment in business activities and workplace. Environmental protection is a continuous process, including management of energy and water consumption, and waste production. Although the core business of the Group has remote impact on the environment and natural resources, as an ongoing commitment to good corporate citizenship, we recognize the responsibility in minimizing the negative environmental impact of our business operations and our investments, in order to achieve a sustainable development for generating long-term values to our stakeholders and the community as a whole.

The Group aims to save natural resources by enhancing the awareness among employees and reviewing the efficiency of our business operations from time to time. We regularly assess the environmental risks of our business, and adopt preventive measures as necessary to reduce the risks and ensure the compliance of relevant laws and regulations. In 2020, there were no non-compliance cases reported in relation to air and GHG emission, discharge into water and land, and generation of waste within the Group.

## A4. Climate Change

Climate change and global warming are driven by GHG emissions which are becoming the major environmental concerns in the world. Despite it has no significant impact on the Group's businesses, as a good corporate citizen, the Group strives to put forward environmental conservation and encourages its employees to practise low carbon lifestyle in order to reduce GHG emissions. In an effort to reduce carbon footprint and emissions, the Group actively adopted relevant environmental policy and office environmental measures as mentioned in the ESG Report. Meanwhile, the Group participated in various environmental conservation events including "Earth Hour" and "Green Low Carbon Day" and organized different types of "green" activities in workplace. The Group monitors the energy consumption intensity across its operations from time to time to identify opportunities for increasing efficiency and reducing GHG emissions.

# Environmental, Social and Governance Report

## B. SOCIAL

### B1. Employment

We believe that employees are our valuable assets and the foundation of the Group's sustainable development. We strive to attract and retain talents and reconcile economical imperatives with staff well-beings, aiming at reinforcing satisfaction, loyalty and commitment of human capital.

We have developed a written human resources policy and an employee handbook to govern the compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare of our employees, in accordance with the relevant laws and regulations.

Compensation and dismissal	Recruitment	Workplace management
<p>The Group enters into employment contracts with employees and stipulates the terms and conditions of employment, including remuneration package, probation period and termination.</p>	<p>Recruitment is based on job requirements, relevant qualifications, skills, experience and abilities.</p>	<p><b>Holidays and leaves</b></p> <p>Apart from statutory holidays, all employees are entitled to paid annual leaves depending on their ranks and years of services, as well as other leaves such as examination leave, birthday leave and special leave, which all eligible employees are entitled to.</p>
<p>The level of remuneration of our employees is reviewed annually on a performance basis with reference to the market standard.</p>		<p><b>Benefits and welfare</b></p> <p>A wide range of benefits including comprehensive medical (including dental and annual body check-up) and life insurance, tuition aid and mandatory provident fund are provided to employees. The medical insurance even covers family members of the employees. Social and recreational activities are organized regularly for the employees in achieving work-life balance, certain of which were conducted through virtual means.</p>
		<p><b>Equal opportunity and anti-discrimination</b></p> <p>Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination against their gender, pregnancy, marital status, disability, family status, race and religion, etc.</p>
		<p><b>Diversity</b></p> <p>The Company respects cultural and individual diversity. The Board Diversity Policy sets out the principal and guidelines to achieve diversity of the Board.</p>

# Environmental, Social and Governance Report

As at 31st December 2020, the Group had a total number of 128 employees, of which 58 were male and 70 were female, 125 were full-time employees and 3 were part-time employees, and 118 were based in Hong Kong office and 10 were based in our offices in Mainland China. As regards disability, the Company did not record the health status of the employees and no employee was recorded as disabled.

Details of total workforce are as follows:

## Total Workforce – by Age Group

	Age Group			
	30 or below	31 to 40	41 to 50	51 or above
Hong Kong office	26	40	33	19
Mainland offices	4	6	0	0

## Total Workforce – by Gender

	Male	Female
Hong Kong office	56	62
Mainland offices	2	8

## Total Workforce – by Employment Category

	Employment Category				
	Chief Level Executives	Senior Management	Middle Management	General Staff	Part Time
Hong Kong office	3	4	19	89	3
Mainland offices	0	0	1	9	0

## New employees – by Age Group

	Age Group			
	30 or below	31 to 40	41 to 50	51 or above
Hong Kong office	8	4	0	1
Mainland offices	1	1	0	0

## Annual turnover – by Gender

	Male	Female
Hong Kong office	6	10
Mainland offices	0	1



# Environmental, Social and Governance Report

## Annual turnover – by Age Group

	Age Group			
	30 or below	31 to 40	41 to 50	51 or above
Hong Kong office	7	7	0	2
Mainland offices	0	1	0	0

There were no non-compliance cases noted in relation to employment laws and regulations during the Reporting Period and there were no labour strikes or other material labour disputes of our employees that affected our operations. We have maintained good relationship with our employees.

## B2. Health and Safety

We are committed to providing and maintaining a safe, healthy, and hygienic workplace for all employees, and all other persons likely to be affected by our operations and activities.

Health and safety standards are given prime consideration in our operations, and regulatory compliance is strictly upheld. Employees at every level are committed to, and accountable for, the delivery of the safety initiatives contained in the employee handbook of the Group, with a view to maintaining a dynamic and injury-free culture. Appropriate measures are taken to continuously improve the safety and health aspects in the workplace.

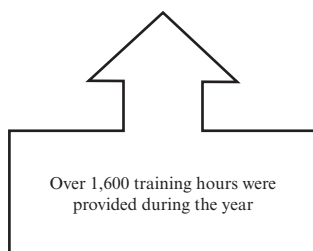
To improve health level of employees, apart from providing medical insurance and annual body check-ups to employees, the Group also provides indoor workshops and recreational activities, certain of which were conducted through virtual means, so that employees are aware of their health statuses and will enhance their health awareness.

In view of the COVID-19 pandemic in 2020, the Group has formulated a contingency plan with the participation of the senior management to ensure that precautionary measures are in place. To safeguard the health of our employees, the Group proactively provided surgical mask to employees. In addition, the Group purchased a temperature sensor in the reception area to check body temperature of everyone before entering into the office. Our receptionist record contact information and in/out time of every visitor. In order to further reduce the risk of infection, the Group arranges employees in Hong Kong and Mainland office to work from home on rotational basis.

There were no non-compliance cases noted in relation to health and safety laws and regulations in the past three years including the Reporting Period. Neither work-related fatalities nor lost days due to work injury was recorded in the mentioned period.

# Environmental, Social and Governance Report

## B3. Development and Training



We believe that employee investment is essential. The Group recognizes the importance of skills and professional knowledge of the employees to achieve good performance in their designated positions. To enhance and encourage personal growth of employees, the Group designed training programmes covering various topics stipulated in different ordinances, rules and guidelines including but not limited to, the Securities and Futures Ordinance (Cap. 571) (“SFO”), the Personal Data (Privacy) Ordinance (Cap. 486), Main Board Listing Rules and Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations) issued by the Securities and Futures Commission (“SFC”).

The Group pays full attention to the continuous development and updates of relevant laws and regulations, our Compliance and Internal Audit Department (“CAIA”) and Company Secretarial Department are responsible for gathering information of the relevant regulatory changes and work closely with different departments to determine the continuous professional training required for relevant employees and directors to update their knowledge and skills to maintain their professional competence. Latest applicable laws, rules and regulations are circulated with employees and directors from time to time.

Besides, we encourage and support our employees in personal and professional training through sponsoring training programs, seminars, workshops and conferences, regular sharing sessions, peer learning and on-the-job coaching, as well as reimbursement for external training course fees. A new employee mentorship programme has been launched in the year 2020 to facilitate communication and coaching between mentors and new staffs. We believe this is a mutually beneficial practice for achieving both personal and corporate goals as a whole.

During the year, the Group provided the following training programs to the employees:

### Development and training

New Employee Training	Video Training	Professional Training
The Group organized new employee trainings by introducing the history and corporate culture of the Group, as well as functions of respective departments, aiming at helping new employees adapt to the work environment and to settle in.	Employees from respective departments participated in the training provided by the head office through video conferencing. A total of 18 training sessions were conducted throughout the year, aiming at widening the perspective of our employees.	Invitation of legal professionals to conduct a series of lectures in relation to popular topics in the financial market, such as market misconduct, risk management, case sharing, compliance training, Anti Money Laundering and Know Your Client, etc.

# Environmental, Social and Governance Report

Number of employees trained by gender and employment type during the year of 2020 are as follows:

Number of employees:	Gender	
	Male	Female
Hong Kong & Mainland office	60	70

Number of employees:	Employment Category			
	Chief Level Executives	Senior Management	Middle Management	General Staff
Hong Kong & Mainland office	3	5	21	101

Total training hours completed by gender and employment type during the year of 2020 are as follows:

Total number of training hours	Gender	
	Male	Female
Hong Kong & Mainland office	789.25	811.25

Total number of training hours	Employment Category			
	Chief Level Executives	Senior Management	Middle Management	General Staff
Hong Kong & Mainland office	51.25	73.25	364.5	1,111.75

The average training hours completed by gender and employment type during the year of 2020 are as follows:

Average number of training hours	Gender	
	Male	Female
Hong Kong & Mainland office	13.15	11.59

Average number of training hours	Employment Category			
	Chief Level Executives	Senior Management	Middle Management	General Staff
Hong Kong & Mainland office	17.08	14.65	17.36	11.01

# Environmental, Social and Governance Report

## **B4. Labour Standards**

The Group strictly complies with the Employment Ordinance in respect of employment in Hong Kong. According to our policy, employment of child and forced labour is strictly prohibited. In addition, all such illegal means as retention of identity cards or passports, intimidation, coercion and undue pressure are strictly prohibited. It is a standard procedure in screening stage that all candidates applying to a position in the Group are required to present their identity documents for inspection and ascertaining their identities, ages and validity of employment status. No employment offer will be made to any candidates whose ages are below 18. In the event that any irregularities in ages, identities and/or validities of employment status is subsequently found, employment with all such concerned candidates will be immediately terminated, and the Group will report such incident to the relevant authorities as soon as practicable.

Our policy also protects the right of free choice of employment of any person and ensure all the employment relationship is established on a voluntary basis to prevent forced labour.

The Group is dedicated to eliminating of discrimination and providing equal opportunities to all employees regardless of gender, age, nationality and disability, etc. To ensure the employees understand their rights, the Group formulated an employee handbook covering the area of working hour, compensation and welfare, promotion and termination, and paid leaves, etc. Details of the employee handbook is stated in section B1 – Employment of the ESG Report.

No non-compliance case was noted in relation to labour standard laws and regulations and no child labour was hired or subsequently found in both 2019 and 2020.

## **B5. Supply Chain Management**

We have developed a certain policy to standardize the selection and management of suppliers and encourage suppliers (mainly professional service providers) to maintain a high standard on business ethics and conducts, with satisfactory environmental and social performance. We expect our suppliers are responsible for the environment, potential suppliers will be given priority if environmental protection is committed.

We have engaged 28 suppliers in administrative supply and services and all of which are located in Hong Kong. During the selection and evaluation processes of vendors of administrative supplies and services, we adopt a fair basis with defined assessment criteria on background to ensure that only suppliers with no conflict of interest are qualified. To evaluate the performance of the selected suppliers as well as to minimize the environmental and social risks along the supply chain, regular assessments include but not limited to the professional qualification, services/products quality, financial status, integrity, and social responsibility will be conducted. When the evaluation result of a supplier is not satisfactory, the supplier will be removed from the approved list.

# Environmental, Social and Governance Report

## B6. Product/Service Responsibility

### Responsible Investment

The Company's goal is to maximize shareholders' value in medium to long term. We believe that ESG factors have influence on financial performance of individual company, in both positive and negative ways. Hence, in the process of creating returns, ESG is integrated into not only our operations but also our investment processes for long-term value creation. As a responsible investor, we aim to incorporate ESG aspects in our analysis and investment decisions, and continue to monitor the ESG performance of our investments.

### Quality of Services

As a holding company of certain licensed corporations, the Group is committed to complying with all relevant laws and regulations under the regulatory regime of the financial service industry, in particular, all applicable provisions of the SFO and its supplementary rules and regulations as well as the codes and guidelines issued by SFC. Moreover, one of the Group's subsidiaries is regulated by The Hong Kong Insurance Authority. The Group complies with the relevant code and conduct and guidelines applicable to the Group.

Client is fundamental to sustainable development of the Group. We have built a trustworthy relationship with our clients by providing high-quality and dedicated services in professional manner. We value every opinion from our clients and set up internal procedure to ensure every feedback of the customers will be responded in a timely and impartial manner. The Group strives and continues to meet clients' satisfaction.

### Protection of Intellectual Property Rights

The Group respects and attaches great importance to intellectual property rights. In order to prevent infringement and enhance copyright protection, a copyright ordinance compliance policy is in place covering the area of installation of computer software, making copies of copyright works or publication and use of internet information, etc.

### Protection of Clients' Data

The Group emphasizes the importance of protecting our clients' personal data against unauthorized access, use or loss and we adhere to the Personal Data (Privacy) Ordinance (Cap. 486) when collecting, processing and using clients' personal data. To safeguard clients' privacy, the Group takes practicable steps to ensure the clients' data are securely stored and the use of data is limited to or related to the original collection purpose. The Group respects privacy rights of its stakeholders with utmost importance. All personal data collected, processed, used, disclosed and retained are subject to the Personal Data Privacy Policy which is prepared by reference to Personal Data (Privacy) Ordinance (Cap. 486). Personal Information Collection Statement will be provided for all candidates pertaining to employment, which sets out the purposes of personal data collection, disclosure, retention and storage.

Since the Group is engaged in financial service business, no tangible products sold or shipped subject to recall for safety and health reasons. Given the nature of its business, neither quality assurance process nor recall procedures are applicable to the Group. There were no non-compliance cases noted in relation to our data privacy and no material complaints received regarding our services that would have significant impact during the Reporting Period.

# Environmental, Social and Governance Report

## **B7. Anti-corruption**

The Group believes that honesty, integrity and fair play are its important assets in business and operation. We aim to maintain the highest standards of openness, uprightness and accountability and all our employees are expected to observe the highest standards of ethical, personal and professional conduct. We do not tolerate corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of our business operations.

Employees are strictly regulated and governed by the code of conduct that specified activities such as soliciting or accepting advantages, offering or accepting entertainment or services, and misuse of official position and company information are restricted to avoid conflict of interest. In addition to the code of conduct on anti-bribery and anti-corruption, employees are encouraged to directly access the top management or CAIA whenever irregularities or fraudulent activities are suspected, all information received will be kept strictly confidential. Ongoing review of the effectiveness of the internal control systems is conducted on a regular basis in preventing the occurrence of corruption activities.

To further strengthen the governance and increase the awareness of anti-corruption, the Group provides comprehensive training to employees at all levels. A total of 322.5 training hours on anti-corruption is reached in the Reporting Period.

### **Practice and Policy on Anti-Money Laundering**

The Group fully supports the international community drive against serious crime, drug trafficking and terrorism and is committed to assisting the authorities to identify money laundering and terrorist financing transactions. The Group's anti-money laundering ("AML") and counter-financing of terrorism ("CFT") policy has clearly specified that all employees are obliged to comply with all applicable AML/CFT laws and regulations. In order to safeguard from the use of the Group's services for money laundering and terrorist financing purpose, the operation manuals include the procedures in conducting customer due diligence and ongoing monitoring on a risk-based approach, suspicious activity reporting and record keeping. The operation manuals are reviewed regularly and updated according to relevant legal and regulatory changes. Internal control review is also carried out regularly to ensure that the AML/CFT procedures are adhered to. There is also compulsory training on AML/CFT for all employees to assist them in understanding, implementing and complying with the AML/CFT procedures.

The Group is in compliance with relevant laws and regulations on bribery, extortion, fraud and money laundering. There were no non-compliance cases noted in relation to the above that would have significant impact during the Reporting Period.



# Environmental, Social and Governance Report

## B8. Community Investment

As a corporate citizen, our goal is to build a better society and create long-term value to all stakeholders by contributing to the community. We promote social contributions amongst the members of the Group to the local communities in which we operate. We place great emphasis on cultivating social responsibility awareness among our employees and have established a volunteer team to promote and encourage employees to better serve our community at work and during leisure time. Our focus area of contribution includes environmental protection, social welfare and health, and charitable donation. In the beginning of COVID-19 outbreak, we donated anti-epidemic supplies including surgical mask, hand sanitizer and disinfectant to the disadvantaged groups during the critical period of shortage in anti-epidemic supplies. The beneficiaries included low-income families, senior citizen living alone and The Hong Kong Society For the Blind, etc.

We have become a Silver Member of WWF-Hong Kong since October 2011 to support environmental conservation and education work. We will try to maximize our social investments in order to create a more favorable environment for our community and our business. The following awards were obtained by the Group.

- Caring Company Logo for 15 consecutive years since 2006
- Hong Kong Awards for Environmental Excellence under the sector of Servicing and Trading (Merit) for 12 consecutive years since 2008 and the 10th Anniversary Special Award in 2018
- HSBC Living Business Green Achievement Award for four consecutive years (Certificate of Merit for 2014, 2016 and 2017, Certificate of Excellence for 2015)
- HSBC Living Business Caring for People Award (Certificate of Merit) for 2015 to 2017
- HSBC Living Business Community Engagement Award (Certificate of Merit) for 2016 and 2017
- HSBC Living Business ESG Awards 2018 (Certificate of Merit)
- HSBC Living Business Awards 2018 (Long Term Participation)

# Report of the Directors

The board (the “Board”) of directors (the “Directors”) of Cinda International Holdings Limited (the “Company”) is pleased to present this annual report together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2020.

## PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATION

The Company is an investment holding company. Principal activities of its subsidiaries are set out in Note 1 to the financial statements. An analysis of the Group’s performance for the year by business segments is set out in Note 5 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 58 of this annual report.

No interim dividend has been declared for the year (2019: nil). The Board appreciates the continuing support of the shareholders (the “Shareholders”) of the Company and has resolved to propose a final dividend of HK\$0.03 per ordinary share for the year ended 31st December 2020 (2019: nil).

## BUSINESS REVIEW

The business review of the Group for the year ended 31st December 2020 is set out in the sections headed “Management Discussion and Analysis” on pages 3 to 9 and “Corporate Governance Report” on pages 14 to 26 respectively of this annual report.

## PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed in this annual report, the Company is not aware of any principal risks and uncertainties facing the Company.

## SHARE CAPITAL

Details of movements in the Company’s share capital during the year are set out in Note 24 to the financial statements.

## BONDS ISSUED

On 21st August 2013, the Company resolved to issue 5-year unsecured, non-guaranteed, fixed interest corporate bonds up to a maximum aggregate principal amount of HK\$200,000,000 to independent third parties at an interest rate between 3% and 5%, determined by market conditions from time to time. The bonds will mature on the fifth anniversary from the date of issue and the net proceeds from the issuance will be utilised for the development and as working capital of the Group.

During the year, bonds with principal amount of HK\$10,000,000 was renewed and extended for two years. As at 31st December 2020, bonds with aggregate principal amount of HK\$52,000,000 was outstanding, and within which HK\$42,000,000 will mature in March, July, September or October 2021 respectively and the remaining HK\$10,000,000 will mature in September 2022. During the year, no bond was issued. Details of the bonds issued by the Company are set out in Note 28 to the financial statements.

# Report of the Directors

## RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 62 of this annual report and in Note 25 to the financial statements.

Distributable reserves of the Company as at 31st December 2020 calculated under the Companies Act 1981 of Bermuda (as amended) amounted to HK\$117,334,000 (2019: HK\$34,123,000). Details are set out in Note 25 to the financial statements.

## DONATIONS

Charitable donations made by the Group during the year amounted to HK\$67,000 (2019: HK\$50,000).

## PROPERTY AND EQUIPMENT

Movements in property and equipment of the Group during the year are set out in Note 13 to the financial statements.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on page 156 of this annual report.

## DIRECTORS

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

### EDs

Mr. Yu Fan	(Chairman)
Mr. Gong Zhijian	(Deputy Chairman and Chief Executive Officer)
Mr. Lau Mun Chung	(Deputy Chief Executive Officer)

### NEDs

Mr. Chow Kwok Wai	
Ms. Zheng Yi	(resigned effective from 31st March 2020)
Mr. Zhang Yi	(appointed effective from 31st March 2020)

### INEDs

Mr. Hung Muk Ming
Mr. Xia Zhidong
Mr. Liu Xiaofeng

All Directors, including NEDs and INEDs who are appointed for a specific term, are subject to retirement and re-election in general meetings in accordance with the Bye-laws. Directors who are appointed by the Board (in case of filling a casual vacancy) are subject to retirement and re-election at the first general meeting after their appointments. Details of the Directors who shall retire at the forthcoming AGM and being eligible, offer themselves for re-election will be disclosed in a circular to be despatched to the Shareholders.

# Report of the Directors

## **DIRECTORS' SERVICE CONTRACT**

None of the Directors proposed for re-election has entered into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## **DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT**

Save as disclosed in this annual report, no transaction, arrangement or contract of significance to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, or in which a Director or an entity connected with a Director had a material interest, subsisted at the end of the year or at any time during the year.

## **COMPETING INTEREST**

During the year, none of the Directors was interested in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## **PERMITTED INDEMNITY PROVISION**

The Bye-laws provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any Directors.

A Directors liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

## **EQUITY-LINKED AGREEMENTS**

Saved as otherwise disclosed in this annual report, no equity-linked agreements were entered into by the Group, or subsisted during the year.

## **COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS**

For the year ended 31st December 2020, the Group's operations are mainly carried out by the subsidiaries of the Company in Hong Kong and Mainland China. The Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

# Report of the Directors

## CONTINUING CONNECTED TRANSACTIONS

On 30th October 2018, the Company entered into the new master agreement (“New Master Agreement”) with China Cinda Asset Management Co., Ltd. (“China Cinda”, together with its associates, the “China Cinda Group”), pursuant to which the Group has agreed to provide (i) brokering services for securities, futures and options trading; placing, underwriting and sub-underwriting services for securities (“Category I Transactions”); (ii) corporate finance advisory services (“Category II Transactions”); and (iii) asset management services (“Category III Transactions”) to the China Cinda Group. The New Master Agreement shall have a term of 3 years commencing from 1st January 2019 and ending on 31st December 2021. The annual caps in respect of each category of transactions contemplated under the New Master Agreement are as follows:

	<b>For the year ended 31st December 2019</b>	<b>For the year ended 31st December 2020</b>	<b>For the year ending 31st December 2021</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Category I Transactions	42,000,000	60,000,000	78,000,000
Category II Transactions	15,000,000	15,000,000	15,000,000
Category III Transactions	120,000,000	150,000,000	180,000,000

Since members of the China Cinda Group are connected persons of the Company, the transactions contemplated under the New Master Agreement constitute continuing connected transactions of the Company under Rule 14A.31 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange” and “Listing Rules”, respectively). The entering into of the New Master Agreement was subject to and the Company has complied with the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The terms of the New Master Agreement (including the annual caps) were determined after arm’s length negotiations between the parties thereto and will be no less favourable to the Group than terms offered to independent third parties. The Directors, including the INEDs, are of the view that the New Master Agreement was entered into in the ordinary and usual course of business of the Group, on normal commercial terms and the terms of which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Mr. Yu Fan, the Chairman and executive Director, Mr. Gong Zhijian, the Deputy Chairman and Chief Executive Officer, and Ms. Zheng Yi, the then non-executive Director, all held management positions in or were employed by the China Cinda Group, and therefore were considered having interests in the New Master Agreement and had therefore abstained from voting on the Board resolutions approving the New Master Agreement and the transactions contemplated thereunder. The New Master Agreement was approved by the independent shareholders of the Company at the special general meeting held on 14th December 2018 with China Cinda Group abstained from voting at the meeting on the relevant resolution.

The Company’s auditor was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Related Conforming Amendments” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The Directors have received a letter from the auditor containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules.

# Report of the Directors

## SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

### Facility Agreement I

On 7th July 2016, the Company as borrower entered into a facility agreement with a licensed bank in Hong Kong in relation to a HK\$300,000,000 (or its equivalent in US dollars or Renminbi) revolving term loan facility (the “Facility Agreement I”). Pursuant to Facility Agreement I, it shall be an event of default if China Cinda ceases to directly or indirectly own at least 50% of the issued share capital of the Company unless written consent is obtained from the bank. If an event of default under Facility Agreement I occurs, all the obligations of the Company to the bank shall become immediately due and payable on the bank’s demand. The final maturity date of the Facility Agreement I was 30th November 2020 and the loan facility is subject to an annual review by the bank.

As at 31st December 2020, loan amount outstanding under Facility Agreement I was nil.

### Facility Agreement II and Facility Agreement III

- (1) On 25th October 2017, the Company as borrower entered into a facility agreement with a licensed bank in Hong Kong in relation to a HK\$300,000,000 (or its equivalent in US dollars) revolving loan facility. On 27th April 2018, a supplemental facility agreement to the facility agreement (the facility agreement together with the supplemental facility agreement, collectively the “Facility Agreement II”) was entered into between the parties pursuant to which certain specific performance obligation was imposed on the controlling shareholder of the Company. The final maturity date of the Facility Agreement II was extended to 31st May 2021. The loan facility is subject to an annual review by the bank.
- (2) On 27th April 2018, the Company as borrower entered into another facility agreement with the same licensed bank in relation to a HK\$200,000,000 (or its equivalent in US dollars) term loan facility (the “Facility Agreement III”). The final maturity date of the Facility Agreement III shall be the date upon the expiration of three years from the date of the first drawdown of the Facility Agreement III. As the loan was first drawn on 2nd May 2018, the final maturity date of the Facility Agreement III shall be 1st May 2021.

Pursuant to the Facility Agreement II and Facility Agreement III, it shall be an event of default if any undertakings including the following, among others, is or proves to have been untrue or inaccurate in any material respect when made or repeated:

- The Company shall remain more than 50% beneficially owned by China Cinda; and
- The Company shall ensure that Ministry of Finance of the PRC shall hold more than 50% shareholding of China Cinda.

If an event of default under the Facility Agreement II and Facility Agreement III occurs, the bank may demand repayment in full all outstanding advances together with the interest accrued thereon and all other sums payable by the Company under the Facility Agreement II and Facility Agreement III.

As at 31st December 2020, loan amount outstanding under Facility Agreement II was nil. The Company repaid HK\$100,000,000 on 8th December 2020 and the remaining balance of HK\$100,000,000 have been drawn under Facility Agreement III.



# Report of the Directors

## Facility Agreement IV

On 27th June 2018, the Company as borrower entered into a facility agreement with a licensed bank in Hong Kong in relation to a HK\$150,000,000 (or its equivalent in US dollars or RMB) revolving loan facility (the “Facility Agreement IV”). As one of the conditions of the loan facility, China Cinda shall directly or indirectly own at least 50% of the issued share capital of the Company. Upon the breach of any of the conditions, the loan facility is repayable in full on demand by the bank. The loan facility is subject to an annual review by the bank.

As at 31st December 2020, loan amount outstanding under Facility Agreement IV was nil.

## Facility Agreement V

On 7th September 2018, Cinda International Securities Limited (“CISL”, a wholly-owned subsidiary of the Company) as borrower and the Company as guarantor entered into a facility agreement with a licensed bank in Hong Kong in relation to a HK\$200,000,000 general banking facilities (the “Facility Agreement V”). As one of the undertakings of the general banking facilities, China Cinda shall remain the single largest beneficiary shareholder (directly or indirectly) of the Company. Breach of any of the conditions will constitute an event of default under the Facility Agreement V, upon which all amounts (including principal and interest) due or owing by CISL to the bank shall become immediately due and payable. The general banking facilities is subject to an annual review by the bank.

As at 31st December 2020, loan amount outstanding under Facility Agreement V was nil.

## Facility Agreement VI

On 15th June 2020, the Company as borrower entered into a facility agreement with a licensed bank in Macau in relation to a HK\$300,000,000 (or its equivalent in US dollars) loan facility (the “Facility Agreement VI”). Pursuant to the Facility Agreement VI, default will be triggered if any default events occurred, including breach of any one of the following loan undertakings, among others: (i) China Cinda shall remain more than 50% held by the Ministry of Finance of the PRC; (ii) Cinda Securities shall remain more than 50% directly or indirectly held by China Cinda; and (iii) the Company shall remain more than 50% directly or indirectly held by Cinda Securities. The bank may demand repayment in full all outstanding advances together with the interest accrued thereon and all other sums payable by the Company under the Facility Agreement VI if default is being triggered. The maturity date of the loan facility shall be three years from the date of signing of the Facility Agreement VI, i.e., 14th June 2023.

As at 31st December 2020, US\$24,000,000 (equivalent to HK\$187,200,000) and HK\$111,600,000 have been drawn under Facility Agreement VI.

# Report of the Directors

## Facility Agreement VII

On 26th June 2020, the Company as borrower entered into a loan facility letter with a licensed bank in Hong Kong regarding a HK\$250,000,000 committed term loan facility (the “Facility Agreement VII”), in replacement of the facility agreement dated 18th May 2018 entered into by the Company with a syndicate of banks regarding a HK\$250,000,000 term loan facility. Pursuant to the Facility Agreement VII, it shall be an event of default if (i) China Cinda does not or ceases to directly or indirectly beneficially own at least 51% of the entire issued share capital of the Company; or control the Company; or (ii) the Ministry of Finance of the PRC does not or ceases to directly or indirectly own at least 51% of the entire issued share capital of, or equity interests in, China Cinda; or control China Cinda. If an event of default under the Facility Agreement VII occurs, the bank may cancel the Facility Agreement VII and demand repayment in full all outstanding advances together with the interest accrued thereon and all other sums payable by the Company under the Facility Agreement VII. The final maturity date of the Facility Agreement VII shall be the date falling three years after the acceptance date of the Facility Agreement VII by the Company, i.e., 25th June 2023.

As at 31st December 2020, HK\$250,000,000 has been drawn under Facility Agreement VII.

## Facility Agreement VIII

On 24th September 2020, the Company as borrower accepted a facility letter (the “Facility Agreement VIII”) issued by a licensed bank in Hong Kong pursuant to which a HK\$120,000,000 (or US dollars equivalent) revolving loan facility would be made available by the bank to the Company subject to the terms and conditions of the Facility Agreement VIII. Pursuant to the Facility Agreement VIII, default will be triggered if any default events occurred, including breach of any one of the following loan undertakings, among others, (i) China Cinda shall remain more than 50% held by the Ministry of Finance of the PRC; and (ii) the Company shall remain more than 50% directly or indirectly held by China Cinda. The bank may demand repayment in full all outstanding advances together with the interest accrued thereon and all other sums payable by the Company under the Facility Agreement VIII if default is being triggered. The final maturity date of the Facility Agreement VIII shall be 30th June 2021.

As at 31st December 2020, HK\$10,000,000 has been drawn under Facility Agreement VIII.

## DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st December 2020, the Directors who held office and their respective associates did not hold any interest or short position in the shares and underlying shares or debentures of the Company, its holding company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) (“SFO”)) as recorded in the register of directors’ interests and short positions required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st December 2020, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as was known by the Directors and the chief executives of the Company, the following are details of the persons (other than Directors or chief executives of the Company) who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which need to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

### Long position

Name of substantial shareholder	Capacity	Number of shares or underlying shares held	Approximate percentage of the Company's issued share capital
Cinda Securities Co., Ltd. ("Cinda Securities")	Beneficial owner	403,960,200 ( <i>Note</i> )	63.00%
China Cinda Asset Management Co., Ltd. ("China Cinda")	Interest through a controlled corporation	403,960,200 ( <i>Note</i> )	63.00%

*Note:*

These shares were held by Cinda Securities, a subsidiary of China Cinda. By virtue of the provisions of the SFO, China Cinda was deemed to be interested in all the shares in which Cinda Securities was interested.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## MANAGEMENT CONTRACTS

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

# Report of the Directors

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of turnover for the year attributable to the Group's major customers are as follows:

– the largest customer	7.90%
– the five largest customers combined	25.81%

As at 31st December 2020, the largest customer is a corporation controlled by the ultimate holding company of the Company. The subsequent four largest customers consisted of one corporation controlled by the ultimate holding company of the Company, an associate of the Company and two independent third parties. Saved as disclosed, at no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers.

As the Group is engaged in the provision of financial services, the Directors are of the opinion that giving information on counterparties would be of limited or no value.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the year ended 31st December 2020. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year ended 31st December 2020.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that was publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

## AUDITOR

The financial statements of the Company for the year ended 31st December 2020 have been audited by Ernst & Young ("EY"). EY shall retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of EY as auditor of the Company is to be proposed at the meeting.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report is set out on pages 27 to 41 of this annual report.

Discussions of the Group's environmental policies and performance and key relationships with its employees form part of this Report of the Directors and are contained in the Environmental, Social and Governance Report.

By order of the Board

**Yu Fan**  
*Chairman*

Hong Kong, 4th March 2021

# Independent Auditor's Report



Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

**To the shareholders of Cinda International Holdings Limited**  
*(Incorporated in the Bermuda with limited liability)*

## OPINION

We have audited the consolidated financial statements of Cinda International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 58 to 155, which comprise the consolidated statement of financial position as at 31st December 2020, and the consolidated statement of profit or loss, the consolidated statement of 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 31st December 2020, 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 disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) 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.

## 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.

# Independent Auditor's Report

## Key audit matter

## How our audit addressed the key audit matter

### Impairment assessment on margin loans arising from securities brokering and debt instruments classified as fair value through other comprehensive income

Refer to the summary of significant accounting policies, critical accounting estimates and judgements and financial risk management of impairment of financial assets in notes 2, 4 and 36 and the disclosures on financial instruments subject to the expected credit loss model (the "ECL" model), including margin loans arising from securities brokering and debt instruments classified as fair value through other comprehensive income, and the related credit risk disclosed in notes 22 and 14 to the financial statements.

During the year, the Group applied an ECL model to measure the impairment allowance for financial assets, according to HKFRS 9. Management was required to exercise significant judgement in defining and identifying the existence of a significant increase in credit risk to allocate financial assets into stage 1, 2 or 3 of the ECL model. To measure the ECL, management was required to make significant estimates and assumptions regarding future macroeconomic conditions, borrowers' creditworthiness, and other parameters used in the ECL model. Additionally, management was required to evaluate the impact of COVID-19 on the ECL and model performance.

As at 31st December 2020, the impairment provision for margin loans arising from securities brokering and debt instruments classified as fair value through other comprehensive income were HK\$13.6 million and HK\$7.1 million, respectively. Due to the amount of the ECL and subjectivity involved, this was considered to be a key audit matter.

The procedures we performed to address the key audit matter included but were not limited to:

- Evaluating the design and testing the operating effectiveness of controls over the approval, recording and credit monitoring of financial instruments subject to the ECL;
- Obtaining an understanding of the methodology of the ECL model through review of documentation and discussion with the Group's management;
- Assessing the Group's determination of significant increases in credit risk and testing the application of staging classification in the ECL model by assessing historical information such as number of overdue days, margin call history and bond rating; and
- Assessing the appropriateness of related disclosures including the disclosure of credit risk and impairment allowance against the requirements of HKFRS.

For the estimation of the ECL for margin loans arising from securities brokering, we:

- Evaluated the Group's methodology for estimation of the ECL for margin loans arising from securities brokering and checked the key model parameters to external data sources, including the price volatility of underlying stock collateral;
- Assessed the reasonableness of the input of key parameters for the year end computation of the ECL on a sample basis, such as the ratio of the loan to collateral value, and available market information such as the price volatility of underlying stock collateral; and
- Considered the impact of COVID-19 on collateral valuations and the estimated time to realise for cash.

# Independent Auditor's Report

## Key audit matter

## How our audit addressed the key audit matter

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### Impairment assessment on margin loans arising from securities brokering and debt instruments classified as fair value through other comprehensive income (continued)

For the estimation of the ECL of debt instruments classified as fair value through other comprehensive income, we:

- Assessed the ECL model design of debt instruments classified as fair value through other comprehensive income, including consideration of the impact of COVID-19, and the assumptions over key parameters such as the probability of default (PD), loss given default (LGD) and exposure at default (EAD) through back-testing, and comparison with externally available market data and those commonly adopted in the market;
- Assessed the Group's consideration of forward-looking information, including the reasonableness of the Group's judgement and review of the usage and adjustment of macroeconomic information through independent review by internal specialist; and
- Assessed the reasonableness of the input of key parameters for the year end computation of the ECL adopted in the model on a sample basis, such as PD, LGD and probability weightings of economic scenarios.



# Independent Auditor's Report

## Key audit matter

## How our audit addressed the key audit matter

### Equity accounting for investment in Sino-Rock Investment Management Company Limited

Refer to the summary of significant accounting policies in note 2 and the details of the Group's investment in Sino-Rock Investment Management Company Limited ("Sino-Rock"), included in note 18 to the financial statements.

The Group owns a 27.6% interest in Sino-Rock, a company incorporated in Hong Kong with principal activities of investment management and investment holding. It is audited by a non-EY auditor ("the Sino-Rock Auditor"). The Group accounts for its interest in Sino-Rock using the equity method.

The Group's share of profit after tax from Sino-Rock for the year ended 31st December 2020 was HK\$27.2 million and the Group's share of Sino-Rock's net asset was HK\$266.3 million as at 31st December 2020.

As at 31st December 2020, Sino-Rock held financial assets measured at fair value of HK\$584.7 million categorised as Level 3, representing 53% of Sino-Rock's total assets. With assistance from an external specialist, Sino-Rock's management applied valuation techniques to determine the fair value of the Level 3 financial instruments that are not quoted in active markets. The valuation of these Level 3 financial instruments involves significant unobservable inputs, assumptions and judgement. With different valuation techniques, inputs and assumptions applied, the valuation results can vary significantly.

Given the level of judgement and assumptions involved in the valuations, we determined this to be a key audit matter.

The procedures we performed to address the key audit matter included but were not limited to:

- Communicating with the Sino-Rock Auditor regarding the Group audit requirements and overseeing its overall risk assessment, audit strategy, and the execution of the audit through group audit instructions and conference call meetings with the Sino-Rock Auditor, and the review of audit deliverables submitted to us;
- Obtaining the financial information of Sino-Rock from management for the year to assess the significance of the financial impacts of the Level 3 financial instruments held by Sino-Rock on the consolidated financial statements of the Group for designing our audit procedures;
- Holding conference call meetings with Sino-Rock's management to understand the key management processes and the implementation of internal controls over the fair value measurement of the Level 3 financial instruments;
- Inquiring of the Sino-Rock Auditor on the audit procedures relating to its audit of Sino-Rock, the audit procedures performed to address the fair value measurement of the Level 3 financial instruments in respect of its evaluation of the valuation techniques, inputs, assumptions and the judgements applied by management, including the consideration of COVID-19 in the fair value measurement of the financial instruments; and
- With the assistance from our internal valuation specialist, we performed an independent valuation to assess the fair value of the Level 3 financial instruments on a sample basis and assessed the appropriateness of the valuation results as concluded by Sino-Rock's management and the Sino-Rock Auditor.

# Independent Auditor's Report

## 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.

## 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 disclosure requirements of 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 90 of the Bermuda Companies Act 1981, 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.

# Independent Auditor's Report

As part of an audit in accordance with HKSAAs, 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.
- 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, actions taken to eliminate threats or safeguards applied.

# Independent Auditor's Report

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 Wong Shu Hing.

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

4th March 2021

# Consolidated Statement of Profit or Loss

For the year ended 31st December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	5	213,022	260,380
Other income	5	68,209	62,099
Other gains/(losses), net	5	11,218	(14,789)
		<b>292,449</b>	307,690
Staff costs	6	111,998	102,978
Commission expenses		28,418	13,117
Other operating expenses	7	75,242	131,540
Finance costs	8	28,981	26,890
		<b>244,639</b>	274,525
Share of profits of associates and a joint venture, net	18	47,810 46,458	33,165 36,771
<b>PROFIT BEFORE TAXATION</b>		<b>94,268</b>	69,936
Income tax	9	(9,990)	(17,455)
<b>PROFIT FOR THE YEAR</b>		<b>84,278</b>	52,481
Attributable to:			
Equity holders of the Company		83,671	51,559
Non-controlling interests	16	607	922
		<b>84,278</b>	52,481
Basic and diluted earnings per share attributable to equity holders of the Company	11	<b>HK13.05 cents</b>	HK8.04 cents

The notes on page 64 to 155 form part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31st December 2020

	2020 HK\$'000	2019 HK\$'000
PROFIT FOR THE YEAR	84,278	52,481
<b>Other comprehensive income for the year:</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Debt instruments at fair value through other comprehensive income:		
– Change in fair value	2,906	13,004
– Change in impairment allowances charged to profit or loss	3,003	(5,063)
– Reclassification adjustments on disposal	1,016	7,959
Net movement in investment revaluation reserve	6,925	15,900
Share of an associate's exchange difference	6,743	(2,332)
Exchange differences on translation of:		
– Financial statements of a joint venture	502	(191)
– Financial statements of foreign operations	14,759	(3,780)
Net movement in exchange difference	22,004	(6,303)
<b>Item that will not be reclassified subsequently to profit or loss</b>		
Share of a joint venture's capital reserve	138	83
Net movement in capital reserve	138	83
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>29,067</b>	<b>9,680</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>113,345</b>	<b>62,161</b>
Total comprehensive income attributable to:		
Equity holders of the Company	111,838	61,607
Non-controlling interests	1,507	554
	<b>113,345</b>	<b>62,161</b>

The notes on page 64 to 155 form part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 31st December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Intangible assets	12	1,439	1,439
Property and equipment	13	7,453	8,831
Financial assets at fair value through profit or loss	15	15,557	6,693
Interests in associates and a joint venture	18	417,246	375,674
Other assets	19	17,810	10,966
Right-of-use assets	17	44,129	43,188
Deferred tax assets	21(b)	104	192
		<b>503,738</b>	<b>446,983</b>
<b>CURRENT ASSETS</b>			
Loans receivable	20	–	71,546
Debt instruments at fair value through other comprehensive income	14	621,861	362,718
Financial assets at fair value through profit or loss	15	1	75,185
Trade and other receivables	22	609,314	454,878
Taxation recoverable		246	–
Pledged bank deposits	23	12,137	12,129
Bank balances and cash	23	804,471	579,395
		<b>2,048,030</b>	<b>1,555,851</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	26	517,696	288,221
Borrowings	27	394,414	272,425
Taxation payable	21(a)	4,120	10,128
Lease liabilities	17	24,768	19,894
Bonds issued	28	42,000	10,000
		<b>982,998</b>	<b>600,668</b>
<b>NET CURRENT ASSETS</b>		<b>1,065,032</b>	<b>955,183</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,568,770</b>	<b>1,402,166</b>



# Consolidated Statement of Financial Position

As at 31st December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	24	64,121	64,121
Other reserves		482,188	454,021
Retained earnings		442,792	359,121
<b>Total equity attributable to equity holders of the Company</b>			
Non-controlling interests	16	–	7,741
<b>TOTAL EQUITY</b>		<b>989,101</b>	<b>885,004</b>
<b>NON-CURRENT LIABILITIES</b>			
Bonds issued	28	10,000	42,000
Lease liabilities	17	20,869	24,733
Borrowings	27	548,800	450,000
Deferred tax liability	21(b)	–	429
		<b>579,669</b>	<b>517,162</b>
		<b>1,568,770</b>	<b>1,402,166</b>

Approved and authorised for issue by the Board of Directors on 4th March 2021 and signed on its behalf by:

\_\_\_\_\_  
**Yu Fan**  
*Executive Director*

\_\_\_\_\_  
**Lau Mun Chung**  
*Executive Director*

The notes on page 64 to 155 form part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31st December 2020

	Attributable to equity holders of the Company							Total	Non-controlling interests	Total equity
	Note	Share capital HK\$'000	Share premium* HK\$'000	Capital reserve* HK\$'000	Investment revaluation reserve* HK\$'000	Exchange reserve* HK\$'000	Retained earnings HK\$'000			
Balance at 1st January 2019		64,121	421,419	43,175	(12,060)	(8,561)	307,562	815,656	12,246	827,902
Profit for the year		-	-	-	-	-	51,559	51,559	922	52,481
Other comprehensive income		-	-	83	15,900	(5,935)	-	10,048	(368)	9,680
Total comprehensive income for the year		-	-	83	15,900	(5,935)	51,559	61,607	554	62,161
Distribution to non-controlling interests	37(i)	-	-	-	-	-	-	-	(5,059)	(5,059)
Balance at 31st December 2019 and 1st January 2020		64,121	421,419	43,258	3,840	(14,496)	359,121	877,263	7,741	885,004
Profit for the year		-	-	-	-	-	83,671	83,671	607	84,278
Other comprehensive income		-	-	138	6,925	21,104	-	28,167	900	29,067
Total comprehensive income for the year		-	-	138	6,925	21,104	83,671	111,838	1,507	113,345
Distribution to non-controlling interests	37(i)	-	-	-	-	-	-	-	(9,248)	(9,248)
Balance at 31st December 2020		64,121	421,419	43,396	10,765	6,608	442,792	989,101	-	989,101

\* These reserve accounts comprise the consolidated other reserves of HK\$482,188,000 (2019: HK\$454,021,000) in the consolidated statement of financial position.

The notes on page 64 to 155 form part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31st December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Net cash inflow/(outflow) from operating activities	33	194,176	(11,697)
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	13	(1,821)	(2,769)
Interest received from debt securities		34,188	27,954
Purchase of financial assets at fair value through profit or loss		(83,344)	(34,464)
Purchase of debt instruments at fair value through other comprehensive income		(515,876)	(322,322)
Proceeds from disposal of debt instruments at fair value through other comprehensive income		256,308	293,585
Proceeds from disposal of financial assets at fair value through profit or loss		158,005	31,935
Dividend from an associate and a joint venture	18	12,269	9,971
Net cash (outflow)/inflow from investing activities		(140,271)	3,890
<b>FINANCING ACTIVITIES</b>			
Principal portion of lease liabilities	17	(24,216)	(22,502)
Interest paid	33	(30,404)	(22,587)
Proceeds from bank loans		836,600	30,000
Repayment of bank loans		(582,800)	(125,000)
Proceeds from borrowings under repurchase agreements		374,397	538,131
Repayment of borrowings under repurchase agreements		(407,408)	(295,706)
Redemption of bond		–	(10,000)
Distribution to non-controlling interests	37(i)	(9,248)	(5,059)
Net cash inflow from financing activities		156,921	87,277
NET INCREASE IN CASH AND CASH EQUIVALENTS		210,826	79,470
Cash and cash equivalents at beginning of year		579,395	503,372
Effect of foreign exchange rate changes, net		14,250	(3,447)
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	804,471	579,395
Analysis of balances of cash and cash equivalents:			
Bank balances – general accounts and cash in hand	23	804,471	579,395

The notes on page 64 to 155 form part of these consolidated financial statements.

# Notes to the Financial Statements

## 1. CORPORATE AND GROUP INFORMATION

The principal activity of the Company is investment holding.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

The Company has its listing on The Stock Exchange of Hong Kong Limited.

### Information about subsidiaries

The following is the list of subsidiaries at 31st December 2020 and 2019:

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ share capital held	Interest held directly		Interest held indirectly	
				2020	2019	2020	2019
Cinda International Capital Limited ("CICL")	Hong Kong	Corporate finance services	54,000,100 ordinary shares of HK\$1 each and 21,000,000 non-voting deferred shares of HK\$1 each	–	–	100%	100%
Cinda International Securities Limited ("CISL")	Hong Kong	Securities brokering and margin financing services	220,000,100 (2019: 150,000,100) ordinary shares of HK\$1 each and 50,000,000 non-voting deferred shares of HK\$1 each	–	–	100%	100%
Cinda International Futures Limited ("CIFL")	Hong Kong	Commodities and futures brokering	40,000,100 ordinary shares of HK\$1 each and 10,000,000 non-voting deferred shares of HK\$1 each	–	–	100%	100%
Cinda International Asset Management Limited ("CIAM")	Hong Kong	Asset management	33,500,100 ordinary shares of HK\$1 each and 2,000,000 non-voting deferred shares of HK\$1 each	100%	100%	–	–
Cinda Asset Management (Cayman) Limited ("CAMCL")	Cayman Islands	Fund management	1 ordinary share of US\$1 each	–	–	100%	100%
Cinda International Wealth Management Advisor Limited ("CIWM")	Hong Kong	Financial planning and insurance brokering	18,000,000 ordinary shares of HK\$1 each	–	–	100%	100%
Chinacorp Nominees Limited ("CNL")	Hong Kong	Provision of administrative support services	100 ordinary shares of HK\$1 each and 10,000 non-voting deferred shares of HK\$1 each	–	–	100%	100%

# Notes to the Financial Statements

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ share capital held	Interest held directly		Interest held indirectly	
				2020	2019	2020	2019
Cinda Strategic (BVI) Limited (“CSBVIL”)	British Virgin Islands	Investment holding	50,000 ordinary shares of US\$1 each	100%	100%	–	–
Cinda (BVI) Limited (“CBVIL”)	British Virgin Islands	Investment holding	7 ordinary shares of US\$1 each	100%	100%	–	–
Cinda International Direct Investment Limited (“CIDI”)	British Virgin Islands	Investment holding	1,000 ordinary shares of US\$1 each	100%	100%	–	–
Cinda International Research Limited (“CIRL”)	Hong Kong	Provision of research services	1,000,000 ordinary shares of HK\$1 each	–	–	100%	100%
Cinda International Nominees Limited (“CINL”)	Hong Kong	Provision of administrative support services	100,000 ordinary shares of HK\$1 each	–	–	100%	100%
Cinda International Consultant Limited (“CICON”)	Hong Kong	Investment holding	120,000 ordinary shares of HK\$1 each	100%	100%	–	–
Cinda International Capital Management Limited (“CICM”)	British Virgin Islands	Investment holding	1 ordinary share of US\$1 each	100%	100%	–	–
信達國際(上海)投資諮詢有限公司 ( <i>note 1</i> )	People’s Republic of China (“PRC”)	Provision of consultancy services	RMB20,000,000	100%	100%	–	–
Cinda Resources Investment Limited	Cayman Islands	Asset management	1 ordinary share of US\$1 each	–	–	100%	100%
Cinda International Strategic Limited	Hong Kong	Investment	100,000 ordinary shares of HK\$1 each	–	–	100%	100%
Cinda International Investment Management Limited	Hong Kong	Dormant	100 ordinary shares of HK\$1 each and 100,000,000 non-voting deferred shares of HK\$1 each	–	–	100%	100%

# Notes to the Financial Statements

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ share capital held	Interest held directly		Interest held indirectly	
				2020	2019	2020	2019
Rainbow Stone Investments Limited	British Virgin Islands	Investment holding	1 ordinary share of US\$1 each	–	–	100%	100%
Cinda General Partner Limited	Cayman Islands	Asset management	1 ordinary share of US\$1 each	–	–	100%	100%
福建海峽文化產業股權投資管理有限公司(“FJSC”) <i>(note 2)</i>	PRC	Dissolved	RMB10,000,000	–	–	N/A	55%
Cinda Retail and Consumer Fund L.P. (“CRC Fund”)	Cayman Islands	Investment	US\$100	–	–	38.89%	38.89%
Cinda International Finance Limited (“CIFIN”)	Hong Kong	Dissolved	1,000,000 ordinary shares of HK\$1 each	–	–	N/A	100%
Full Creation Investments Ltd. (“FCL”)	British Virgin Islands	Investment holding	1 ordinary share of US\$1 each	–	–	100%	100%
Cinda International GP Management Limited (“CIGP”)	Cayman Islands	Asset management	1 ordinary share of US\$1 each	100%	–	–	100%
Wisdom Fortune Investments Limited	British Virgin Islands	Investment holding	1 ordinary share of US\$1 each	–	–	100%	100%
信達領先(深圳)股權投資基金管理有限公司 <i>(note 1)</i>	PRC	Provision of consultancy services	RMB13,000,000	–	–	100%	100%
Special Praise Investments Ltd.	British Virgin Islands	Investment holding	1 ordinary share of US\$1 each	100%	100%	–	–
Stayreal Investments Ltd.	British Virgin Islands	Investment holding	1 ordinary share of US\$1 each	100%	100%	–	–

# Notes to the Financial Statements

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ share capital held	Interest held directly		Interest held indirectly	
				2020	2019	2020	2019
Cinda Advance Investment (HK) Limited	Hong Kong	Dormant	1 ordinary share of HK\$1 each	–	–	100%	100%
Cinda Advance Investment Fund L.P.	Cayman Islands	Dormant	US\$10	–	–	100%	100%

*Notes:*

- (1) 信達國際(上海)投資諮詢有限公司 and 信達領先(深圳)股權投資基金管理有限公司 are limited liability companies and wholly-foreign-owned enterprises registered under PRC law.
- (2) 福建海峽文化產業股權投資管理有限公司 is a limited liability company registered under PRC law.

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.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$'000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 4th March 2021.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, 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 disclosure requirements of the Hong Kong Companies Ordinance (the “Hong Kong Companies Ordinance”). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs, that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### 2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at their fair value as explained in the accounting policies set out below.



# Notes to the Financial Statements

## 2.3 Basis of consolidation

### Investments in subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st December 2020. 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).

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.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### Investments in associates and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

# Notes to the Financial Statements

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint venture are eliminated to the extent of the Group's investments in the associates or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

## 2.4 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

# Notes to the Financial Statements

## 2.5 Foreign currency translation

### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK\$"), which is the Company's functional currency.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

### (c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

# Notes to the Financial Statements

## 2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in profit or loss during the financial period in which they are incurred.

Depreciation of property and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the lease periods or 5 years if shorter
Furniture & fixtures	20%
Computer software	Over the useful life or 5 years if shorter
Office & computer equipment	20%
Motor vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2.8).

## 2.7 Intangible assets

### (a) Trading rights

Trading rights held in The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited (the "Stock Exchange trading rights" and "Futures Exchange trading right" respectively) are classified as intangible assets. Trading rights have an indefinite useful life and are carried at cost less accumulated impairment losses (see note 2.8). The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights are considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

The useful life of the trading rights is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is account for on a prospective basis.

### (b) Club membership

Club membership is classified as intangible assets. Club membership has an indefinite useful life and is carried at cost less accumulated impairment losses (see note 2.8).

# Notes to the Financial Statements

## 2.8 Impairment of non-financial assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

## 2.9 Investments and other financial assets

### (a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out in note 2.19 below.

# Notes to the Financial Statements

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

## **(b) Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

### ***Financial assets at amortised cost (debt instruments)***

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

### ***Financial assets at fair value through other comprehensive income (debt instruments)***

The Group measures the debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# Notes to the Financial Statements

For the debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

## ***Financial assets designated at fair value through other comprehensive income (equity investments)***

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

## ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial instruments held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.



# Notes to the Financial Statements

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

## (c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## (d) Impairment

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

# Notes to the Financial Statements

## *General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt instruments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt instruments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt instruments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

# Notes to the Financial Statements

## *Simplified approach*

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

## **2.10 Financial liabilities**

### **(a) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings, lease liabilities and bond issued.

### **(b) Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

# Notes to the Financial Statements

## ***Loans and borrowings***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

## ***Financial guarantee contracts***

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in note 2.9(d); and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

### **(c) Derecognition**

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

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

## **2.11 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.

## **2.12 Fair value measurement**

The Group measures its equity investments and certain debt instruments 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.

# Notes to the Financial Statements

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.

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.

## 2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

## 2.14 Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

## 2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

# Notes to the Financial Statements

## 2.16 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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.

# Notes to the Financial Statements

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## 2.17 Employee benefits

### (a) Pension obligations

The Group contributes to the mandatory provident fund (“MPF Scheme”), a defined contribution plan in Hong Kong, which is available to all employees. The assets of the MPF Scheme are held separately from the Group in an independently administered fund.

The Group’s contributions to the MPF Scheme are based on 5% of the monthly relevant income of each employee up to a maximum monthly relevant income of HK\$30,000 since 1st June 2014 in accordance with the Mandatory Provident Fund Schemes Ordinance. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

### (b) Equity-settled share-based transactions

The fair value of share options granted to employees and directors is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that are expected to vest is reviewed. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company’s shares. The equity amount is recognised in the capital reserve.

If the Company cancels or settles a grant of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company shall account for the cancellation or settlement as an acceleration of vesting, and shall therefore recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. Any payment made to the employees on the cancellation or settlement of the grant shall be accounted for as the repurchase of an equity interest, as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. Any such excess shall be recognised as an expense.



# Notes to the Financial Statements

## 2.18 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

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 the statement of profit or loss.

## 2.19 Revenue recognition

### (a) 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.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.



# Notes to the Financial Statements

- Provision of securities and futures brokering service:

The Group earns commission and fee income from securities and futures brokering services, which the Group provides to the customers. For those services that are provided over a period of time, commission and fee income are accrued in accordance with the actual progress. For other services, commission and fee income are recognised when the transactions are completed. 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. Commission and handling income on securities and futures dealing and brokering is generally due within two days after trade date.

- Provision of corporate finance service:

The Group providing services to companies listed or seeking listing in Hong Kong or other stock exchanges and other unlisted corporates, on both equity and debt financing. Under HKFRS 15, the Group assessed that the performance obligation for sponsoring services is fulfilled when all the relevant duties of a sponsor 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.

- Provision of asset management service:

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Management service contracts are for periods of one year or less, or are billed based on the time incurred.

- Provision of underwriting and placement service:

The performance obligation is satisfied upon the completion of the offering of the securities.

## **(b) Revenue from other sources**

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.

## **2.20 Leases**

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.

# Notes to the Financial Statements

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

**(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. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. 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.

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.

**(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 lease. 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.

# Notes to the Financial Statements

## *(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 machinery and 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. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

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 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 asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the minimum lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

## **2.21 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

# Notes to the Financial Statements

## 2.22 Related parties

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

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

or

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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).
- (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.

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

## 2.23 Finance costs

Finance costs are charged to profit or loss by using effective interest rate method in the year in which they are incurred.

# Notes to the Financial Statements

## 2.24 Borrowings

Borrowings, including bonds issued, are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

### Effective interest method

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

## 2.25 Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

## 2.26 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

# Notes to the Financial Statements

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

## **3.1 *Conceptual Framework for Financial Reporting 2018***

*Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

## **3.2 *Amendments to HKFRS 3 Definition of a Business***

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 has applied the amendments prospectively to transactions or other events that occurred on or after 1st January 2020. The amendments did not have any impact on the financial position and performance of the Group.

## **3.3 *Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform***

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

# Notes to the Financial Statements

## **3.4 Amendment to HKFRS 16 *Covid-19-Related Rent Concessions* (early adopted)**

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30th June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1st June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any impact on the financial position and performance of the Group.

## **3.5 Amendments to HKAS 1 and HKAS 8 *Definition of Material***

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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

## **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

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

### **4.1 Provision for expected credit losses on in-scope financial instruments under HKFRS 9**

The Company uses an expected credit loss model to calculate ECLs for in-scope financial instruments under HKFRS 9. For trade receivables, with a large number of diversified customers and no similar credit rating benchmark, the provision rates are based on historical data on default cases of the Company with adjustment to reflect the current conditions and forecasts of future economic conditions, as appropriate. For other financial instruments, the provision rates are based on the estimated probability of default of companies with similar credit ratings, with adjustment to reflect the current conditions and forecasts of future economic conditions, as appropriate. The Company calibrates the model to adjust the expected credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the brokerage sector, the probability of default rates are adjusted. At each reporting date, the parameters are updated and changes in the forward-looking estimates are analysed.

# Notes to the Financial Statements

The assessment of the correlation among the probability of default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company's expected credit loss experience and forecast of economic conditions may also not be representative of the actual default in the future. The information about the ECLs on the Company's in-scope financial instruments is disclosed in notes 14, 20 and 22 to the financial statements.

## 4.2 Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax 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, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## 4.3 Deferred tax assets

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences arising from depreciation of non-current assets. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Further details are available in note 21(b) to the financial statements.

## 4.4 Litigation

The Group considers each case involving litigation individually to assess the probability of any outflow of resources. If, in the opinion of the directors, an outflow of resources embodying economic benefits will be required to settle the litigation, a provision will be made to the extent of the probable outflow. In other cases, unless the possibility of an outflow of resources embodying economic benefits is remote, a contingent liability will be disclosed.

## 4.5 Estimation of fair values

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. For unlisted investments held by the Group and the Group's associate, where direct market prices in an active market are not available, the fair value of such instruments is calculated on the basis of valuation techniques using current market parameters. These techniques involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experiences and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values. In particular, the fair value is a theoretical value applicable at a given reporting date, and hence cannot be used as an indicator of value realisable in a future sale.



# Notes to the Financial Statements

## **4.6 Significant influence over Cinda Plunkett International Absolute Return Fund (“CPIAR Fund”) (formerly known as Cinda Plunkett International Asia Absolute Return Fund)**

Note 18(a) describes that CPIAR Fund is an associate of the Group. The assessment was made taking into account that (a) the Group has 13.58% (2019: 15.08%) ownership in CPIAR Fund, (b) the Group has significant influence over the investment manager of CPIAR Fund and (c) the Group is the investment advisor which holds the licence to perform regulatory activities – asset management under the SFO of CPIAR Fund which give it significant influence over CPIAR Fund.

Details of CPIAR Fund are set out in note 18(a).

## **4.7 Classification of JianXinJinYuan (Xiamen) Equity Investment Management Limited (“JXJY”) as a joint venture**

JXJY is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Pursuant to the shareholder agreement between the parties to the joint arrangement, the decisions about the relevant activities of JXJY require the unanimous consent of these parties. Furthermore, there are no contractual arrangements or any other facts and circumstances that give the parties to the joint arrangement rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, JXJY is classified as a joint venture of the Group. See note 18(b) for details.

## **4.8 Leases – Estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

## **4.9 Provision for litigation**

Cinda International Securities Limited (“CISL”), a subsidiary of the Group, as a defendant received a writ of summons, issued in the Court of First Instance of the High Court of Hong Kong by the solicitors acting for Mr. Chiu Chi Shun Clarence as a plaintiff (the “Plaintiff”), against the Defendant.

The Plaintiff was a client of CISL who claims to be the holder and/or beneficial owner of certain American Depository Shares (the “ADS”) of a company which was once listed on the New York Stock Exchange (now delisted), and who has deposited the ADS in a securities account maintained with CISL. The Plaintiff alleges that CISL did not follow his instruction in dealing with the ADS and is now claiming for (i) an order that CISL do forthwith cause or procure a transfer of the subject ADS to the Plaintiff, or alternatively, damages in lieu thereof in the sum of US\$546,662.20 or its Hong Kong dollars equivalent (equivalent to approximately HK\$4,263,965.16) or in such sum as the Court deems fit; (ii) interest; (iii) costs; and (iv) further or other orders or relief as the Court deems fit.

Details of the provision for litigation are set out in note 26.

# Notes to the Financial Statements

## 5. REVENUE, OTHER INCOME, OTHER GAINS/(LOSSES), NET AND SEGMENT INFORMATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
<b><i>Revenue from contracts with customers</i></b>		
Fees and commission		
Asset management	18,847	82,596
Sales and trading business	46,221	30,384
Corporate finance	43,381	34,034
	<b>108,449</b>	147,014
Underwriting income and placing commission		
Corporate finance	25,510	23,596
	<b>25,510</b>	23,596
Management fee and service fee income		
Asset management	52,351	68,597
	<b>52,351</b>	68,597
	<b>186,310</b>	239,207
<b><i>Revenue from other sources</i></b>		
Interest income		
Asset management	277	214
Sales and trading business	26,275	20,709
Corporate finance	5	66
Others	155	184
	<b>26,712</b>	21,173
	<b>213,022</b>	260,380

# Notes to the Financial Statements

Analysis of the disaggregated revenue from contracts with customers by major service lines is as follows:

	Asset management <i>HK\$'000</i>	Sales and trading business <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the year ended 31st December 2020</b>				
<b>Type of services</b>				
Brokerage service	–	46,221	–	46,221
Underwriting and placing service	–	–	25,510	25,510
Corporate finance service	–	–	43,381	43,381
Asset management service	71,198	–	–	71,198
Total revenue from contracts with customers	71,198	46,221	68,891	186,310
<b>Geographical markets</b>				
Hong Kong	37,729	46,221	68,891	152,841
Mainland China	33,469	–	–	33,469
Total revenue from contracts with customers	71,198	46,221	68,891	186,310
<b>Timing of revenue recognition</b>				
Services transferred at a point in time	–	46,221	68,891	115,112
Services transferred over time	71,198	–	–	71,198
Total revenue from contracts with customers	71,198	46,221	68,891	186,310
<b>For the year ended 31st December 2019</b>				
<b>Type of services</b>				
Brokerage service	–	30,384	–	30,384
Underwriting and placing service	–	–	23,596	23,596
Corporate finance service	–	–	34,034	34,034
Asset management service	151,193	–	–	151,193
Total revenue from contracts with customers	151,193	30,384	57,630	239,207
<b>Geographical markets</b>				
Hong Kong	112,264	30,384	57,630	200,278
Mainland China	38,929	–	–	38,929
Total revenue from contracts with customers	151,193	30,384	57,630	239,207
<b>Timing of revenue recognition</b>				
Services transferred at a point in time	–	30,384	57,630	88,014
Services transferred over time	151,193	–	–	151,193
Total revenue from contracts with customers	151,193	30,384	57,630	239,207

# Notes to the Financial Statements

The following table shows the amounts of revenue recognised in current reporting period that were included in the deferred revenue at the beginning of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue recognised that was included in deferred revenue at the beginning of the reporting period:		
Corporate finance service	25,220	8,099

The Group applied the practical expedient for contracts either with original expected duration less than one year and did not disclose the aggregate amount of transaction price allocated to performance obligations of the brokerage, underwriting and placing, corporate finance and asset management services that are unsatisfied (or partly unsatisfied). The performance fee arising from asset management services which are constrained as at 31st December 2020 has been excluded from the transaction price and hence not disclosed.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income		
Loan interest income	4,755	5,959
Interest income from debt securities classified as:		
Debt instruments at fair value through other comprehensive income	38,665	28,792
Financial assets at fair value through profit or loss	3,130	5,045
Investment income	7,293	5,684
Dividend income	1	–
Government grants ( <i>Note</i> )	6,573	8,015
Others	7,792	8,604
	<b>68,209</b>	62,099
Other gains/(losses), net		
Net exchange gains/(losses)	7,596	(2,718)
Net gains on disposal of financial assets at fair value through profit or loss	7,446	230
Net losses on disposal of debt instruments at fair value through other comprehensive income	(4,349)	(15,098)
Gains from changes in fair value of financial assets at fair value through profit or loss	525	2,797
	<b>11,218</b>	(14,789)
	<b>292,449</b>	307,690

*Note:*

The Group received government grants to support enterprises in business innovation and corporate transformation in Shanghai Province, Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

# Notes to the Financial Statements

## Segment information

The Group manages its businesses by divisions. Under HKFRS 8 *Operating Segments*, and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

1. Asset management – provision of advisory services and related auxiliary services on fund management, managing private funds and providing other related proprietary investment.
2. Sales and trading business – provision of brokering services in securities, equity-linked products, unit trusts and stock options commodities and futures contracts traded in Hong Kong and selected overseas markets, underwriting, placing and margin financing services to those brokering clients, and acting as an agent for the sale of savings plans, general and life insurance and other investment-linked insurance products.
3. Corporate finance – provision of corporate finance services including underwriting and advisory services to companies listed or seeking listing in Hong Kong or other stock exchanges and other unlisted corporates, on both equity and debt financing.

The Group's senior executive management monitors the assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and a joint venture and other unallocated head office and corporate assets. Segment liabilities include trade creditors, accruals and borrowings attributable to the operating activities of the individual segments with the exception of unallocated head office and corporate liabilities.

The measures used for reporting segment results are earnings before finance costs and taxes ("EBIT"). Inter-segment revenue and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices. To arrive at the Group's profit for the year, the Group's reportable segment results are further adjusted for items not specifically attributed to individual segments, such as share of profits or losses of associates and a joint venture, finance costs, other head office expenses and income tax.

# Notes to the Financial Statements

## Year ended 31st December 2020

	Asset management HK\$'000	Sales and trading business HK\$'000	Corporate finance HK\$'000	Total HK\$'000
Revenue from external customers	58,370	72,496	68,896	199,762
Revenue from an associate (Note 1)	13,105	–	–	13,105
Inter-segment revenue	–	268	–	268
Reportable segment revenue	71,475	72,764	68,896	213,135
Reportable segment results (EBIT)	87,770	1,231	16,019	105,020
Interest income from bank deposits	273	3,493	5	3,771
Interest expense	(20,798)	(4,747)	(608)	(26,153)
Depreciation of property and equipment for the year	(471)	(942)	(132)	(1,545)
Reportable segment assets	1,089,908	880,014	70,751	2,040,673
Additions to non-current segment assets during the year (Note 2)	17	6,069	5	6,091
Reportable segment liabilities	922,443	468,954	28,799	1,420,196

## Year ended 31st December 2019

	Asset management HK\$'000	Sales and trading business HK\$'000	Corporate finance HK\$'000	Total HK\$'000
Revenue from external customers	140,590	51,093	57,696	249,379
Revenue from an associate (Note 1)	10,817	–	–	10,817
Inter-segment revenue	–	20	–	20
Reportable segment revenue	151,407	51,113	57,696	260,216
Reportable segment results (EBIT)	83,680	(14,011)	13,166	82,835
Interest income from bank deposits	204	4,211	55	4,470
Interest expense	(21,169)	(2,233)	(633)	(24,035)
Depreciation of property and equipment for the year	(600)	(1,219)	(114)	(1,933)
Reportable segment assets	993,591	541,817	64,789	1,600,197
Additions to non-current segment assets during the year (Note 2)	110	177	261	548
Reportable segment liabilities	724,954	216,118	39,197	980,269

### Notes:

- (1) This represents service fee income received by the Group from an associate. See note 37(b).
- (2) Non-current segment assets consist of additions to property and equipment and other assets.

# Notes to the Financial Statements

## Reconciliations of reportable revenue

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Revenue</b>		
Reportable segment revenue	213,135	260,216
Elimination of inter-segment revenue	(268)	(20)
Unallocated head office and corporate revenue	155	184
Consolidated revenue	<b>213,022</b>	260,380

## Reconciliations of reportable results

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Results</b>		
Reportable segment profits (EBIT)	105,020	82,835
Share of profits of associates and a joint venture, net	46,458	36,771
Finance costs	(28,981)	(26,890)
Unallocated head office and corporate expenses	(28,229)	(22,780)
Consolidated profit before taxation	94,268	69,936
Income tax	(9,990)	(17,455)
Profit for the year	<b>84,278</b>	52,481

# Notes to the Financial Statements

## Reconciliations of reportable assets and liabilities

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Assets</b>		
Reportable segment assets	2,040,673	1,600,197
Elimination of inter-segment receivables	(93,009)	(74,548)
	<b>1,947,664</b>	1,525,649
Interests in associates and a joint venture	417,246	375,674
Deferred tax assets	104	192
Taxation recoverable	246	–
Unallocated head office and corporate assets	186,508	101,319
Consolidated total assets	<b>2,551,768</b>	2,002,834
<b>Liabilities</b>		
Reportable segment liabilities	1,420,196	980,269
Elimination of inter-segment payables	(54,355)	(35,597)
	<b>1,365,841</b>	944,672
Taxation payable	4,120	10,128
Deferred tax liability	–	429
Unallocated head office and corporate liabilities	192,706	162,601
Consolidated total liabilities	<b>1,562,667</b>	1,117,830

## Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers (including its associates) and (ii) the Group's property and equipment, intangible assets, right-of-use assets, other assets and interests in associates and a joint venture ("specified non-current assets"). The geographical location of revenue from external customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the assets in the case of property and equipment; and the location of the core operations in the case of other specified non-current assets.

	Revenue from external customers		Specified non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	179,553	221,451	211,909	187,116
Mainland China	33,469	38,929	276,168	252,982
	<b>213,022</b>	260,380	<b>488,077</b>	440,098

2 (2019: 3) customers contributed over 10% to the total revenue of the Group.



# Notes to the Financial Statements

## 6. STAFF COSTS

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Salaries and allowances ( <i>Note</i> )		<b>110,087</b>	100,416
Defined contribution plans	29	<b>1,911</b>	2,562
		<b>111,998</b>	102,978

Staff costs include directors' emoluments as set out in note 30.

*Note:* Wage subsidies of HK\$6,406,000 granted from the Employment Support Scheme under Anti-Epidemic Fund by the Government of Hong Kong for the use of paying wages of employees have been received during the year ended 31st December 2020. The amount had been offset against staff costs. There are no unfulfilled conditions or contingencies relating to the subsidies.

## 7. OTHER OPERATING EXPENSES

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Advertising and promotion	<b>1,223</b>	1,544
Auditor's remuneration	<b>2,155</b>	2,155
Advisory fee expenses	<b>8,217</b>	71,416
Bank charges	<b>722</b>	831
Data service fee	<b>8,707</b>	7,842
Depreciation of property and equipment ( <i>note 13</i> )	<b>3,210</b>	4,085
Depreciation of right-of-use assets ( <i>note 17</i> )	<b>23,049</b>	22,752
Employee relation expense	<b>852</b>	1,233
Entertainment	<b>679</b>	1,776
Impairment allowances charged/(reversed) on:		
– debt instruments at fair value through other comprehensive income	<b>3,003</b>	(5,063)
– loans receivable	<b>(374)</b>	(234)
– trade and other receivables	<b>(167)</b>	(209)
Insurance	<b>2,118</b>	1,996
Legal and professional fee	<b>6,549</b>	7,886
Printing and stationery fee	<b>683</b>	838
Property management and other related fee	<b>3,897</b>	3,973
Repair and maintenance fee	<b>2,566</b>	2,253
Service fee	<b>876</b>	442
Short-term lease payment not included in the measurement of lease liabilities	<b>957</b>	–
Staff recruitment fee	<b>113</b>	1,368
Telecommunication fee	<b>2,305</b>	2,491
Others	<b>3,902</b>	2,165
	<b>75,242</b>	131,540

# Notes to the Financial Statements

## 8. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on borrowings:		
– repayable on demand and within one year	16,190	7,770
– repayable in more than one year but not more than five years	8,985	15,620
Interest on bonds issued:		
– repayable within one year	1,689	1,911
– repayable in more than one year but not more than two years	391	400
Interest on lease liabilities ( <i>note 17</i> )	1,726	1,189
	<b>28,981</b>	26,890

## 9. INCOME TAX

Under the Enterprise Income Tax Law of the People's Republic of China ("PRC"), the Corporate Income Tax Rate for domestic entities in the PRC is 25% for the current and prior years.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the current and prior years.

The amount of taxation charged/(credited) to the consolidated statement of profit or loss is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current taxation – Hong Kong:		
– Charge for current year	1,389	3,782
– (Over)/under-provision in prior year	(1,181)	1,022
Current taxation – PRC:		
– Charge for current year	10,095	12,442
– Under-provision in prior year	–	162
	<b>10,303</b>	17,408
Deferred taxation:		
– Hong Kong	(313)	47
	<b>9,990</b>	17,455

# Notes to the Financial Statements

A reconciliation between tax expense and accounting profit at applicable domestic tax rates in each individual jurisdiction where the Company and its subsidiaries operate is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before taxation	<b>94,268</b>	69,936
Statutory tax on profit before taxation, calculated at a taxation rate of 16.5% (2019: 16.5%)	<b>15,554</b>	11,539
Tax effect of share of profits of associates and a joint venture	<b>(7,666)</b>	(6,067)
Tax effect of income not subject to taxation purposes	<b>(4,897)</b>	(2,526)
Tax effect of expenses not deductible for taxation purposes	<b>2,812</b>	2,810
Utilisation of previously unrecognised tax losses and other temporary differences	<b>(2,336)</b>	(1,619)
Tax losses for which no deferred income tax assets were recognised	<b>4,126</b>	7,961
Effect of higher tax rate enacted by PRC tax authority	<b>3,578</b>	4,173
(Over)/under provision	<b>(1,181)</b>	1,184
Income tax expense	<b>9,990</b>	17,455

## 10. DIVIDENDS

The Board proposed a final dividend of HK\$0.03 per ordinary share for the year ended 31st December 2020 (2019: nil). The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and not reflected as dividend payable in the financial statements.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Proposed final dividend – HK3 cents (2019: nil) per ordinary share	<b>19,236</b>	–

# Notes to the Financial Statements

## 11. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of HK\$83,671,000 (2019: HK\$51,559,000) and the number of 641,205,600 ordinary shares (2019: 641,205,600 ordinary shares) in issue during the year. The calculation is as follows:

#### (i) Earnings attributable to equity holders of the Company

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings for the year attributable to equity holders of the Company	83,671	51,559

#### (ii) Number of ordinary shares

	2020	2019
Issued ordinary shares at 1st January and at 31st December	641,205,600	641,205,600

### (b) Diluted earnings per share

No diluted earnings per share were presented for both years because there were no potential dilutive ordinary shares during both the current and prior years.

## 12. INTANGIBLE ASSETS

	Stock Exchange trading rights <i>HK\$'000</i>	Futures Exchange trading rights <i>HK\$'000</i>	Club membership <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost and carrying amount</b>				
At 1st January 2019, 31st December 2019, 1st January 2020 and 31st December 2020	913	406	120	1,439

# Notes to the Financial Statements

## 13. PROPERTY AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture & fixtures <i>HK\$'000</i>	Office & computer equipment and computer software <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost:</b>					
At 1st January 2019	6,718	3,054	26,140	1,825	37,737
Additions	155	50	2,564	–	2,769
Disposals	(255)	(117)	(157)	(487)	(1,016)
Exchange difference	(6)	(2)	(2)	–	(10)
At 31st December 2019 and 1st January 2020	6,612	2,985	28,545	1,338	39,480
Additions	–	–	1,821	–	1,821
Disposals	(151)	–	(815)	–	(966)
Exchange difference	19	5	10	–	34
At 31st December 2020	<b>6,480</b>	<b>2,990</b>	<b>29,561</b>	<b>1,338</b>	<b>40,369</b>
<b>Accumulated depreciation:</b>					
At 1st January 2019	4,818	2,030	19,017	1,725	27,590
Charge for the year	1,463	264	2,258	100	4,085
Disposals	(256)	(116)	(157)	(487)	(1,016)
Exchange difference	(6)	(2)	(2)	–	(10)
At 31st December 2019 and 1st January 2020	6,019	2,176	21,116	1,338	30,649
Charge for the year	506	267	2,437	–	3,210
Disposals	(151)	–	(815)	–	(966)
Exchange difference	19	4	–	–	23
At 31st December 2020	<b>6,393</b>	<b>2,447</b>	<b>22,738</b>	<b>1,338</b>	<b>32,916</b>
<b>Net book value:</b>					
At 31st December 2020	<b>87</b>	<b>543</b>	<b>6,823</b>	<b>–</b>	<b>7,453</b>
At 31st December 2019	593	809	7,429	–	8,831

# Notes to the Financial Statements

## 14. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Listed debt investments:		
– debt securities with fixed interest	<b>621,861</b>	362,718

As at 31st December 2020 and 31st December 2019, an analysis of the ending balance of the carrying amount in debt instruments at fair value through other comprehensive income (“FVOCI”) subject to impairment allowances is as follows:

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Fair value as at 31st December 2020	<b>621,861</b>	–	–	<b>621,861</b>
Fair value as at 31st December 2019	362,718	–	–	362,718

The expected credit losses (“ECLs”) for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remain at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in other comprehensive income as an accumulated impairment allowance, with a corresponding charge to profit or loss.

During the year, an impairment charge of HK\$3,003,000 (2019: reversal of HK\$5,063,000) was recognised in profit or loss. As at 31st December 2020, an impairment allowance of HK\$7,104,000 (2019: HK\$4,101,000) was provided.

An analysis of the maturity profile of listed debt securities of the Group analysed by the remaining tenor from the end of the reporting period to the contractual maturity date is as follows:

	Within 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
31st December 2020	<b>206,251</b>	<b>241,389</b>	<b>172,466</b>	<b>1,755</b>	<b>621,861</b>
31st December 2019	147,110	103,027	110,973	1,608	362,718

# Notes to the Financial Statements

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK\$'000	2019 HK\$'000
Non-current:		
Unlisted private equity funds	15,557	6,693
	15,557	6,693
Current:		
Unlisted private equity funds	–	2,891
Listed debt securities (note (a))	–	72,293
Unlisted equity securities	1	1
	1	75,185
	15,558	81,878

Note:

(a) As at 31st December 2019, the debt securities with fair value of HK\$72,293,000 were listed perpetual bonds.

## 16. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of the non-wholly-owned subsidiaries of the Group that have non-controlling interests:

Name of subsidiary	Place of incorporation	Principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
			2020	2019	2020	2019	2020	2019
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
福建海峽文化產業股 權投資管理有限公 司 (“FJSC”)	PRC	PRC	–	45%	607	922	–	7,741
					607	922	–	7,741

# Notes to the Financial Statements

Summarised financial information in respect of FJSC is set out below. The summarised financial information below represents amounts prepared in accordance with HKFRSs.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
福建海峽文化產業股權投資管理有限公司		
Current assets		
– Bank balances and cash	–	7,392
– Other current assets	–	10,056
	–	17,448
Non-current assets		
– Financial assets at fair value through profit or loss	–	2,891
	–	2,891
Current liabilities	–	(3,136)
Total equity	–	17,203
Equity attributable to the Company	–	9,462
Non-controlling interests	–	7,741



# Notes to the Financial Statements

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
福建海峽文化產業股權投資管理有限公司			
Revenue		<b>1,758</b>	3,499
Other gains		<b>1,551</b>	1,118
Operating expenses		<b>(1,796)</b>	(1,875)
Income tax		<b>(164)</b>	(693)
Profit for the year		<b>1,349</b>	2,049
Profit and total comprehensive income for the year		<b>3,349</b>	1,231
Profit attributable to non-controlling interests		<b>607</b>	922
Profit and total comprehensive income attributable to non-controlling interests		<b>1,507</b>	554
Net cash inflow/(outflow) from operating activities		<b>10,557</b>	(2,093)
Net cash inflow from investing activities		<b>2,896</b>	8,073
Net cash outflow from financing activities		<b>(20,844)</b>	(11,446)
Net cash outflow		<b>(7,391)</b>	(5,466)
Dividends paid to non-controlling interests of FJSC	<i>37(i)</i>	<b>9,248</b>	5,059

# Notes to the Financial Statements

## 17. LEASES

### The Group as a lessee

The Group has lease contracts for various items of land and buildings used in its operations. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

### Right-of-use assets and lease liabilities

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year are as follows:

	<b>Right-of-use assets Land and buildings HK\$'000</b>	<b>Lease liabilities HK\$'000</b>
As at 1st January 2019	65,940	65,940
Depreciation expenses (note 7)	(22,752)	–
Interest expense (note 8)	–	1,189
Payments	–	(22,502)
As at 31st December 2019 and 1st January 2020	43,188	44,627
Addition	23,990	23,990
Depreciation expenses (note 7)	(23,049)	–
Interest expense (note 8)	–	1,726
Payments	–	(24,216)
Rent concessions from lessor	–	(490)
As at 31st December 2020	<b>44,129</b>	<b>45,637</b>
	<b>2020 HK\$'000</b>	2019 HK\$'000
Lease liabilities analysed into:		
Current portion	<b>24,768</b>	19,894
Non-current portion	<b>20,869</b>	24,733
As at 31st December	<b>45,637</b>	44,627

The maturity analysis of lease liabilities is disclosed in note 36.1(c) to the financial statements.

# Notes to the Financial Statements

## 18. INTERESTS IN ASSOCIATES AND A JOINT VENTURE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests in associates	407,910	366,721
Interest in a joint venture	9,336	8,953
	<b>417,246</b>	375,674

### (a) Interests in associates

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Share of net assets at 1st January	366,721	343,003
Share of profits for the year, net	45,082	36,021
Share of other comprehensive income for the year	6,743	(2,332)
Dividend income from an associate	(10,636)	(9,971)
	<b>41,189</b>	23,718
Share of net assets at 31st December	<b>407,910</b>	366,721

# Notes to the Financial Statements

The Group's interests in its principal associates, all of which are unlisted, are as follows:

Name	Particulars of issued shares held	Place of incorporation	Effective equity interest to the Group		Principal activities
			2020	2019	
Sino-Rock Investment Management Company Limited ("Sino-Rock") (note 1)	18,000,000 ordinary shares of HK\$1 each	Hong Kong	27.6%	27.6%	Investment holding and provision of capital management and consultancy services
Cinda Plunkett International Holdings Limited ("CPHL")	4,000,000 ordinary shares of HK\$1 each	Cayman Islands	40%	40%	Fund management
Cinda Plunkett International Absolute Return Fund ("CPIAR Fund") (formerly known as Cinda Plunkett International Asia Absolute Return Fund) (note 2)	100,000 units of US\$100 each	Cayman Islands	13.58%	15.08%	Investment fund
Cinda International Investment Holdings Limited ("CIHH")	2,820,000 Class – A shares	British Virgin Islands	47%	47%	Investment holding

**Notes:**

- As at 31st December 2020, the Group held 18,000,000 ordinary shares (2019: 18,000,000 ordinary shares), representing 27.6% (2019: 27.6%) equity interests in Sino-Rock Investment Management Company Limited ("Sino-Rock"), a private company incorporated in Hong Kong which is considered as an associate of the Group, and principally engaged in investment holding and the provision of capital management and consultancy services. The Group recognised Sino-Rock as a significant investment for the years ended 31st December 2020 and 31st December 2019. The Group's share of net assets in Sino-Rock was HK\$266,318,000 at 31st December 2020 (2019: HK\$243,053,000), which accounted for approximately 10.44% (2019: 12.14%) of the total assets of the Group. The aggregate cost of investment in Sino-Rock was HK\$107,014,000. The Group treats Sino-Rock as a long-term investment and a business partner in its asset management business.
- It is considered that the Group had significant influence over CPIAR Fund through the Group's significant influence over the investment manager of CPIAR Fund which has wide discretion over the relevant activities of CPIAR Fund. Note 4.6 provides more details about the management judgement.

**Summarised consolidated financial information of associates**

Summarised consolidated financial information in respect of the Group's material associates is set out below.

The associates have a reporting date of 31st December and are accounted for using the equity method in these consolidated financial statements prepared in accordance with HKFRSs.

# Notes to the Financial Statements

## *Sino-Rock*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current assets		
– Bank balances and cash	250,034	349,601
– Other current assets	74,701	97,373
	<b>324,735</b>	446,974
Non-current assets		
– Financial assets at fair value through profit or loss		
– Level 1 and 2	64,929	33,640
– Level 3	584,722	533,590
– Other non-current assets	121,148	110,639
	<b>770,799</b>	677,869
Current liabilities	<b>(81,475)</b>	(202,365)
Non-current liabilities	<b>(43,441)</b>	(36,828)
Net assets	<b>970,618</b>	885,650
Revenue	<b>109,044</b>	102,544
Other income, other gains and losses, net	<b>82,967</b>	142,244
Profit for the year	<b>98,395</b>	76,052
Other comprehensive income for the year	<b>24,431</b>	(8,448)
Total comprehensive income for the year	<b>122,826</b>	67,604
Group's effective interest on profit for the year	<b>27,157</b>	20,990
Group's effective interest on other comprehensive income for the year	<b>6,743</b>	(2,332)
Dividend from associate	<b>(10,636)</b>	(9,971)

# Notes to the Financial Statements

A reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net assets of Sino-Rock	970,618	885,650
Total equity attributed to owners of the Company	964,920	880,626
Proportion of the Group's ownership interest in Sino-Rock	27.6%	27.6%
Carrying amount of the Group's interest in Sino-Rock	266,318	243,053

## *CPHL*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current assets		
– Bank balances and cash	8,656	7,176
– Financial assets at fair value through profit or loss	166,437	132,186
– Trade and other receivables	67,900	56,559
	242,993	195,921
Non-current assets	–	10
Current liabilities	(130,135)	(118,806)
Net assets	112,858	77,125
Revenue, other gains and losses, net	76,617	115,594
Profit and total comprehensive income for the year	35,733	15,458
Group's effective interest on profit and total comprehensive income for the year	14,293	6,183
Net assets of CPHL	112,858	77,125
Proportion of the Group's ownership interest in CPHL	40%	40%
Carrying amount of the Group's interest in CPHL	45,143	30,850

# Notes to the Financial Statements

## *CPIAR Fund*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current assets		
– Financial assets at fair value through profit or loss	665,818	464,666
– Bank balances and cash	23,497	122,988
– Other current assets	14,950	19,853
	<b>704,265</b>	607,507
Current liabilities	<b>(9,048)</b>	(21,580)
Net assets	<b>695,217</b>	585,927
Revenue, other gains and losses, net	<b>42,341</b>	81,845
Profit and total comprehensive income for the year	<b>26,842</b>	63,368
Group's share of profit and total comprehensive income for the year	<b>3,752</b>	9,110
Net assets of CPIAR Fund	<b>695,217</b>	585,927
Proportion of the Group's ownership interest in CPIAR Fund	<b>13.58%</b>	15.08%
Carrying amount of the Group's interest in CPIAR Fund	<b>94,419</b>	90,667

## *CIIH*

The Group recognised a loss of HK\$120,000 (31st December 2019: loss of HK\$262,000) from the interest in CIIH for the year ended 31st December 2020.

# Notes to the Financial Statements

## (b) Interest in a joint venture

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Share of net assets at 1st January	8,953	8,311
Share of profit for the year	1,376	750
Share of other comprehensive income for the year	138	83
Translation difference	502	(191)
Dividend income	(1,633)	–
	383	642
Share of net assets at 31st December	9,336	8,953

Details of the Group's interest in an unlisted joint venture are as follows:

Name	Particulars of share capital held	Country of establishment	Effective equity interest to the Group		Principal activity
			31st December 2020	31st December 2019	
JianXinJinYuan (Xiamen) Equity Investment Management Limited (“JXJY”)	RMB7,000,000 of registered capital	PRC	35%	35%	Private equity investment and fund management

Note: JianXinJinYuan (Xiamen) Equity Investment Management Limited is a limited liability company (equity joint venture enterprise) registered under PRC law.



# Notes to the Financial Statements

## Summarised financial information of a joint venture

Summarised financial information in respect of the Group's material joint venture is set out below. The joint venture has a reporting date of 31st December and is accounted for using the equity method in these consolidated financial statements.

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets	31,461	31,108
Current assets	16,852	2,491
Current liabilities	(21,639)	(8,020)
Net assets	26,674	25,579
Revenue	22,754	6,583
Profit for the year	3,931	2,142
Other comprehensive income for the year	394	238
Total comprehensive income for the year	4,325	2,380
Group's effective interest on profit for the year	1,376	750
Group's effective interest on total comprehensive income for the year	1,514	833

# Notes to the Financial Statements

## 19. OTHER ASSETS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Stock Exchange stamp duty deposit	500	250
Stock Exchange Fidelity Fund deposit	100	100
Stock Exchange Compensation Fund deposit	100	100
Guarantee Fund deposits with the Hong Kong Securities Clearing Company Limited	6,464	1,904
Clearing link deposits with Hong Kong Securities Clearing Company Limited	351	346
Statutory deposits and deposits with the Hong Kong Futures Exchange Limited (“HKFE”)	1,500	1,500
Reserve fund deposit with the SEHK Options Clearing House Limited (“SEOCH”)	1,613	1,609
Rental deposits	7,071	5,041
Others	111	116
	<b>17,810</b>	<b>10,966</b>

## 20. LOANS RECEIVABLE

As at 31st December 2019, the Group had two unsecured, interest-bearing loans with principals of HK\$44,620,000 and HK\$27,300,000 at the rates of 10% and 7% per annum with maturity dates in July 2020 and June 2020, respectively. The loans were repaid in 2020 together with all accrued interest.

As at 31st December 2019, an analysis of the gross amount of loans receivable is as follows:

	12-month ECL Stage 1 <i>HK\$'000</i>	Lifetime ECL Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross carrying amount as at 31st December 2019	71,920	–	–	71,920
Expected credit losses	(374)	–	–	(374)
Net carrying amount as at 31st December 2019	71,546	–	–	71,546

The movements in the impairment allowances for the loans receivable during the year are as follows:

	<b>Movement <i>HK\$'000</i></b>
At 1st January 2019	608
Reversal of impairment allowances	(234)
At 31st December 2019 and 1st January 2020	374
Reversal of impairment allowances	(374)
At 31st December 2020	–

# Notes to the Financial Statements

## 21. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

### (a) Current taxation payable

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Provision for		
Hong Kong Profits Tax	1,896	7,354
PRC Corporate Income Tax	2,224	2,774
	<b>4,120</b>	10,128

### (b) Deferred income tax

The movements in deferred tax (assets)/liabilities during the year are as follows:

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Impairment allowances <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2019	2,597	(2,168)	(239)	190
Charged to consolidated statement of profit or loss	1,722	(1,722)	47	47
At 31st December 2019 and 1st January 2020	4,319	(3,890)	(192)	237
Charged to consolidated statement of profit or loss	1,979	(2,408)	88	(341)
At 31st December 2020	<b>6,298</b>	<b>(6,298)</b>	<b>(104)</b>	<b>(104)</b>

The Group has unrecognised tax losses and temporary differences arising from depreciation of property and equipment in excess of related depreciation allowances as at 31st December 2020 of HK\$182,205,000 (2019: HK\$182,421,000) and HK\$4,737,000 (2019: HK\$6,011,000), respectively. These tax losses have no expiry dates.

Other than the above, no other deferred tax asset is recognised as the management of the Group considers that it is not probable that future assessable profits will be available to utilise the recognised deferred tax assets.

# Notes to the Financial Statements

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	(104)	(192)
Net deferred tax liabilities recognised in the consolidated statement of financial position	–	429
Net deferred tax (assets)/liabilities in respect of continuing operations	(104)	237

## 22. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables from clients arising from		
– corporate finance ( <i>note (a)</i> )	15,625	12,685
– securities brokering ( <i>note (b)</i> )	277,710	113,956
Margin and other trade-related deposits with brokers and financial institutions arising from ( <i>note (c)</i> )		
– commodities and futures brokering	46,548	6,935
– securities brokering	6,334	3,202
Margin loans arising from securities brokering ( <i>note (d)</i> )	188,683	248,529
Trade receivables from clearing houses arising from securities brokering ( <i>note (e)</i> )	56,477	37,654
Less: impairment allowances for trade receivables arising from		
– corporate finance ( <i>notes (a) and (f)</i> )	(3,373)	(3,373)
– securities brokering ( <i>notes (d) and (f)</i> )	(13,557)	(13,724)
Total trade receivables ( <i>note (g)</i> )	574,447	405,864
Deposits	1,628	2,727
Other receivables	33,321	46,369
Less: impairment allowances for other receivables ( <i>note (f)</i> )	(82)	(82)
Total trade and other receivables	609,314	454,878

The carrying amounts of trade and other receivables approximate to their fair values. All of the trade and other receivables, other than margin loans arising from securities brokering, are expected to be recovered or realised within one year.

# Notes to the Financial Statements

## Notes:

- (a) For trade receivables related to corporate finance, no additional impairment allowance was provided for the year (31st December 2019: Nil). As at 31st December 2020, impairment allowances of HK\$3,373,000 (31st December 2019: HK\$3,373,000) were provided. The settlement terms of trade receivables from corporate finance clients are usually 30 days from the date of invoice. The relevant ageing analysis based on the date of invoice at the reporting date was as follows:

	2020 HK\$'000	2019 HK\$'000
Current	8,042	4,169
30–60 days	360	185
Over 60 days	7,223	8,331
Less: impairment allowances	15,625 (3,373)	12,685 (3,373)
	12,252	9,312

- (b) For trade receivables from clients arising from securities brokering, the amounts represent outstanding unsettled trades due from clients as of the period end. It normally takes two to three days to settle after the trade date of those transactions. As at 31st December 2020, it included overdue balances of HK\$11,644,000 (31st December 2019: HK\$3,745,000). These overdue balances are either subsequently settled after the reporting date or fully collateralised by listed securities. The Directors of the Company did not consider that there was a significant change in credit quality of the balance. No impairment allowance was provided.

- (c) The settlement terms of margin and other deposits from brokers and financial institutions are at specific agreed terms. Clients trading in commodities and futures contracts and obtaining securities margin financing from the Group are required to observe the Group's margin policies. For commodities and futures contracts, initial margins are required before trading and thereafter clients are required to keep the equity position at a prescribed maintenance margin level. The effective interest rate for margins and other trade-related deposits is 0.01% per annum (2019: 0.01%).

In addition, margin and trade-related deposits are deposited with high-credit-quality financial institutions. No impairment allowance has been provided as the related allowances were considered to be immaterial and there was no credit default history.

- (d) Margin clients of the securities brokering business are repayable on demand and are required to pledge their shares to the Group for credit facilities for securities trading. The effective interest rates ranged from 8% to 13% per annum (2019: 8% to 13%).

The amount of credit facilities granted to margin clients is determined by the discounted value of shares acceptable by the Group after making reference to industry practice. As at 31st December 2020, the fair value of shares accepted as collateral amounted to HK\$1,574,870,000 (2019: HK\$2,305,314,000) and the fair value of the majority of clients' listed securities exceeds the carrying amount of those individual loans to margin clients.

Credits are extended to brokerage clients on a case-by-case basis in accordance with the financial status of clients such as their financial conditions, trading records, business profile and the collateral available to the Group.

Special approvals from the Group were granted to those clients whose fair values of collaterals were less than the carrying amount of their individual loans by considering their historical repayment records, credit quality of those margin clients and other factors affecting the market prices of collateral. Credit risks from those margin clients were considered to be minimal.

The Group is allowed to use clients' securities up to the amount of 140% of the loans to margin clients as collateral of the Group's bank facilities (with client's consent). However, no securities held as collateral have been repledged to secure the Group's bank facilities for the years ended 31st December 2020 and 31st December 2019.

As at 31st December 2020, the Group had concentration of credit risk of 51% (31st December 2019: 58%) of the trade receivables from margin loans due from the five largest margin clients.

During the year, impairment allowances of HK\$167,000 (31st December 2019: HK\$209,000) were reversed. As at 31st December 2020, impairment allowances of HK\$13,557,000 (31st December 2019: HK\$13,724,000) for the receivables from margin clients was provided. 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 revolving margin loans.

# Notes to the Financial Statements

- (e) The settlement terms of trade receivables from clearing houses are usually one to two days after the trade date.

Furthermore, the Group maintains designated accounts with the SEOC and HKFE Clearing Corporation Limited (“HKFECC”) as a result of its normal business transactions. At 31st December 2020, the designated accounts with the SEOC and HKFECC not otherwise dealt with in these accounts amounted to HK\$5,368,000 (2019: HK\$1,634,000) and HK\$6,016,000 (2019: HK\$9,930,000) respectively.

- (f) The movements in the impairment allowances for trade and other receivables during the year are as follows:

	<b>Movement</b> <i>HK\$'000</i>
At 1st January 2019	17,388
Reversal of impairment allowances	(209)
At 31st December 2019 and 1st January 2020	17,179
Reversal of impairment allowances	(167)
At 31st December 2020	<b>17,012</b>

As at 31st December 2020 and 31st December 2019, an analysis of the gross amount of trade and other receivables is as follows:

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Simplified approach <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>2020</b>					
<b>Gross amount as at 31st December 2020</b>					
Trade receivables from clients	277,710	–	–	15,625	293,335
Margin and other trade-related deposits with brokers and financial institutions	52,882	–	–	–	52,882
Margin loans arising from securities brokering	175,448	306	12,929	–	188,683
Trade receivables from clearing houses arising from securities brokering	56,477	–	–	–	56,477
Deposits	1,628	–	–	–	1,628
Other receivables	33,239	–	82	–	33,321
	<b>597,384</b>	<b>306</b>	<b>13,011</b>	<b>15,625</b>	<b>626,326</b>

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Simplified approach <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Expected credit losses as at 31st December 2020</b>					
As at 1st January 2020	794	1	13,011	3,373	17,179
Change due to financial instrument recognised as at 1st January:					
– Repayment and derecognition	(189)	–	–	–	(189)
– Remeasurement of ECL	(102)	–	–	–	(102)
New financial assets originated or purchased	124	–	–	–	124
As 31st December 2020	<b>627</b>	<b>1</b>	<b>13,011</b>	<b>3,373</b>	<b>17,012</b>

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Simplified approach <i>HK\$'000</i>	Total <i>HK\$'000</i>
Trade receivables from clients	–	–	–	(3,373)	(3,373)
Margin and other trade-related deposits with brokers and financial institutions	–	–	–	–	–
Margin loans arising from securities brokering	(627)	(1)	(12,929)	–	(13,557)
Trade receivables from clearing houses arising from securities brokering	–	–	–	–	–
Deposits	–	–	–	–	–
Other receivables	–	–	(82)	–	(82)
	<b>(627)</b>	<b>(1)</b>	<b>(13,011)</b>	<b>(3,373)</b>	<b>(17,012)</b>

# Notes to the Financial Statements

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	Total HK\$'000
<b>2019</b>					
<b>Gross amount as at 31st December 2019</b>					
Trade receivables from clients	113,956	–	–	12,685	126,641
Margin and other trade-related deposits with brokers and financial institutions	10,137	–	–	–	10,137
Margin loans arising from securities brokering	235,500	100	12,929	–	248,529
Trade receivables from clearing houses arising from securities brokering	37,654	–	–	–	37,654
Deposits	2,727	–	–	–	2,727
Other receivables	46,287	–	82	–	46,369
	446,261	100	13,011	12,685	472,057
<b>Expected credit losses as at 31st December 2019</b>					
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	Total HK\$'000
As at 1st January 2019	1,003	1	13,011	3,373	17,388
Change due to financial instrument Recognised as at 1st January:					
– Repayment and derecognition	(597)	–	–	–	(597)
– Remeasurement of ECL	(160)	–	–	–	(160)
New financial assets originated or purchased	548	–	–	–	548
As 31st December 2019	794	1	13,011	3,373	17,179
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	Total HK\$'000
Trade receivables from clients	–	–	–	(3,373)	(3,373)
Margin and other trade-related deposits with brokers and financial institutions	–	–	–	–	–
Margin loans arising from securities brokering	(794)	(1)	(12,929)	–	(13,724)
Trade receivables from clearing houses arising from securities brokering	–	–	–	–	–
Deposits	–	–	–	–	–
Other receivables	–	–	(82)	–	(82)
	(794)	(1)	(13,011)	(3,373)	(17,179)
<b>Expected credit losses rate as at 31st December 2020</b>					
Trade receivables from clients	–	–	–	21.59%	1.15%
Margin loans arising from securities brokering	0.36%	0.40%	100.00%	–	7.19%
Other receivables	–	–	100.00%	–	0.25%
<b>Expected credit losses rate as at 31st December 2019</b>					
Trade receivables from clients	–	–	–	26.59%	2.66%
Margin loans arising from securities brokering	0.34%	1.00%	100.00%	–	5.52%
Other receivables	–	–	100.00%	–	0.18%

No impairment allowance has been provided for the remaining trade and other receivables as the related allowances were considered immaterial and there was no credit default history.

- (g) Other than the trade receivables from margin loans, the Group does not have any other significant concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, which are widely dispersed.

# Notes to the Financial Statements

## 23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cash in hand	21	21
Bank balances		
– pledged deposits	12,137	12,129
– general accounts	804,450	579,374
	<b>816,587</b>	591,503
	<b>816,608</b>	591,524
By maturity:		
Bank balances		
– current and savings accounts	804,450	579,374
– fixed deposits (maturing within three months)	12,137	12,129
	<b>816,587</b>	591,503

As at 31st December 2020, bank deposits amounting to HK\$12,137,000 (31st December 2019: HK\$12,129,000), which included a principal of HK\$12,000,000 (31st December 2019: HK\$12,000,000) plus accrued interest, have been pledged to banks as security for the provision of securities brokering facilities for a total amount of HK\$200 million (31st December 2019: HK\$200 million).

Certain subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. As at 31st December 2020, segregated trust accounts not dealt with in these consolidated financial statements amounted to HK\$1,213,898,000 (2019: HK\$737,000,000).

As at 31st December 2020, the bank balances and deposits bore interest at rates from 0.01% to 0.5% (2019: 0.01% to 0.5%) per annum.



# Notes to the Financial Statements

## Cash and cash equivalents

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Analysis of balances of cash and cash equivalents		
Cash in hand and at banks (excluding pledged bank deposits)	804,471	579,395
Cash and cash equivalents at the end of the year	804,471	579,395

## 24. SHARE CAPITAL

	2020		2019	
	No. of shares	Amount <i>HK\$'000</i>	No. of shares	Amount <i>HK\$'000</i>
<b>Authorised share capital</b>				
Ordinary shares	1,000,000,000	100,000	1,000,000,000	100,000
<b>Issued and fully paid</b>				
Ordinary shares				
At 1st January	641,205,600	64,121	641,205,600	64,121
At 31st December	641,205,600	64,121	641,205,600	64,121

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

### Capital management

The Group's primary objectives for managing capital are 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, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. In addition, subsidiaries of the Group licensed by the SFC are obliged to meet the regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("SF(FR)R") at all times.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures that each of them maintains a liquid capital level adequate to support the activities level with sufficient buffer to accommodate the increase in liquidity requirements arising from potential increases in business activities. SF(FR)R returns are filed to the SFC by the licensed subsidiaries on a monthly or semi-annually basis as required. During the current and prior financial years, all the licensed subsidiaries complied with the liquid capital requirements under the SF(FR)R.

# Notes to the Financial Statements

The Group defined gearing ratio as net debt-to-adjusted capital ratio. The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose, the Group defines net debt as total debt (which includes interest-bearing borrowings and bonds issued, trade and other payables and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

Further, the Group strived to maintain highly liquid assets to prepare for any unexpected sudden changes in the market. As at the end of the reporting period, the current ratio was 208% (2019: 259%).

The net debt-to-adjusted capital ratios at 31st December 2020 and 2019 are as follows:

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Current liabilities:</b>			
Trade and other payables	26	517,696	288,221
Borrowings	27	394,414	272,425
Lease liabilities	17	24,768	19,894
Bonds issued	28	42,000	10,000
		<b>978,878</b>	590,540
<b>Non-current liabilities:</b>			
Bonds issued	28	10,000	42,000
Borrowings	27	548,800	450,000
Lease liabilities	17	20,869	24,733
		<b>579,669</b>	516,733
Total debt		<b>1,558,547</b>	1,107,273
Add: Proposed dividends	10	19,236	–
Less: Bank balances and cash	23	<b>(816,608)</b>	(591,524)
Net debt		<b>761,175</b>	515,749
Total equity		<b>989,101</b>	885,004
Less: Proposed dividends	10	<b>(19,236)</b>	–
Adjusted capital		<b>969,865</b>	885,004
Adjusted net debt-to-capital ratio		<b>78.48%</b>	58.28%

# Notes to the Financial Statements

## 25. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>		
Intangible assets	120	120
Investments in subsidiaries	312,680	312,681
Investments in associates	80,820	78,000
	<b>393,620</b>	390,801
<b>CURRENT ASSETS</b>		
Loans receivable	–	27,168
Other receivables	14,228	9,863
Debt investments at fair value through other comprehensive income	621,860	362,718
Financial assets at fair value through profit or loss	–	72,293
Amounts due from subsidiaries	779,046	580,471
Bank balances	112,574	132,681
	<b>1,527,708</b>	1,185,194
<b>CURRENT LIABILITIES</b>		
Other payables	37,091	24,680
Borrowings	394,414	272,425
Amounts due to subsidiaries	286,149	257,227
Bonds issued	42,000	10,000
	<b>759,654</b>	564,332
<b>NET CURRENT ASSETS</b>	<b>768,054</b>	620,862
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,161,674</b>	1,011,663

# Notes to the Financial Statements

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>CAPITAL AND RESERVES</b>		
Share capital	64,121	64,121
Other reserves	508,446	501,521
Retained earnings/(accumulated losses)	30,307	(45,979)
<b>TOTAL EQUITY</b>	<b>602,874</b>	519,663
<b>NON-CURRENT LIABILITIES</b>		
Bonds issued	10,000	42,000
Borrowings	548,800	450,000
	<b>558,800</b>	492,000
	<b>1,161,674</b>	1,011,663

\_\_\_\_\_  
**Yu Fan**  
*Executive Director*

\_\_\_\_\_  
**Lau Mun Chung**  
*Executive Director*

# Notes to the Financial Statements

## Reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of reserves during the year are set out below:

	The Company					Total HK\$'000
	Share premium* HK\$'000	Capital reserve* HK\$'000	Investment revaluation reserve* HK\$'000	Contributed surplus* HK\$'000	(Accumulated losses)/ Retained earnings HK\$'000	
At 1st January 2019	421,419	22,468	(11,289)	53,023	(34,263)	451,358
Loss for the year	–	–	–	–	(11,716)	(11,716)
Other comprehensive income	–	–	15,900	–	–	15,900
Total comprehensive income for the year	–	–	15,900	–	(11,716)	4,184
At 31st December 2019 and 1st January 2020	421,419	22,468	4,611	53,023	(45,979)	455,542
Profit for the year	–	–	–	–	76,286	76,286
Other comprehensive income	–	–	6,925	–	–	6,925
Total comprehensive income for the year	–	–	6,925	–	76,286	83,211
At 31st December 2020	<b>421,419</b>	<b>22,468</b>	<b>11,536</b>	<b>53,023</b>	<b>30,307</b>	<b>538,753</b>

### Notes:

- The capital reserve of the Group represents (i) capital contribution from the Company's shareholders, (ii) notional capital contribution from the Company's shareholders arising on acquisition of an associate, (iii) the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the deferred share capital of a subsidiary acquired in 2000 and (iv) the fair value of the actual or estimated number of unexercised share options granted to employees of the Company. All share options were cancelled in prior years.
  - The contributed surplus arose as a result of the Group's reorganisation in 2000 and represents the difference between the aggregate net asset value of subsidiaries acquired and the nominal amount of the Company's shares issued for the acquisition.
- \* These reserve accounts comprise the other reserves of HK\$508,446,000 (2019: HK\$501,521,000) in the statement of financial position of the Company.

# Notes to the Financial Statements

## 26. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables to margin clients arising from securities brokering	32,423	9,011
Trade payables to securities trading clients arising from securities brokering	301,782	146,610
Margin and other deposits payable to clients arising from commodity and futures brokering	46,448	6,828
Trade payables to brokers arising from securities brokering	5,545	737
Trade payables to clearing houses arising from securities brokering	19,343	7,843
Total trade payables	405,541	171,029
Accruals, provision and other payables ( <i>note</i> )	96,797	83,172
Deferred revenue	15,358	34,020
Total trade and other payables	517,696	288,221

The carrying amounts of trade and other payables approximate to their fair values. The majority of trade and other payables are expected to be settled within one year. The trade payables are aged within 30 days.

The settlement terms of payables to clearing houses and securities trading clients from the ordinary course of business of brokering in securities range from two to three days after the trade date of those transactions. Margin and other deposits received from clients for their trading of commodities and futures contracts, which exceeded the margin maintenance requirement, were repayable on demand.

*Note:* Cinda International Securities Limited, an indirectly wholly-owned subsidiary of the Company, as a defendant received a writ of summons on 12th November 2019, through its instructed solicitors, under action number HCA 2085 issued in the High Court of Hong Kong by the solicitors acting for a client as a plaintiff. The Company has started a defense and sufficient litigation provision has been provided.

# Notes to the Financial Statements

## 27. BORROWINGS

	2020 HK\$'000	2019 HK\$'000
<b>NON-CURRENT</b>		
Bank loans ( <i>note (a)</i> )	548,800	450,000
<b>CURRENT</b>		
Bank loans ( <i>note (a)</i> )	185,000	30,000
Borrowings under repurchase agreements ( <i>note (b)</i> )	209,414	242,425
	<b>394,414</b>	<b>272,425</b>
	<b>943,214</b>	<b>722,425</b>

Notes:

- (a) At 31st December 2020 and 31st December 2019, the bank loans were repayable and carried interest with reference to the HIBOR/LIBOR as follows:

	2020 HK\$'000	2019 HK\$'000
Within a period not exceeding one year	185,000	30,000
Within a period of more than one year but not exceeding two years	–	450,000
Within a period of more than two years but not exceeding five years	548,800	–
	<b>733,800</b>	<b>480,000</b>

As at 31st December 2020, the Group had total banking facilities of HK\$2,054,000,000 (31st December 2019: HK\$1,500,000,000).

Among these banking facilities, HK\$200,000,000 (31st December 2019: HK\$200,000,000) of it was secured by pledged deposits with a principal of HK\$12,000,000 (31st December 2019: HK\$12,000,000).

Further, HK\$1,720,000,000 (31st December 2019: HK\$1,400,000,000) was under specific performance obligation on the Company's controlling shareholder, for which the current controlling shareholder shall hold over 50% (or 51% in one of the facilities) of the entire issued share capital of the Company.

As at 31st December 2020, HK\$658,800,000 (31st December 2019: HK\$480,000,000) was drawn from the banking facilities under the specific performance obligation. Among these banking facilities, US\$24,000,000 (equivalent to HK\$187,200,000) (31st December 2019: nil) was drawn in US dollars.

As at 31st December 2020 and 2019, the Group has not utilised any of the banking facilities secured by the pledged deposits.

The effective interest rate of the bank loans is also equal to the contracted interest rate.

- (b) The Group has entered into several repurchase agreements with financial institutions in which the Group sold a portfolio of debt securities it held to the financial institutions in exchange for a cash consideration of US\$26,848,000 (equivalent to HK\$209,414,000) (31st December 2019: US\$31,080,000 (equivalent to HK\$242,425,000)). There are no maturity dates stated in the agreements and the interest is calculated with reference to the LIBOR. The Group is required to repurchase the debt securities at US\$26,848,000 (equivalent to HK\$209,414,000) (31st December 2019: US\$31,080,000 (equivalent to HK\$242,425,000)) plus interest at variable rates calculated with reference to the LIBOR upon the termination of the agreements. As at 31st December 2020, the borrowings under repurchase agreements were collateralised by the Group's debt securities with a fair value of HK\$280,703,000 (31st December 2019: HK\$300,713,000).

# Notes to the Financial Statements

## 28. BONDS ISSUED

Bonds issued represented a number of fixed rate coupon bonds at an interest rate of 4% per annum, payable semi-annually and with a principal amount in aggregate of HK\$52,000,000 (31st December 2019: HK\$52,000,000). The exposure and the contractual maturity dates of the bonds are as follows:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within a period not exceeding one year	<b>42,000</b>	10,000
Within a period of more than one year but not exceeding two years	<b>10,000</b>	42,000
	<b>52,000</b>	52,000

The bonds are unsecured, non-guaranteed and issued to independent third parties without any early redemption options. The carrying amounts of the bonds issued approximate to their fair values.

## 29. DEFINED CONTRIBUTION PLANS

The aggregate employer's contributions, net of forfeited contributions, which have been dealt with in the consolidated statement of profit or loss for the year are shown as follows:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Employer's contributions charged to the consolidated statement of profit or loss	<b>1,911</b>	2,562



# Notes to the Financial Statements

## 30. DIRECTORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is shown below.

The remuneration of the directors for the year ended 31st December 2020 is set out below:

Name of Director	Fee <i>HK\$'000</i>	Basic salaries <i>HK\$'000</i>	Housing allowances and benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Employer's contribution to pension scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Executive Directors</b>						
Yu Fan	300	2,538	733	–	88	3,659
Gong Zhijian	300	2,312	724	–	87	3,423
Lau Mun Chung	240	2,269	191	–	18	2,718
<b>Non-executive Directors</b>						
Chow Kwok Wai	240	–	–	–	–	240
Zheng Yi <sup>1</sup>	–	–	–	–	–	–
Zhang Yi <sup>1</sup>	–	–	–	–	–	–
<b>Independent Non-executive Directors</b>						
Hung Muk Ming	240	–	–	–	–	240
Xia Zhidong	240	–	–	–	–	240
Liu Xiaofeng	240	–	–	–	–	240
	<b>1,800</b>	<b>7,119</b>	<b>1,648</b>	<b>–</b>	<b>193</b>	<b>10,760</b>

1 Zheng Yi resigned as Non-executive Director of CIHL effective from 31st March 2020, and Zhang Yi was appointed as a Non-executive Director effective from 31st March 2020.

*Note:* The evaluation of the performance of the Executive Directors has not yet been finalised. The discretionary bonuses payable are not finalised and the final amount will be disclosed in due course. The discretionary bonuses of certain executive directors are payable by instalments.

# Notes to the Financial Statements

The remuneration of the directors for the year ended 31st December 2019 is set out below:

Name of Director	Fee <i>HK\$'000</i>	Basic salaries <i>HK\$'000</i>	Housing allowances and benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i> (restated)	Employer's contribution to pension scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Executive Directors</b>						
Yu Fan	100	832	160	140	–	1,232
Gong Zhijian	285	1,884	456	708	194	3,527
Lau Mun Chung	240	2,214	–	1,023	18	3,495
<b>Non-executive Directors</b>						
Chow Kwok Wai	240	–	–	–	–	240
Zheng Yi	–	–	–	–	–	–
<b>Independent Non-executive Directors</b>						
Hung Muk Ming	240	–	–	–	–	240
Xia Zhidong	240	–	–	–	–	240
Liu Xiaofeng	240	–	–	–	–	240
	1,585	4,930	616	1,871	212	9,214

*Note:* The evaluation of the performance of the Executive Directors for the year ended 31st December 2019 was finalised in 2020 and the amount was restated accordingly. The discretionary bonuses of certain executive directors are payable by instalments.

# Notes to the Financial Statements

## 31. KEY MANAGEMENT PERSONNEL'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Key management personnel's emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, including Executive Directors and Executive Officers, Non-Executive Directors and Independent Non-Executive Directors.

The remuneration of key management personnel during the year is as follows:

	Group	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Basic salaries, discretionary bonuses, housing allowances and benefits in kind	24,838	18,735
Defined contribution plans	268	303
	<b>25,106</b>	<b>19,038</b>

The remuneration of Executive Directors is reviewed by the Remuneration Committee having regard to the performance of individuals and market trends.

The number of the key management personnel whose emoluments fell within the following bands is as follows:

	Number of individuals	
	2020	2019
Emolument bands		
HK\$Nil–HK\$1,000,000	7	6
HK\$1,000,001–HK\$1,500,000	1	2
HK\$1,500,001–HK\$2,000,000	1	2
HK\$2,000,001–HK\$2,500,000	–	2
HK\$2,500,001–HK\$3,000,000	1	1
HK\$3,000,001–HK\$3,500,000	1	–
HK\$3,500,001–HK\$4,000,000	1	–
HK\$4,000,001–HK\$4,500,000	1	1
HK\$4,500,001–HK\$5,000,000	–	–
HK\$5,000,001–HK\$5,500,000	–	–
HK\$5,500,001–HK\$6,000,000	–	–
HK\$6,000,001–HK\$6,500,000	1	–
	<b>14</b>	<b>14</b>

# Notes to the Financial Statements

## (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two directors (2019: two), whose emoluments are reflected in note 30. The emoluments payable to the remaining three (2019: three) individuals during the year are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Basic salaries, discretionary bonuses, housing allowances and benefits in kind	13,695	8,313
Defined contribution plans	54	51
	<b>13,749</b>	<b>8,364</b>

The emoluments of the remaining three (2019: three) individuals fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands		
HK\$Nil–HK\$1,000,000	–	–
HK\$1,000,001–HK\$1,500,000	–	–
HK\$1,500,001–HK\$2,000,000	–	–
HK\$2,000,001–HK\$2,500,000	–	2
HK\$2,500,001–HK\$3,000,000	–	–
HK\$3,000,001–HK\$3,500,000	1	–
HK\$3,500,001–HK\$4,000,000	–	–
HK\$4,000,001–HK\$4,500,000	1	1
HK\$4,500,001–HK\$5,000,000	–	–
HK\$5,000,001–HK\$5,500,000	–	–
HK\$5,500,001–HK\$6,000,000	–	–
HK\$6,000,001–HK\$6,500,000	1	–
	<b>3</b>	<b>3</b>

## 32. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

All share options were cancelled in prior years.

During the years ended 31st December 2020 and 2019, no share options were granted nor outstanding.

# Notes to the Financial Statements

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

A reconciliation of profit before taxation to net cash inflow/(outflow) from operating activities is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before taxation	94,268	69,936
Adjustments for:		
Depreciation of property and equipment	3,210	4,085
Depreciation of right-of-use assets	23,049	22,752
Gains from changes in fair value of financial assets at fair value through profit or loss	(525)	(2,797)
Net gains on disposal of financial assets at fair value through profit or loss	(7,446)	(230)
Net losses on disposal of debt instruments at fair value through other comprehensive income	4,349	15,098
Interest expenses (other than interest on lease liabilities)	27,255	25,701
Interest expenses on lease liabilities	1,726	1,189
Interest income from debt securities	(38,665)	(28,792)
Share of profits of associates and a joint ventures, net	(46,458)	(36,771)
Impairment allowances provided/(reversed)	2,462	(5,506)
Increase in pledged deposits	(8)	(29)
Rent concessions from lessor	(490)	–
Operating profit before working capital changes	62,727	64,636
(Increase)/decrease in other assets	(6,844)	2,518
Decrease in loans receivable	71,920	23,765
Increase in trade and other receivables	(149,791)	(110,310)
Increase in trade and other payables	232,625	18,747
Cash inflow/(outflow) from operations	210,637	(644)
Hong Kong profits tax paid	(6,130)	(532)
Overseas profits tax paid	(10,331)	(10,521)
Net cash inflow/(outflow) from operating activities	194,176	(11,697)

# Notes to the Financial Statements

## Change in liabilities arising from financing activities

	Bank and other loans <i>HK\$'000</i>	Bonds issued <i>HK\$'000</i>	Interest payable <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>
At 1st January 2020	722,425	52,000	4,860	44,627
Changes from financing cash flows				
New bank borrowings	836,600	–	–	–
Repayment	(582,800)	–	–	–
Proceeds from borrowings under repurchase agreements	374,397	–	–	–
Payment of borrowings under repurchase agreements	(407,408)	–	–	–
New leases	–	–	–	23,990
Rent concessions from lessor	–	–	–	(490)
Principal portion of lease liabilities	–	–	–	(24,216)
Changes in liabilities arising from financing activities				
Interest paid	–	–	(30,404)	–
Non-cash changes				
Interest expense	–	–	27,255	1,726
At 31st December 2020	943,214	52,000	1,711	45,637
	Bank and other loans <i>HK\$'000</i>	Bonds issued <i>HK\$'000</i>	Interest payable <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>
At 1st January 2019	575,000	62,000	1,746	65,940
Changes from financing cash flows				
New bank borrowings	30,000	–	–	–
Repayment	(125,000)	(10,000)	–	–
Proceeds from borrowings under repurchase agreements	538,131	–	–	–
Payment of borrowings under repurchase agreements	(295,706)	–	–	–
Principal portion of lease liabilities	–	–	–	(22,502)
Changes in liabilities arising from financing activities				
Interest paid	–	–	(22,587)	–
Non-cash changes				
Interest expense	–	–	25,701	1,189
At 31st December 2019	722,425	52,000	4,860	44,627

# Notes to the Financial Statements

## 34. CONTINGENT LIABILITIES

### 34.1 Outstanding litigation cases

A company named Hantec Investment Limited (the “Plaintiff”), which is unrelated to the Group, filed a writ to the Company on 28th July 2000, seeking for injunction to restrain the Company from using the Plaintiff’s alleged trade name and damages. The Plaintiff has not taken further action after the Company filed a defence.

Under the share sale agreement dated 13th August 2008 (the “Agreement”), Hantec Holdings Investment Limited (“HHIL”, formerly known as Hantec Holdings Limited) and the then chairman of the Company, Mr. Tang Yu Lap (“Mr. Tang”), have undertaken to indemnify and keep indemnified the Company on a fully indemnified basis of any loss or liability suffered by the Group as a result of or in connection with this outstanding litigation case mentioned above. Based on the merits of this case, the directors considered that it was unlikely that any material claim against the Company will crystallise and hence no provision has been made.

For an on going litigation and its provision, see note 4.9 and 26 for details.

### 34.2 Financial guarantees issued

As at 31st December 2020, a subsidiary of the Company engaging in securities brokering and providing securities margin financing has secured banking facilities from certain authorised institutions for a total amount of HK\$300 million (31st December 2019: HK\$300 million). In addition, the Company has issued corporate guarantees for a total principal amount of HK\$300 million (31st December 2019: HK\$300 million) for these facilities. As at 31st December 2020, no bank loan (31st December 2019: Nil) was drawn under the banking facilities.

## 35. CAPITAL AND INVESTMENT COMMITMENTS

### (a) Capital commitments

Capital commitments in respect of property and equipment outstanding but not provided for in the consolidated financial statements are as follows:

	2020 <i>HK\$'000</i>	2019 HK\$'000
Contracted but not provided for	653	507

# Notes to the Financial Statements

## (b) Investment commitments

As part of the Group's asset management business, the Group sets up structured entities (for example, investment funds) and generate fees from managing assets on behalf of third party investors. The Group may also co-invest in these structured entities in the capacity as general partners or investment managers of these structured entities. The Group did not control and did not consolidate these structured entities.

As at 31st December 2020, the carrying values of the interests held by the Group in the above unconsolidated structured entities managed by the Group amounted to HK\$15,556,000 (2019: HK\$9,584,000), which was recognised in financial assets at fair value through profit or loss. The maximum exposure to loss is the carrying value of the assets held. Other than the invested amounts above, the Group has no significant outstanding capital commitments to these unconsolidated structured entities. Other than the committed capital, the Group has no intention to provide financial or other support to these structured entities.

As at the date of this report, the Group has no plan for material investments or purchases of capital assets.

## 36. FINANCIAL RISK MANAGEMENT

### 36.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, equity price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Risk Management Committee (the "RMC") under policies approved by the Board of Directors. The RMC identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The RMC also recommends the overall risk management policy for the approval of the Board or the Executive Management Committee (the "EMC") of the Group, covering specific areas, such as foreign exchange risk, equity price risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

#### (a) Market risk

The exposures of the Group to market risk include foreign exchange risk, equity price risk and interest rate risk.

##### *Foreign exchange risk*

The Group is exposed to foreign exchange risk primarily arising from its financial assets and financial liabilities denominated in foreign currencies. The currencies giving rise to this risk are primarily Renminbi and the United States Dollar. The RMC reviews the exposures from time to time to cope with changes in volatility in the market.



# Notes to the Financial Statements

The following table details the Group's exposure at the end of the reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	<b>Japanese Yen HK\$'000</b>	<b>United States Dollar HK\$'000</b>	<b>Renminbi HK\$'000</b>	<b>Others HK\$'000</b>
<b>At 31st December 2020</b>				
Debt instruments at fair value through other comprehensive income	–	621,861	–	–
Loans receivable, trade and other receivables and other assets	–	75,334	2,694	57
Cash and cash equivalents	89	138,696	29,789	257
Trade and other payables	–	(404,134)	(3,230)	–
<b>Net exposure arising from recognised net assets</b>	<b>89</b>	<b>431,757</b>	<b>29,253</b>	<b>314</b>
<b>At 31st December 2019</b>				
Debt instruments at fair value through other comprehensive income	–	362,718	–	–
Loans receivable, trade and other receivables and other assets	190	64,228	1,789	270
Financial assets at fair value through profit or loss	–	72,293	–	–
Cash and cash equivalents	84	138,285	17,168	239
Trade and other payables	–	(264,533)	(124)	–
<b>Net exposure arising from recognised net assets</b>	<b>274</b>	<b>372,991</b>	<b>18,833</b>	<b>509</b>

# Notes to the Financial Statements

## *Sensitivity analysis*

The following table indicates the approximate change in the Group's profit before tax in response to possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	2020		2019	
	Appreciation/ depreciation of foreign currencies	Effect on profit before tax <i>HK\$'000</i>	Appreciation/ depreciation of foreign currencies	Effect on profit before tax <i>HK\$'000</i>
RMB	+ 10%	2,925	+ 10%	1,883
	- 10%	(2,925)	- 10%	(1,883)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for monetary assets and liabilities in existence at that date, and that all other variables, in particular interest rates, remain constant. Effects of changes in foreign exchange rates on certain non-monetary financial assets are included in equity price risk.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong Dollar and the United States Dollar would be materially unaffected by any changes in movement in value of the United States Dollar against other currencies. Accordingly, no sensitivity analysis has been prepared.

Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit before tax measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2019.

## *Equity price risk*

At 31st December 2020 and 2019, the Group was mainly exposed to equity price changes arising from unlisted private equity fund classified as financial assets at fair value through profit or loss (note 15).

# Notes to the Financial Statements

At 31st December 2020, it was estimated that an increase/(decrease) of 10% in the fair value of the relevant private equity fund, with all other variables held constant, would have significantly increased/decreased the Group's profit before tax as follows:

	Increase/ decrease	<b>2020 Effect on profit before taxation HK\$'000</b>	2019 Effect on profit before taxation HK\$'000
Unlisted private equity fund classified as financial assets at fair value through profit or loss	10% (10%)	<b>1,556</b> <b>(1,556)</b>	958 (958)

The sensitivity analysis indicates the instantaneous change in the Group's profit before tax and equity that would arise assuming the changes in the fair value of the relevant private equity fund had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which exposed the Group to equity price risk at the reporting date.

## ***Interest rate risk***

### Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the financial instruments subject to floating interest rates. Financial assets subject to cash flow interest rate risk mainly include margin loans arising from securities brokering and bank balances. Financial liabilities subject to floating interest rates are bank loans and borrowings under repurchase agreements. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring the Group's exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group.

# Notes to the Financial Statements

The cash flow interest rate risk exposure of the Group at the end of the reporting period is as follows:

	2020		2019	
	Effective interest rate	HK\$'000	Effective interest rate	HK\$'000
<b>Assets</b>				
Bank balances	0.01%	488,192	0.01%	433,550
Margin finance loans	8.125%	188,683	8.125%	248,529
		676,875		682,079
<b>Liabilities</b>				
Bank loans	1.728%	(733,800)	4.129%	(480,000)
Borrowings under repurchase agreements	1.015%	(209,414)	2.342%	(242,425)
		(266,339)		(40,346)
<b>Sensitivity analysis</b>				
Assuming the interest rate increased/(decreased) by		0.25%/(0.25%)		0.25%/(0.25%)
Profit before taxation (decreased)/increased by		(666)/1,838		(101)/1,141

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 25 basis points increase/decrease (2019: 25 basis points increase/decrease) represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

## Fair value interest rate risk

At 31st December 2020 and 2019, the Group is also exposed to fair value interest rate risk in relation to debt securities with fixed interest classified as debt instruments at fair value through other comprehensive income (note 14) and financial assets at fair value through profit or loss (note 15). The Group does not have a fair value interest rate hedging policy. However, management is closely monitoring the Group's exposure arising from debt securities investments by regularly performing quantitative analysis, including periodic sensitivity analysis.

# Notes to the Financial Statements

A sensitivity analysis of the Group's fair value interest rate risk arising from the debt securities classified as debt instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss is as follows:

Change in market interest rate	2020 Effect on equity HK\$'000	2019 Effect on equity HK\$'000
Increase by 25 basis points	(2,103)	(4,185)
Decrease by 25 basis points	2,118	4,472

**(b) Credit risk**

The Group's credit risk is primarily attributable to its debt instruments at fair value through other comprehensive income, pledged bank deposits, bank balances and cash, loans receivable, trade and other receivables (including margin loans arising from securities brokering) and financial assets at fair value through profit or loss. It has policies in place to ensure that credits are granted to customers with an appropriate credit history and/or collateral deposited with the Group.

For loans receivable, individual credit evaluations are performed on all customers requiring such credit. These evaluations focus on the customer's past history of making payments when due and their current ability to pay, and the value of collateral held (if any), and take into account information specific to the customer and the guarantor (in case provided) as well as pertaining to the economic environment in which the customer operates. The Group does not expose to the concentration of credit risk from (2019: two) independent counterparties. In view of the estimated fair value of the shares held as collateral and the sound financial position of those independent counterparties, the management of the Group considers that the credit risk is remote.

For trade receivables arising from securities brokering, credits are granted to a large population of clients, and hence, there is no significant concentration risk. The margin clients' listed securities can be sold at the Group's discretion upon margin shortfall situation to fulfil any margin call.

Further quantitative data in respect of the Group's exposure to credit risk for margin loans arising from securities brokering is disclosed in note 22(d). The margin clients' listed securities can be sold at the Group's discretion upon margin shortfall situation to fulfil any margin call. For trade receivables arising from securities brokering except for margin loans, credits are granted to a large population of clients and hence there is no significant concentration risk.

For commodities and futures brokering, an initial margin will be collected before the opening of trading positions. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and only brokers having sound credit rating will be accepted.

The open positions of the margin clients of the trading of commodities and futures contracts can be closed at the Group's discretion in margin shortfall situation to settle any margin call requirements imposed by their respective commodities and futures contracts transactions.

The Group's pledged bank deposits, bank balances and cash are deposited in respectable and large commercial banks. The credit risk of pledged bank deposits, bank balances and cash is considered to be manageable.

# Notes to the Financial Statements

For debt securities in financial assets at fair value through profit or loss, the Group structures the levels of credit risk it undertakes by placing limits on the amount of advance in relation to any borrower or issuer. The fair value of the listed securities was determined by reference to the quoted price of the shares and exceeded the carrying amount of the fair value through profit or loss debt securities as at 31st December 2020 and 2019.

Debt instruments at fair value through other comprehensive income are listed debt securities with fixed interest. The Group has a policy in place of spreading the aggregate value of transactions concluded amongst approved counterparties with an appropriate credit quality. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group primarily invested in rated debt securities with credit ratings of at least B+ or equivalent as determined by Standard & Poor's, Moody's or Fitch. Any exception shall be approved by the management of the Group. As at 31st December 2020, over 69% (31st December 2019: over 59%) of the debt securities invested by the Company were B+ or above; 24% (31st December 2019: 23%) were B or below; and 7% (31st December 2019: 18%) were non-rated. The management of the Group reviews the portfolio of debt securities on a regular basis to ensure that there is no significant concentration risk. In this regard, the management of the Group considers that the credit risk relating to investments in debt securities is closely monitored.

The Group has maintained relationship with various financial institutions, and has policies to limit the amount of credit exposure to any financial institution. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

The maximum credit exposure is the worst case scenario of exposure to the Group without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the maximum exposure to credit risk equals their carrying amount. For loan commitments and other credit related liabilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31st December 2020 and 2019.

For debt investments at fair value through other comprehensive income, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets.

# Notes to the Financial Statements

As at 31st December 2020	12-month ECLs		Lifetime ECLs		Simplified approach HK\$'000	Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Stage 3 HK\$'000		
Debt investment at fair value through other comprehensive income						
– B + and above	429,084	–	–	–	–	429,084
– B to N/A	192,777	–	–	–	–	192,777
Trade and other receivables						
– Normal	597,384	306	–	12,252	609,942	609,942
– Doubtful	–	–	13,011	3,373	16,384	16,384
Pledged deposits						
– Not yet past due	12,137	–	–	–	12,137	12,137
Cash and cash equivalents						
– Not yet past due	804,471	–	–	–	804,471	804,471
	2,035,853	306	13,011	15,625	2,064,795	2,064,795

As at 31st December 2019	12-month ECLs		Lifetime ECLs		Simplified approach HK\$'000	Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Stage 3 HK\$'000		
Debt investment at fair value through other comprehensive income						
– B + and above	214,004	–	–	–	214,004	214,004
– B to N/A	148,714	–	–	–	148,714	148,714
Trade and other receivables						
– Normal	446,261	100	–	9,312	455,673	455,673
– Doubtful	–	–	13,011	3,373	16,384	16,384
Pledged deposits						
– Not yet past due	12,129	–	–	–	12,129	12,129
Cash and cash equivalents						
– Not yet past due	579,395	–	–	–	579,395	579,395
	1,400,503	100	13,011	12,685	1,426,299	1,426,299

The Group applies the general approach for impairment of financial assets except for impairment of trade and other receivables arising from corporate finance, which the simplified approach was applied.

The credit quality of the financial assets included in trade and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

# Notes to the Financial Statements

## (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group employs a prudent liquidity policy.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Weighted average effective interest rate	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within 1 year or on demand <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 6 years <i>HK\$'000</i>
<b>At 31st December 2020</b>						
Trade and other payables	N/A	517,696	517,696	517,696	–	–
Non-current bank loans	1.725%	548,800	572,159	9,467	9,467	553,225
Current bank loans	1.738%	185,000	185,717	185,717	–	–
Borrowings under repurchase agreements	1.015%	209,414	209,993	209,993	–	–
Bonds issued	4%	52,000	53,630	43,358	10,272	–
Lease liabilities	3.676%	45,637	47,669	26,060	15,020	6,589
		<b>1,558,547</b>	<b>1,586,864</b>	<b>992,291</b>	<b>34,759</b>	<b>559,814</b>
<b>At 31st December 2019</b>						
Trade and other payables	N/A	288,221	288,221	288,221	–	–
Non-current bank loans	4.061%	450,000	474,875	18,273	456,602	–
Current bank loans	5.157%	30,000	30,192	30,192	–	–
Borrowings under repurchase agreements	2.342%	242,425	242,425	242,425	–	–
Bonds issued	4%	52,000	54,913	43,951	10,962	–
Lease liabilities	3.671%	44,627	46,653	21,211	25,442	–
		<b>1,107,273</b>	<b>1,137,279</b>	<b>644,273</b>	<b>493,006</b>	<b>–</b>

The Company's policy is to regularly monitor its liquidity requirements including borrowings from subsidiaries, bonds issued to independent third parties, dividend payments to shareholders and accrued payments to ensure that it maintains sufficient reserves of cash to satisfy its contractual and foreseeable obligations as they fall due.



# Notes to the Financial Statements

## 36.2 Fair value measurement of financial instruments

### Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurement is categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable. For investment funds, the categorisation will depend on the valuation techniques used by the investment funds to derive its net asset value.

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments	Fair value as at 31st December 2020 HK\$'000	Fair value as at 31st December 2019 HK\$'000	Fair value hierarchy	Valuation technique(s) key input(s)
(a) Financial assets at fair value through profit or loss				
Listed debt securities	–	72,293	Level 1	Quoted prices in an active market
Unlisted private equity funds (note (i))	15,557	9,584	Level 3	Adjusted Net Asset Value (“NAV”) of private equity fund
Unlisted equity securities	1	1	Level 2	Adjusted Net Asset Value (“NAV”) of equity security
(b) Debt investments at fair value through other comprehensive income				
Listed debt investments	621,861	362,718	Level 1	Quoted prices in an active market

*Note:*

- (i) Financial assets at fair value through profit or loss – unlisted private equity fund

The fair values of unlisted equity funds are determined with reference to its net asset value. Accordingly, no sensitivity analysis was prepared.

# Notes to the Financial Statements

## Reconciliation of Level 3 fair value measurements of financial instruments

	<b>Financial assets at fair value through profit or loss <i>HK\$'000</i></b>
<b>At 1st January 2019</b>	8,367
Additions	2,231
Exchange difference	(177)
Disposal	(837)
<b>At 31st December 2019 and 1st January 2020</b>	9,584
Additions	10,799
Exchange difference	370
Disposal	(5,196)
<b>At 31st December 2020</b>	<b>15,557</b>

## Fair value measurement and valuation process

The management is responsible for determining the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the financial instruments, the Group uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Group maximises its use of other observable market data relevant to the assets or the liabilities. For example, the Group estimates the fair value with reference to the net asset value report of the investment funds as provided by the fund manager.

# Notes to the Financial Statements

## 37. RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

The following is a summary of significant related party and connected party (as defined in the Listing Rules) transactions which were carried out in the normal course of the Group's business:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Brokering commission for securities dealing ( <i>note (a)</i> )	4,981	3,378
Service fee income ( <i>note (b)</i> )	13,412	10,817
Placing commission ( <i>note (c)</i> )	2,718	2,421
Fund management fee and advisory fee income ( <i>note (d)</i> )	49,594	66,619
Bank interest income ( <i>note (e)</i> )	723	1,252
Payment of lease liabilities ( <i>note (f)</i> )	(435)	(444)
Service fee expense ( <i>note (g)</i> )	–	(985)
Interest income ( <i>note (h)</i> )	24	1,607
Capital distribution to non-controlling interests ( <i>note (i)</i> )	9,248	5,059
Advisory fee expense ( <i>note (j)</i> )	(8,110)	(67,260)
Corporate finance service income ( <i>note (k)</i> )	760	–

- (a) In 2020 and 2019, the Group received commission income from its directors and fellow subsidiaries for providing securities brokerage services.
- (b) In 2020 and 2019, the Group received service fee income from an associate and its fellow subsidiaries for providing administrative supporting and consulting services.
- (c) In 2020 and 2019, the Group received placing commission from its fellow subsidiaries and ultimate holding company for placing securities.
- (d) In 2020 and 2019, the Group received management fee income from its connected persons for providing asset management services. The total amount represented continuing connected transactions.
- (e) In 2020 and 2019, the Group received bank interest income from its fellow subsidiary.
- (f) In 2020 and 2019, the Group paid rental expenses to its fellow subsidiaries for the use of office premises.
- (g) In 2019, the Group paid a service fee to its fellow subsidiary.

# Notes to the Financial Statements

- (h) In 2020 and 2019, the Group received interest income from the unlisted investment funds which were also owned by its fellow subsidiaries and a joint venture.
- (i) In 2020, the Group distributed cash of HK\$9,248,000 (2019: HK\$5,059,000) to the non-controlling interests of FJSC, which is its fellow subsidiary.
- (j) In 2020 and 2019, the Group paid an advisory fee expense to an associate for obtaining consulting services.
- (k) In 2020, the Group received corporate finance service income from a fellow subsidiary for providing advisory services.
- (l) The Group is indirectly controlled by China Cinda Asset Management Co., Ltd. (“China Cinda”), which is indirectly controlled by the PRC government through the Ministry of Finance (the “MOF”). The MOF is the major shareholder of China Cinda as at 31st December 2020 and 2019. For the current and prior years, the Group undertakes some transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to, making bank deposits, receiving banking facilities, renting properties and rendering and obtaining other services. The Group is of the opinion that these transactions are in normal business terms that do not require separate disclosure.
- (m) Compensation of key management personnel is disclosed in note 31(a).

## 38. IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31st December 2020 and 31st December 2019, the directors consider the immediate parent and ultimate controlling party of the Group to be Cinda Securities Co., Ltd. and China Cinda Asset Management Co., Ltd., respectively, which are both established in the People’s Republic of China.

## 39. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following trade receivables and trade payables as the Group currently has a legally enforceable right to set off the balance, and intends either to settle on net basis, or to realise the balance simultaneously.

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group’s consolidated statement of financial position; or
- not offset in the Group’s consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited (“HKSCC”), the Group has a legally enforceable right to set off the money obligation receivable and payable with HKSCC on the same settlement date and the Group intends to settle them on a net basis. In addition, the Group has a legally enforceable right to set off the trade receivables and payables with brokerage clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

Other balances with HKSCC and brokerage clients that are not to be settled on the same date, or can only be set off in an event of default, are presented in gross.

# Notes to the Financial Statements

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position  Financial instruments received as collateral (note 3)	Net amount
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As at 31st December 2020</b>					
<b>Financial assets by counterparty</b>					
Trade receivables from:					
– Margin clients (note 1)	710,028	(521,345)	188,683	(171,820)	16,863
– Clearing houses (note 2)	805,049	(748,573)	56,476	–	56,476
<b>Total</b>	<b>1,515,077</b>	<b>(1,269,918)</b>	<b>245,159</b>	<b>(171,820)</b>	<b>73,339</b>
<b>As at 31st December 2019</b>					
<b>Financial assets by counterparty</b>					
Trade receivables from:					
– Margin clients (note 1)	519,347	(270,818)	248,529	(233,187)	15,342
– Clearing houses (note 2)	410,618	(372,964)	37,654	–	37,654
<b>Total</b>	<b>929,965</b>	<b>(643,782)</b>	<b>286,183</b>	<b>(233,187)</b>	<b>52,996</b>

# Notes to the Financial Statements

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position  Financial instruments pledged as collateral (note 3)	Net amount
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As at 31st December 2020</b>					
<b>Financial liabilities by counterparty</b>					
Trade payable to:					
– Margin clients (note 1)	(553,768)	521,345	(32,423)	–	(32,423)
– Clearing houses (note 2)	(767,916)	748,573	(19,343)	–	(19,343)
<b>Total</b>	<b>(1,321,684)</b>	<b>1,269,918</b>	<b>(51,766)</b>	<b>–</b>	<b>(51,766)</b>
<b>As at 31st December 2019</b>					
<b>Financial liabilities by counterparty</b>					
Trade payable to:					
– Margin clients (note 1)	(279,829)	270,818	(9,011)	–	(9,011)
– Clearing houses (note 2)	(380,807)	372,964	(7,843)	–	(7,843)
<b>Total</b>	<b>(660,636)</b>	<b>643,782</b>	<b>(16,854)</b>	<b>–</b>	<b>(16,854)</b>

*Notes:*

- Under the agreement signed between the Group and the customers, money obligations receivable and payable with the same customer on the same date are settled on a net basis simultaneously.
- Under the agreement of the Continuous Net Settlement made between the Group and Hong Kong Securities Clearing Company Limited (“HKSCC”), money obligations receivable and payable with HKSCC on the same settlement date are settled on a net basis.
- Financial instruments represent the margin clients’ listed securities measured at fair value determined by reference to their respective quoted prices pledged to the Group for credit facilities for securities trading.

# Notes to the Financial Statements

## 40. 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>Reference to the Conceptual Framework</i> <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>3,6</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>3,5</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> <sup>2</sup>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> <sup>2</sup>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 <sup>2</sup>

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

2 Effective for annual periods beginning on or after 1st January 2022

3 Effective for annual periods beginning on or after 1st January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1st January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

# Notes to the Financial Statements

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1st January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate ("LIBOR") as at 31st December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

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.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1st January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.



# Notes to the Financial Statements

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1st January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1st January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

*Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- **HKFRS 9 *Financial Instruments*:** clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1st January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- **HKFRS 16 *Leases*:** removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

# Five Year Financial Summary

31st December 2020

Results	Year ended 31st December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Profit attributable to equity holders	83,671	51,559	55,174	66,361	41,080

Assets and liabilities	As at 31st December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Total assets	2,551,768	2,002,834	1,737,066	2,102,313	1,802,782
Total liabilities	(1,562,667)	(1,117,830)	(909,164)	(1,267,758)	(1,037,957)
Total equity	989,101	885,004	827,902	834,555	764,825

Notes:

1. The Company was incorporated in Bermuda on 19th April 2000 and became the holding company of the companies now comprising the Group on 10th July 2000.
2. Segregated trust accounts maintained by the Group to hold clients' monies and the corresponding amounts classified under accounts payable are treated as items not recognised in the consolidated statement of financial position.