民銀資本
CMBC CAPITAL HOLDINGS LIMITED

Incorporated in Bermuda with limited liability
Stock Code: 1141

ANNUAL REPORT 2020

Contents

Abbreviations

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

"Audit Committee"	the audit committee of the Board
"Board"	the Board of Directors of the Company
"Brilliant Decent"	Brilliant Decent Limited
"Bye-laws"	the bye-laws of the Company
"China Minsheng Bank"	China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange (stock code: 1988) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600016)
"China Minsheng Bank Group"	China Minsheng Bank and its subsidiaries (excluding the members of the Group)
"CMBC HK Branch"	the Hong Kong branch of China Minsheng Bank
"CMBCI"	CMBC International Holdings Limited (民生商銀國際控股有限公司), a company incorporated in Hong Kong with limited liability and an indirect controlling Shareholder of the Company
"CMBCIC"	CMBC International Capital Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
"CMBC International Investment (HK)"	CMBC International Investment (HK) Limited, a company incorporated in Hong Kong with limited liability and an indirect controlling Shareholder of the Company
"CMBC International Investment"	CMBC International Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder of the Company
"CMBC Securities"	CMBC Securities Company Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
"Company"	CMBC Capital Holdings Limited
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules

Abbreviations

"Development Strategy Committee"	the development strategy committee of the Board
"Directors"	Directors of the Company
"Executive Committee"	the executive committee of the Board
"Group"	the Company and its subsidiaries
"Hong Kong"	the Special Administrative Region of Hong Kong of the PRC
"HK$"	Hong Kong dollars and cents
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"PRC"	the People's Republic of China, for the purpose of this annual report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Previous Year"	the financial year ended 31 December 2019
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Year"	the financial year ended 31 December 2020
"Risk Management and Internal Control Committee"	the risk management and internal control committee of the Board
"SFC"	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shareholder"	holder(s) of the Share(s)
"Share"	ordinary shares of HK$0.01 each in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	The United States of America
"%"	per cent

Corporate Information

(as at the date of this annual report)

BOARD OF DIRECTORS

Executive Directors

Mr. Li Jinze *(Chairman)*
Mr. Ding Zhisuo *(General Manager)*
Mr. Ng Hoi Kam

Non-executive Directors

Mr. Ren Hailong
Mr. Liao Zhaohui

Independent Non-executive Directors

Mr. Lee, Cheuk Yin Dannis
Mr. Wu Bin
Mr. Wang Lihua

AUDIT COMMITTEE

Mr. Lee, Cheuk Yin Dannis *(Chairman)*
Mr. Wu Bin
Mr. Wang Lihua

REMUNERATION COMMITTEE

Mr. Wu Bin *(Chairman)*
Mr. Ren Hailong
Mr. Wang Lihua

NOMINATION COMMITTEE

Mr. Wu Bin *(Chairman)*
Mr. Ren Hailong
Mr. Wang Lihua

COMPANY SECRETARY

Mr. Ho Yau Cheung

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited

STOCK CODE

1141

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

China Minsheng Banking Corp., Ltd.
Industrial and Commercial Bank of China Limited
Shanghai Pudong Development Bank Co., Ltd.
CMB Wing Lung Bank Limited

LEGAL ADVISER

Howse Williams

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
Registered Public Interest Entity Auditor

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

http://www.cmbccap.com

Chairman's Statement

ECONOMIC AND MARKET REVIEW

The COVID-19 pandemic wreaked havoc on the lives and economy across the globe in 2020. The preventive and quarantine measures have challenged the global business environment and plunged the economy into a severe contraction in many regions. As a highly open and externally-oriented economy, Hong Kong has been also hit hard with a relatively weak economy. Its gross domestic production is anticipated to shrink 6.1% in 2020, which affects the performance of financial markets. As of the end of 2020, the Hang Seng Index closed at 27,231 points, representing a decrease of 959 points or 3.4% as compared with that at the end of 2019, and slightly inferior performance as compared with the growth achieved in the major stock markets in the Asia-Pacific Region for the whole year of 2020. Fortunately, the IPO market was robust, and the US-listed China stocks with the high quality sought secondary listing on the Stock Exchange, driving the average daily turnover in the Hong Kong's stock market to approximately HK$129.5 billion, representing a year-on-year rise of approximately 49%.

The global financial market fluctuated sharply due to the uncertainty of COVID-19 pandemic, escalating tension between the PRC and the United States, and the rising geopolitical risks, especially the situation in the Middle East and Asia. Like the world's major indexes, the Hang Seng Index showed a V-shaped trend in 2020. With the signing of the Phase One Economic and Trade Agreement between the PRC and the United States in early 2020, the Hang Seng Index surpassed once 29,000 points. However, the fact that the number of confirmed cases of COVID-19 rose dramatically worldwide later, and that the world's economic growth was expected to slow down, had triggered the adjustments in the financial market. In March, the US Federal Reserve slashed its benchmark interest rate twice to near zero, during which, the US stock market fell sharply and had hit the circuit breaker mechanism four times and, Hong Kong following the overseas financial markets also plummeted to the lowest points of 21,139 in the year. Later, the spread of COVID-19 pandemic overseas had slowed down, and the major economies including the US further increased the scale of quantitative easing and introduced measures to stabilize the economy. As a result, the US stock market and the Hong Kong stock market began to recover slowly, driving the Hang Seng Index to recover steadily from the low level.

ECONOMIC AND MARKET REVIEW (CONTINUED)

In respect of IPO, the pandemic severely affected the application and approval process for listing in Hong Kong. In 2020, the number of newly listed companies on the Hong Kong Main Board decreased by 13% to 146, as compared to the same period last year. Fortunately, the reform of the listing regime in 2018 attracted many new companies to choose Hong Kong for their primary or secondary listing, driving the transformation of market structure in Hong Kong and enabling Hong Kong to establish the most flourishing financial ecosystem for technology and new-economy companies in Asia. In addition, the rising trend of seeking secondary listing on the Stock Exchange by the US-listed China stocks has made Hong Kong's capital market more dynamic and diversified. The return of the mega companies such as JD.com Inc. (stock code: 9618.HK) and NetEase, Inc. (stock code: 9999.HK) during the year increased the total amount of funds raised by newly listed stocks on the Main Board of the Stock Exchange by approximately 27% year on year to approximately HK$397 billion, which is the highest since 2010. The total amount of funds raised in the Hong Kong market, including placing, rights issue and IPO, was approximately HK$740 billion, representing a significant increase of 64% from approximately HK$450 billion in 2019.

In respect of the US dollar-denominated bond market, due to the global outbreak of the pandemic, the sharp change in crude oil prices and the China-US tension, the overall performance of trading index in the secondary market of the China USD bonds in 2020 was relatively volatile while the issuance in the primary market remained vigorous. The bonds issued in G3 currencies (US dollar, the euro, and the Japanese yen) in Asia (excluding Japan) in 2020 amounted to approximately US$370 billion.

Chairman's Statement

BUSINESS REVIEW

The Group had built a cooperative development system with China Minsheng Bank in a regular and efficient manner, through which it can leverage the vast network and the enormous customer base of China Minsheng Bank to facilitate the comprehensive and steady development of the Group in the areas of securities trading and brokerage, asset management, investment and financing, etc. The Group responded to the challenges brought about by the external environment such as the Sino-US trade war and the COVID-19 pandemic, adjusted its business development strategies in a timely manner, to ensure a balance between the development of various business segments, further strengthened its operational capabilities and paid close attention to its risk management, maintaining reasonable debt structure and abundant liquidity to deal with the global market uncertainty.

Looking back on the past year, the Group has achieved satisfactory results. During the Reporting Year, while facing a challenging business environment, the Group leveraged its advantages within its own strategic framework. The offshore bond underwriting business of the Group achieved better performance than the peer companies. The Group completed 121 bond underwriting transactions for 92 Chinese enterprises and financial institutions; In respect of sponsorship and stock underwriting business, the Group has made some breakthroughs and successfully submitted three applications for listing on the Main Board of the Stock Exchange, two of which were listed thereon; With respect to the stock underwriting, the Group participated in 17 stock underwriting projects as a joint bookrunner or higher capacity; The asset management business saw a stable growth, made some breakthroughs in public and private funds, as well as cross-border asset management business, and achieved a substantial increase in the revenue. In addition, the Group released its APP "CMBC Niu" to create a new FinTech platform and explore the possibility of provision of FinTech services, such as securities trading, margin financing, financing for the subscription of new shares, public funds and public offering bonds.

With the impact of the global economic turbulence brought by the COVID-19 pandemic, during the Reporting Year, the Group's total revenue (including net gains or losses from investment) was approximately HK$1,067.0 million, representing a decrease of approximately 0.3% from approximately HK$1,069.8 million in the Previous Year, but with the benefit from reduction in expenses, the net profit for the Reporting Year increased from approximately HK$356.9 million in the Previous Year to approximately HK$393.2 million, representing an increase of approximately 10.2%. The Group adhered to the principle of stable and steady operation amidst the COVID-19 pandemic, and achieved a total asset of approximately HK$11.17 billion as at 31 December 2020, representing a slight decrease of approximately 4.0% from approximately HK$11.64 billion as at 31 December 2019. With respect to dividend, the Board will recommend a final dividend of HK 0.33 cents per share for the year 2020 at the forthcoming annual general meeting.

Chairman's Statement

FUTURE OUTLOOK AND STRATEGY

The evolution of the COVID-19 pandemic is still subject to many uncertainties, which may hinder the resumption of the economic activities in most of the countries. In addition, the tensions between the PRC and the United States have not been resolved completely, and trade protectionism is on the rise. Further, the geopolitical risks persists. All of these may lead to more challenges and uncertainties for the economic recovery. However, based on the experience of the pandemics in the past, the current COVID-19 pandemic will end finally. Many national governments are likely to introduce more fiscal stimulus measures, and the central banks may also maintain loose monetary policy, which may be able to ease the weak performance of the global economy.

Economic activities in Mainland China are on the right track of recovery, benefiting from effective pandemic prevention and control measures. Robust domestic demand, coupled with the government's aggressive stimulus measures, should help maintain a healthy level of economic activities. With the further opening-up of markets (including financial markets) and the deepening of technological development, the economy of Mainland China is expected to return to its long-term growth trajectory, while the regional strategies, such as the Greater Bay Area, include technological innovation development which will bring a series of new opportunities.

As a highly externally-oriented economy, Hong Kong is still facing challenges, such as the weak global economy, the spread of the COVID-19 pandemic, Sino-U.S. friction, etc. However, in the long run, Hong Kong is still able to benefit from the steady economic development of the motherland. Given the Central Government's support for Hong Kong as an international financial and business center and the solid future prospects of Mainland China, coupled with the growth momentum brought by the development of the Greater Bay Area, Hong Kong's long-term development prospects remain positive.

Chairman's Statement

FUTURE OUTLOOK AND STRATEGY (CONTINUED)

Facing the challenges and opportunities in 2021, the Group will adhere to the general principle of steady development and continuous innovation. The Group will continue to broaden and deepen its business structure and scope on the basis of its existing businesses and clientele, and enhance the cross-selling synergies and scale effect generated by its various business segments in order to ensure sustainable growth of the Group's overall performance. Despite the uncertainties in the future, the Group will ensure a stable and sound performance through strict risk control and compliance measures. At the same time, through the new FinTech platform, the Group will explore the Internet and data-based business system construction to provide better services to our customers. As a fully licensed broker in Hong Kong and an important member of China Minsheng Bank, the Group will continue to capitalize its advantages and adhere to the principle of "Standardization, Efficiency, Innovation, Excellence", to provide efficient and high-quality professional services in the fields of cross-border merge and acquisition, listing, asset management, investment and financing for the customers in the Greater China, especially the emerging outstanding private enterprises in Mainland China. At the same time, the Group will continue to look for merger and acquisition opportunities that are beneficial to its long-term development and strive to become an outstanding comprehensive financial service institution to continue to create greater and longer term investment returns for the Shareholders.

Management Discussion and Analysis

BUSINESS REVIEW

The Group is currently licensed to engage in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, as well as the licensed money lending business and has all material licenses required for services currently expected to be requested by most of its existing and potential clients.

During the Reporting Year, the Group's profit attributable to the owners of the Company was approximately HK$393.2 million (Previous Year: approximately HK$356.9 million), representing an increase of 10.2% compared to the Previous Year. The Group's basic and diluted earnings per share was HK0.83 cents for the Reporting Year (2019: HK0.75 cents).

The Group's revenue (including net gains or losses from investment) decreased by 0.3% to approximately HK$1,067.0 million during the Reporting Year, compared to approximately HK$1,069.8 million in the Previous Year. It was mainly due to the loss on disposal of investments.

The table below presents the breakdown of segment revenue (including net gains or losses from investment) and segment results:

	Segment Revenue and net gains or losses from investment		**Segment Results**	
	For the year ended 31 December 2020 HK$'000	For the year ended 31 December 2019 HK$'000	**For the year ended 31 December 2020 HK$'000**	For the year ended 31 December 2019 HK$'000
Securities	**87,194**	129,013	**60,020**	89,055
Fixed-income direct investment	**435,028**	351,362	**70,938**	76,673
Other investment and financing	**359,438**	435,205	**264,459**	262,569
Asset management	**137,432**	77,582	**103,249**	49,171
Corporate finance and advisory	**47,892**	76,649	**19,464**	51,241
Others	**–**	–	**(32,950)**	(103,469)
Total	**1,066,984**	1,069,811	**485,180**	425,240

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

Securities

The Group's securities business mainly includes the provision of brokerage services, securities margin financing services, futures and options contracts dealing services and bond underwriting services to clients.

During the Reporting Year, the revenue and profit contributed by the securities segment were approximately HK$87.2 million and HK$60.0 million, respectively, compared to the revenue and profit of approximately HK$129.0 million and HK$89.1 million, respectively in the Previous Year. The decrease of the segment revenue was mainly due to the decrease of interest income from the margin financing clients and income from the bond underwriting business.

During the Reporting Year, the Group completed 121 bond underwriting transactions for 92 enterprises, covering major issuing industries, such as banks, non-banking financial institutions, central government-owned enterprises, large local state-owned enterprises, urban investment enterprises with good rating, and real estate development enterprises. While actively driving the growth of its bond underwriting business, the Group strictly controls the underwriting risks and maintains high-quality issuers base, with investment-grade bond issuance accounting for over 60% of the total underwriting volume. As the flagship business segment of the only offshore investment banking platform of China Minsheng Bank, the bond underwriting business has been developing steadily and healthily. The Group has been diversifying its client base while increasing the proportion of bonds underwritten for large central government-owned enterprises and high-quality financial institutions and further enhancing the Group's reputation and image in the offshore capital markets. The Group's debt capital market department also provides certain important bonds issuer clients with international rating advisory services.

The Group continued to develop its securities brokerage business and margin financing business steadily. Its securities brokerage business includes trading shares, bonds and other valuable securities of listed companies for clients, while its margin financing business includes provision of stock secured financing for retail, corporate and high-net-worth clients requiring finance for purchasing securities. The Group adopts a relatively cautious development strategy as to its securities brokerage business and margin financing business.

BUSINESS REVIEW (CONTINUED)

Investment and Financing

With respect to investment, the Group is based in Hong Kong and globally-oriented with focus on the Greater China region. It actively identifies listed and unlisted enterprises with prominent core competitiveness, good market potential and ascertainable expected profitability, and focuses on industrial synergy and industrial integration opportunities with the full advantage of professionalism and resources. The industries and fields that the Group targets for investment include high-tech enterprises, intelligent equipment manufacturing, medical and healthcare industry and big consumption that have large growth potential.

In respect of financing, the Group is committed to providing debt financing products with different structures and forms, including pre-IPO financing, project financing, M&A loans, mezzanine loans and bridge loans according to the nature of the client's business, capital needs and market conditions.

During the Reporting Year, despite the adverse impact of the COVID-19 pandemic, the unstable international political and economic situation and the tightening of policies and regulations, the Group's investment and financing business team grasped the market changes in a timely manner and appropriately adjusted its investment and financing strategies and asset allocation, thus maintaining a healthy growth trend of its investment and financing portfolio as a whole.

The Group actively adapts to the changes in the market and risk environment. During the Reporting Year, all the proprietary investments of the Group maintained a sustainable and healthy growth momentum.

Fixed-income direct investment

During the Reporting Year, revenue and net investment losses from the fixed-income direct investment segment, which included but not limited to coupon from listed bonds under direct investment, amounted to an aggregate of approximately HK$435.0 million as compared to approximately HK$351.4 million in the Previous Year. The segment profit slightly decreased from approximately HK$76.7 million in the Previous Year to approximately HK$70.9 million in the Reporting Year. The decrease in segment profit was mainly attributable to the loss from disposing certain bonds.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

Investment and Financing (Continued)

Other investment and financing

During the Reporting Year, revenue and net investment gains from the other investment and financing segment, which included but not limited to coupon, dividend and distribution income from listed bonds (other than those under fixed-income direct investment), listed equities, unlisted equity interests, unlisted funds, unlisted notes and debt investments, as well as interest income from loans, amounted to an aggregate of approximately HK$359.4 million as compared to approximately HK$435.2 million in the Previous Year. The segment profit slightly increased from approximately HK$262.6 million in the Previous Year to approximately HK$264.5 million in the Reporting Year. The increase in segment profit was mainly attributable to the decrease in expenses.

The following table sets out the breakdown of investment and financing:

	31 December 2020 HK$'000	31 December 2019 HK$'000
Investment		
Listed equities	**–**	25,454
Unlisted equity interests	**230,715**	290,790
Listed bonds (measured at FVOCI)	**6,835,510**	6,888,906
Listed bonds (measured at FVTPL)	**241,417**	94,071
Listed bonds (measured at amortised cost)	**77,272**	171,078
Unlisted funds	**700,113**	299,212
Unlisted convertible debt investments	**–**	242,526
Derivative financial instrument – credit derivative	**68,563**	–
Total	**8,153,590**	8,012,037
Financing		
Loans and advances	**1,485,217**	2,210,711

BUSINESS REVIEW (CONTINUED)

Investment and Financing (Continued)

Other investment and financing (Continued)

As at 31 December 2020, the Group's investment portfolio mainly included but not limited to listed bonds, unlisted equity interests and unlisted funds, covering a wide range of sectors such as industry, pharmaceuticals, technology, consumer goods, real estate and finance.

As at 31 December 2020, the assets of the proprietary investment of the Group amounted to approximately HK$8.2 billion (2019: approximately HK$8.0 billion), including bonds investment of approximately HK$7.2 billion (2019: approximately HK$7.2 billion). During the Reporting Year, the Group's total investment portfolio increased by approximately HK$200.0 million, which was mainly due to the net purchase of unlisted funds. The future performance of such portfolio will depend on many factors, including uncertainties around the financial markets, the economic development in both Hong Kong and Mainland China and investors' sentiment.

During the Reporting Year, the Group's investment portfolio generated income of an aggregate of approximately HK$578.7 million (Previous Year: HK$424.8 million), including interest income of approximately HK$460.7 million (Previous Year: HK$335.5 million) from debt securities investments, interest income of approximately HK$20.9 million (Previous Year: HK$45.3 million) from FVTPL investments and dividend income and other investment income of approximately HK$97.0 million (Previous Year: HK$44.0 million).

For investments classified as financial assets measured at FVOCI and FVTPL, the Group recorded a net gain during the Reporting Year which mainly comprised: (i) net gains recognized in the consolidated statement of profit or loss and other comprehensive income, and (ii) net gain not recycled through profit or loss upon disposal of financial assets measured at FVOCI.

The Group maintains a consistent stable principle for its proprietary bond investment, adopts revenue-based (including charging fixed contractual interest and receiving gains on disposal) trading strategy. Adopting a top-down/bottom-up approach in its investment analysis, the Group is committed to identifying investment opportunities with sustainable and high-level revenue within limited volatility. The Company adopts a prudent risk management strategy and makes a reasonable risk estimate for its investments in order to strike a balance between risk management and revenue generation. At the same time, the Group continues to adhere to the principle of diversified investment and has established explicit guideline which stipulate that the position in any single bond shall not account for more than 5% of the overall position, and the portfolio shall be diversified by investing in various issuers in a wide range of sectors, thereby avoiding the risk of adjustment in any particular industries.

BUSINESS REVIEW (CONTINUED)

Investment and Financing (Continued)

Other investment and financing (Continued)

The unlisted direct investment business of the Group, including equity interests and funds, mainly focuses on high-growth industries, such as high-end technology, biomedical and health, and new consumption, and the value of the unlisted direct investment projects held recorded an overall stable growth during the Reporting Year.

The loan business of the Group focuses on short-to-mid term financing so as to maintain the liquidity of the Group's assets. During the Reporting Year, loans were granted to market players in various industries, such as finance, technology, healthcare, sports, education and real estate, which diversified the risk of the loan portfolio. The Group implements pre-, peri- and post-investment management and put in place practicable and effective risk control measures. Each client and each project are subject to rigorous risk review and the Group's overall credit and operation risk are controllable. The Group constantly monitors concentration, maturity profile and risk-to-revenue ratio of the asset portfolio to strike a balance between the overall risk and revenue generation.

Asset Management

The Group's asset management segment represents the provision of asset management services to clients.

During the Reporting Year, facing the global outbreak of the COVID-19 pandemic and a complex and changeable capital market, the Group's asset management team paid closer attention to the development and improvement of its investing and trading ability while making increased efforts on the research of the fundamentals of its investment targets. The asset management team managed to make investments while being "sensitive to market, loyal to trends, skilled at trading, ready to assume responsibility and strictly self-disciplined", actively responded to market changes, and constantly optimised the investment portfolio, in order to achieve long-term stable performance returns for its clients.

The Group's products had been favored and trusted by all kinds of investors due to its stable performance. The Group had focused on research and development of new products and market expansion, thereby gradually diversifying its customer source and its product structure.

BUSINESS REVIEW (CONTINUED)

Asset Management (Continued)

On 27 July 2020, the SFC approved the application made by the asset management team for CMBC Aggregate Fund, and its sub-fund, CMBC Aggregate Greater China Select Bond Fund, as an Authorised Fund. The fund and sub-funds were launched on 2 September 2020 and as at 31 December 2020, the first batch of Class R investors' annualised investment returns exceeded the fund's preset minimum return rate of 6% for performance fee purposes, and the fund manager realized a 20% performance fee for the excess. At the same time, the private fund/specialized account and investment advisory businesses also grew rapidly, with more diversified products and wide market recognition.

During the Reporting Year, the Group was appointed by a large financial enterprise based in Mainland China to set up an actively-managed fixed-income private fund, and assisted a Qualified Domestic Institutional Investor (QDII) account of a brokerage firm backed by a central government-owned enterprise to provide investment advisory services. In accordance with the new measures for Qualified Foreign Institutional Investor (QFII) and Renminbi Qualified Foreign Institutional Investor (RQFII) implemented by the PRC regulators on 1 November 2020, the asset management team applied for the Qualified Foreign Institutional Investor (QFII & RQFII) qualification and obtained the approval from China Securities Regulatory Commission on 11 December 2020, which would provide a channel that facilitates the Group to expand its business of assisting its overseas institutional clients to enter the PRC capital market.

During the Reporting Year, revenue and profit of approximately HK$137.4 million and HK$103.2 million, respectively, were recorded for the asset management segment, as compared to approximately HK$77.6 million and HK$49.2 million, respectively, in the Previous Year. The revenue and profit of this segment increased mainly due to the increase in asset management portfolio and the recognition of performance fee income.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

Corporate Finance and Advisory

During the Reporting Year, the global economy faced great uncertainty due to the adverse impact of the COVID-19 pandemic outbreak, the global economic downturn and political and economic events relating to the Sino-US relationship. Despite the unfavorable market conditions, the Group's corporate finance team overcame various difficulties and submitted three sponsor applications to the Stock Exchange for listing on the Main Board, of which two were successfully listed. The industries covered by these projects include toy manufacturing, chip research and development, manufacturing, logistics and big data-based financial services. In addition to the sponsor projects, the Group also acted as financial advisor to listed companies in three M&A projects. These M&A projects were in relation to the acquisition of a company that develops and operates social streaming apps, and the sale of financial service segment to a listed company by its parent company. With respect to stock underwriting, despite the unsatisfactory market environment, the Group's equity capital market team, with its excellent underwriting ability, completed a total of 17 IPO underwriting projects during the Reporting Year, representing a significant increase compared to five underwriting projects in the Previous Year, and these projects covered the industries that have attracted investors' attention in recent years, such as biotechnology, high technology, and property management. At the same time, the sponsor project reserves include the new economy and other industries that are sought after by the market, and the project issuance scale is expected to grow significantly.

During the Reporting Year, revenue and profit of approximately HK$47.9 million and HK$19.5 million, respectively, were recorded for the corporate finance and advisory segment, as compared to approximately HK$76.6 million and HK$51.2 million, respectively, in the Previous Year. The segment revenue and profit decreased due to the decrease in the scale of listing projects and the decrease in advisory income during the Reporting Year as a consequence of the COVID-19 pandemic outbreak and global economic downturn.

BUSINESS REVIEW (CONTINUED)

Administrative Expenses and Finance Costs

Administrative expenses and finance costs for the year ended 31 December 2020 amounted to an aggregate of approximately HK$487.3 million (2019: HK$532.9 million). The analysis is set out below:

	For the year ended 31 December 2020 HK$'000	For the year ended 31 December 2019 HK$'000
Staff costs	**89,126**	119,644
Depreciation and amortisation	**27,718**	29,704
Other administrative expenses	**51,998**	60,494
Finance costs	**318,478**	323,011
Total	**487,320**	532,853

The reduction in the staff costs was mainly due to the effective deployment of human resources.

The reduction in finance costs was mainly due to the reduction in borrowings (including bank and other borrowings and financial assets sold under repurchase agreements) and the decrease in the borrowing interest rate.

FINANCIAL REVIEW

Capital Structure

As at 31 December 2020, the total number of the issued share capital with the par value of HK$0.01 each was 47,627,927,729 and the total equity attributable to Shareholders was approximately HK$2,600.0 million (2019: HK$2,222.2 million).

During the Reporting Year, no Shares had been purchased or granted to the selected persons of the Group under the share award scheme which was adopted in February 2016 (the "**Share Award Scheme**").

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Liquidity and Financial Resources

The Group primarily financed its operations with internally-generated cash flows, borrowings, its internal resources and Shareholder's equity.

As at 31 December 2020, the Group had current assets of approximately HK$10,955.1 million (2019: HK$11,032.1 million) and liquid assets comprising cash (excluding cash held on behalf of customers), investment in listed equity securities and listed debt investments totaling approximately HK$7,455.1 million (2019: HK$7,409.1 million). The Group's current ratio, calculated based on current assets of approximately HK$10,955.1 million (2019: HK$11,032.1 million) over current liabilities of approximately HK$8,427.8 million (2019: HK$9,301.1 million), was approximately 1.3 (2019: 1.2).

The Group's finance costs for the Reporting Year mainly represented the effective interest on notes payable of approximately HK$2.8 million (Previous Year: HK$7.9 million), interest on bank borrowings of approximately HK$0.4 million (Previous Year: HK$2.0 million), interest on loans from an intermediate holding company of approximately HK$242.6 million (Previous Year: HK$242.7 million), interest on financial assets sold under repurchase agreements of approximately HK$67.1 million (Previous Year: HK$64.3 million), and interest on lease liabilities of approximately HK$5.3 million (Previous Year: HK$6.1 million).

As at 31 December 2020, the Group's indebtedness comprised loans from an intermediate holding company, and financial assets sold under repurchase agreements of approximately HK$7,735.0 million (2019: HK$8,887.1 million). The loans principal from an intermediate holding company of approximately HK$4,344.2 million (2019: HK$5,656.7 million) were denominated in Hong Kong dollars and United States dollars and borne interests at 4% per annum (2019: variable rates of 4% to 4.24% per annum) and were repayable within one year.

The Group's gearing ratio, calculated on the basis of total indebtedness divided by the sum of total indebtedness and equity attributable to the Company's owners, was approximately 74.8% (2019: approximately 80.0%).

With the amount of liquid assets on hand, the management of the Group is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

FINANCIAL REVIEW (CONTINUED)

Use of proceeds from the subscription of new Shares completed on 31 May 2017

On 7 March 2017, the Company entered into a subscription agreement with CMBC International Investment and Brilliant Decent, regarding the subscription for a total of 26,950,000,000 new Shares by CMBC International Investment and Brilliant Decent at a consideration of HK$862.4 million (the "**2017 New Share Subscription**"). The 2017 New Share Subscription was completed on 31 May 2017.

The use of proceeds from the 2017 New Share Subscription as at 31 December 2020 is as follows:

	Original intended use of the proceeds as disclosed	Actual use of the proceeds as of 31 December 2020	Balance of proceeds as of 31 December 2020
1.	Approximately 40% of the proceeds (approximately HK$340 million) was used to support and develop the securities business (including brokerage and margin financing)	Approximately HK$340 million	Nil
2.	Approximately 10% of the proceeds (approximately HK$85 million) was used to develop proprietary trading business	Approximately HK$85 million	Nil
3.	Approximately 10% of the proceeds (approximately HK$85 million) was used to develop and expand the capital-based intermediary business	Approximately HK$85 million	Nil
4.	Approximately 25% of the proceeds (approximately HK$212.5 million) was used to further develop the Group's asset management business	Approximately HK$212.5 million	Nil
5.	Approximately 10% of the proceeds (approximately HK$85 million) was used to finance the required working capital needed for underwriting	Approximately HK$85 million	Nil
6.	Approximately 5% of the proceeds (approximately HK$42.5 million) was used for general working capital	Approximately HK$42.5 million	Nil

As at 31 December 2020, the proceeds have been fully utilized in accordance with the original purposes.

FINANCIAL REVIEW (CONTINUED)

Use of proceeds from the completion of the placing and the allotment and issue of new Shares under a special mandate on 20 July 2018 and 15 October 2018 respectively

On 3 July 2018, the Company entered into a placing agreement with the placing agents regarding the placing of 830,000,000 new Shares at a total consideration of HK$295 million (the "**Placing**"), and a subscription agreement with CMBC International Investment regarding the issuance of 1,350,000,000 new Shares at a total consideration of approximately HK$490 million (the "**2018 Subscription**").

The Placing was completed on 20 July 2018.

The 2018 Subscription was completed on 15 October 2018.

As at 31 December 2020, the proceeds from the Placing and the 2018 Subscription had been utilized as follows:

	Original intended use of the proceeds as disclosed	Actual use of the proceeds as of 31 December 2020	Balance of proceeds as of 31 December 2020
1.	60% of the proceeds from the Placing and the 2018 Subscription (approximately HK$417 million) was used to expand the loan and financing business of the Group	Approximately HK$417 million	Nil
2.	10% of the proceeds from the Placing and the 2018 Subscription (approximately HK$69.5 million) was used to further strengthen the Group's brokerage service capability	Approximately HK$69.5 million	Nil
3.	10% of the proceeds from the Placing and the 2018 Subscription (approximately HK$69.5 million) was used to expand the Group's corporate finance and advisory business	Approximately HK$69.5 million	Nil
4.	10% of the proceeds from the Placing and the 2018 Subscription (approximately HK$69.5 million) was used to develop the asset management business	Approximately HK$69.5 million	Nil
5.	10% of the proceeds from the Placing and the 2018 Subscription (approximately HK$69.5 million) was used as the general working capital of the Group	Approximately HK$69.5 million	Nil

As at 31 December 2020, the proceeds have been fully utilized in accordance with the original purposes.

FINANCIAL REVIEW (CONTINUED)

Pledge of asset

Except as otherwise disclosed, as at 31 December 2020, the Group did not have other pledge or charge on asset (31 December 2019: Nil).

Contingent liability

Except as otherwise disclosed, as at 31 December 2020, the Group did not have other significant contingent liability (31 December 2019: Nil).

Capital commitment

As at 31 December 2020, the Group did not have any significant capital commitment (31 December 2019: Nil).

Significant investments held

During the Reporting Year, the Group did not hold any single significant investment which accounted for over 5% of its total assets.

Material acquisitions and disposals of subsidiaries and associates

For the year ended 31 December 2020, the Group had no material acquisitions or disposals of subsidiaries and associates.

FINAL DIVIDEND

The Board has recommended a final dividend of HK0.33 cents per share to the Shareholders on or before Friday, 30 July 2021, for the year ended 31 December 2020 (31 December 2019: HK0.33 cents per share), subject to the approval by the Shareholders at the forthcoming annual general meeting (the "**AGM**"). A circular containing, among other things, further details and information required by the Listing Rules, together with a notice of AGM, will be dispatched to the Shareholders.

BOOK CLOSURE AND RECORD DATE

For determining the entitlement to the proposed final dividend for the year ended 31 December 2020, the register of members of the Company will be closed from Thursday, 8 July 2021 to Monday, 12 July 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible for entitlement to the proposed final dividend, unregistered holders of shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 7 July 2021.

FOREIGN CURRENCY RISK MANAGEMENT

The Group's revenue is mainly denominated in United States dollars and Hong Kong dollars while its expenditure is mainly denominated in Hong Kong dollars. The Group's foreign exchange exposure is mainly from the translation of assets and liabilities denominated in United States dollars. As Hong Kong dollars are pegged to United States dollars, the Directors believe that the Group's foreign exchange exposure is manageable and the Group will closely monitor this risk exposure from time to time.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 73 (2019: about 90) employees including the Directors. For the Reporting Year, the total staff costs, including the Directors' remuneration, was approximately HK$89.1 million (Previous Year: approximately HK$119.6 million). Remuneration packages for the employees and the Directors are structured by reference to market terms, individual competence, performance and experience. Benefits plans provided by the Group include mandatory provident fund scheme, subsidized training program, share option scheme, share award scheme and discretionary bonuses.

OUTLOOK

Prospects

Although the Group has overcome the impact of the global economic fluctuations brought about by the COVID-19 pandemic and has achieved satisfactory results during the Reporting Year, and is optimistic about the long-term sustainable economic growth in Hong Kong and Mainland China, it should continue to act cautiously and keep an eye on the possible risks in 2021 for the further development of its business. For these reasons, the Group will adopt the following development strategies.

Development Strategy

The Group will continue to implement the strategy of China Minsheng Bank Group intensively, fully utilize the advantages of the "commercial bank + investment bank" alliance, and deeply integrate with the parent bank's systems with respect to customers, products and operations. Further, the Group will use its specialized services such as investment banking, asset management, equity investment and cross-border trading to meet the comprehensive and integrated financial service needs of China Minsheng Bank Group's customers. At the same time, the Group adheres to the core values of standardization, high efficiency, innovation and excellence, clearly positions its core competitiveness and business characteristics, strengthens the relevant infrastructure construction for becoming an all-round investment bank, establishes an overseas business flagship in investment banking for China Minsheng Bank, and strives to become the preferred investment bank of China Minsheng Bank's customers if they decide to "go global" and achieves parity with its international counterparts.

Management Discussion and Analysis

OUTLOOK (CONTINUED)

Development Strategy (Continued)

In particular, the Group will adopt the following measures:

(1) Significantly increase the proportion of its investment banking business revenue in the Group's total revenue. The Group will continue to strengthen its sales team for securities business, enhance the sales capacity and increase investment banking revenue, thereby securing a continuous increase in the proportion of its investment banking revenue in the Group's total revenue;

(2) Consolidate asset management business, stabilise and further increase the proportion of revenue from its asset management business in the Group's total revenue. At present, the asset management business has begun to bear fruit, and the Group plans to expand the asset management business with a focus on high-net-worth clients and high-quality institutional clients, enrich its asset management products and improve the quality of asset management services;

(3) Increase the investment in equity assets; The Group will strengthen its unique equity investment advantages with China Minsheng Bank Group, fully utilise China Minsheng Bank Group's customer resources, and effectively strengthen investments in equity funds with private equity, secondary market stocks or equity assets as underlying assets, focus on cultivating and developing high-quality customers in strategic industries and emerging customers in high-growth areas;

(4) Strengthen the synergetic development of the Group. The Group will pay close attention to potential investment targets or strategic customers of China Minsheng Bank that can create synergies with the Group, and will establish close relationships with such targets or strategic customers to facilitate overall business development;

(5) Develop talents as the first resource and build teams of talents with high-quality. The Group will refine deployment of human resources and improve work efficiency. Further, the Group will implement managers' training programmes to continuously improve their comprehensive quality and management capabilities and focus on the front-line personnel training to continuously improve the adaptability and comprehensive service capabilities of personnel in marketing, operation and customer services; and

Management Discussion and Analysis

OUTLOOK (CONTINUED)

Development Strategy (Continued)

(6) Closely monitor its risk and continuously strengthen its overall risk management capabilities. The Group's risk management strategy will be based on the principle of proactive risk management and will closely follow the risk management practices on the market. The Group will focus on enhancing the professional ability of risk control personnel, improving the risk identification and prevention system, and deepening the construction of the risk control system. The Group will manage the controllable bottom line of substantive risks, strengthen the Group's overall risk management awareness, and jointly improve the quality of the entire-process risk management in the front and back stages.

In addition, the Group adheres to the basic strategy of "optimising one body and emphasising two wings". Optimising "one body" is to further optimise the products and customer structure of the investment and financing business; Emphasising "two wings" is to fully commit to improving the revenue and market position of the investment banking and asset management businesses, with a view to establish the Group as an outstanding comprehensive financial service institution. Further, the Group places great importance on both business development and compliance risk control, advocating the improvement of the "three abilities" of all staff, namely compliance and risk control ability, marketing and communication ability and investment and trading ability, while emphasising the adherence to the principle of "three bottom lines", namely legality and compliance bottom line, risk control bottom line and company interest bottom line, and constantly promoting the education activities of "five awarenesses", namely objective awareness, problem awareness, responsibility awareness, skill awareness and strategy awareness, in order to comprehensively improve the sustainability and market image of the Group.

RISK MANAGEMENT CAPABILITIES

The Group has always believed that operating the Group's business in full compliance with laws and regulations and effective risk prevention and control are the prerequisites and guarantees for its healthy development, and the Group shall continue to strengthen its overall risk management capability. The Board has established the Risk Management and Internal Control Committee to oversee the overall risk management framework of the Group. The Group takes a pragmatic approach to manage different risks based on the professional category and has implemented all-rounded risk management, primarily including credit risks, market risks, risks of legal compliance, operation risks and liquidity risks. The Group has implemented all-rounded risk management policies and procedures, covering different business sectors, and established the risk management framework which is in line with the business development strategy. The Group will strictly perform risk management tasks within the existing governance framework, implement the risk management measures and internal control system, and constantly enhance its risk management capabilities and level.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Jinze ("Mr. Li"), aged 51, was appointed as an executive Director of the Company on 7 June 2017 and is the chairman of the Board. Mr. Li is also the chairman of each of the Executive Committee and the Development Strategy Committee of the Company. In addition, Mr. Li is the current chief executive officer of CMBCI. Mr. Li has obtained a doctorate in international law from Wuhan University, and a postdoctor certificate in international finance from Nankai University. Since then, Mr. Li passed Papers 1 and 2 of the Licensing Examination for Securities and Futures Intermediaries, and is a licensed fund practitioner and has a certificate for qualified lawyer in the PRC. Mr. Li previously worked at Industrial and Commercial Bank of China Limited ("**ICBC**"), serving as the deputy general manager of its legal department, the vice president of its Shanxi branch, and the deputy general manager of the international business department of its head office. In addition, Mr. Li was previously employed as the head of the preparatory group for the incorporation of the Singapore branch of China Minsheng Bank. The major projects that Mr. Li was involved in include the reorganization of ICBC and the introduction of strategic investors in relation to its domestic and foreign listing, the reorganisation of the business of a Hong Kong investment bank, the establishment of a domestic trust involving the securitisation of non-performing assets, and the cases that involved oil proceeds which were subject to the sanction imposed by the Office of Foreign Assets Control of the United States government. Mr. Li has also published nearly 100 legal and financial articles in various publications including the People's Daily, China Legal Science and Studies of International Finance.

Mr. Ding Zhisuo ("Mr. Ding"), aged 55, was appointed as an executive Director and the general manager of the Company on 26 October and 7 November 2017, respectively. Mr. Ding is also a member of each of the Executive Committee, the Risk Management and Internal Control Committee and the Development Strategy Committee of the Company. Mr. Ding graduated from the Graduate School of the Chinese Academy of Social Sciences and holds a doctorate degree in economic and political science. Mr. Ding has extensive experience in investment banking industry. From July 1994 to January 2001, Mr. Ding had served as a senior staff, deputy director and director of the management information department of ICBC. From January 2001 to September 2007 and from December 2011 to July 2017, Mr. Ding had worked for China Huarong Asset Management Co. Ltd., a company whose shares are listed on the Stock Exchange (Stock Code: 2799), where he had served as the deputy general manager and the general manager at the research and development department, assessment consulting department, the Shanghai office, the securities business department, the development and planning department and the operations evaluation department. From September 2007 to December 2011, Mr. Ding had served as the general manager of Huarong Securities Co., Ltd. (華融證券股份有限公司), a subsidiary of China Huarong Asset Management Co. Ltd. and principally engaged in the securities business. Mr. Ding joined China Minsheng Bank in July 2017.

Directors and Senior Management

EXECUTIVE DIRECTORS (CONTINUED)

Mr. Ng Hoi Kam ("Mr. Ng"), aged 47, joined the Company as the deputy general manager in September 2017 and was appointed as an executive Director on 26 October 2017. Mr. Ng is also a member of each of the Executive Committee and the Development Strategy Committee of the Company. Mr. Ng has over 20 years of experience in the investment banking and financial industry focusing on the areas of initial public offerings, mergers and acquisitions, corporate restructuring and other financial advisory services to listed companies and listing applicants in Hong Kong. He led and completed a number of capital markets deals in various sectors including healthcare, technology, utilities and financial, as well as large-scale and complicated merger and acquisition deals including those involving state-owned enterprises of the PRC. Mr. Ng served as the managing director of corporate finance in Haitong International Capital Limited before joining the Group. From July 1997 to December 2000, he worked in Arthur Anderson & Co (now known as PricewaterhouseCoopers). Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants. He received his Master of Economics from the University of Hong Kong and Bachelor of Business Administration from the Chinese University of Hong Kong.

Mr. Ng is a Responsible Officer of each of CMBCIC and CMBC Securities, both of which are direct wholly-owned subsidiaries of the Company. CMBCIC is licensed by the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, and CMBC Securities is licensed by the SFC to carry out type 1 (dealing in securities) and type 4 (advising on securities).

NON-EXECUTIVE DIRECTORS

Mr. Ren Hailong ("Mr. Ren"), aged 56, was appointed as a non-executive Director on 7 June 2017. Mr. Ren is also a member of each of the Nomination Committee, the Remuneration Committee and the Development Strategy Committee of the Company. Mr. Ren is the current general manager of the transaction banking department of China Minsheng Bank. Mr. Ren holds a master's degree from the Graduate School of People's Bank of China. He previously served as the cadre of the State Administration of Foreign Exchange, the deputy director and director of Guangxi Beihai Industrial Development Zone Credit Cooperatives; the president of China Minsheng Bank's Beijing Wanshoulu Subbranch; the director of the management department and the business department of China Minsheng Bank's Beijing office; the vice president, vice president (being in charge of work), deputy party secretary (being in charge of work) and party secretary of China Minsheng Bank's Hangzhou branch; and the general manager of e-banking department and e-finance department of China Minsheng Bank.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. Liao Zhaohui ("Mr. Liao"), aged 53, was appointed as a non-executive Director on 7 June 2017. Mr. Liao is also the chairman of the Risk Management and Internal Control Committee of the Company. Mr. Liao is the current deputy general manager of financial market department of China Minsheng Bank. Mr. Liao holds a doctor's degree from the Graduate School of People's Bank of China. He has nearly 30 years of working experience in banking. Mr. Liao previously worked for the Bank of Communications Beijing Branch and the People's Bank of China Jiangxi Branch. He has held various positions at the international business, risk management and financial market departments of China Minsheng Bank since 1996. He was conferred the title of "Advanced Worker (Producer)" by China Minsheng Bank, and won the third prize granted by China Foundation for Development of Financial Education in 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee, Cheuk Yin Dannis ("Mr. Lee"), aged 50, was appointed as an independent non-executive Director on 7 June 2017. Mr. Lee is also the chairman of the Audit Committee of the Company and a member of Risk Management and Internal Control Committee. Mr. Lee is a first-class honor graduate with a bachelor's degree in Business Administration from Texas A&M University, and a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants (AICPA). He currently holds the positions of managing director of DLK Advisory Limited, independent non-executive director and the chairman of the audit committee of each of Geely Automobile Holdings Limited (Stock Code: 175), Tiangong International Company Limited (Stock Code: 826), Cathay Media and Education Group Inc. (Stock Code: 1981) and C&D Property Management Group Co., Ltd. (Stock Code: 2156). Mr. Lee is also an independent non-executive director of Beijing Gridsum Technology Co., Ltd. (a company listed on NASDAQ (Symbol: GSUM)). Mr. Lee has over 20 years of experience in business operations and expansion, operations in the capital market and accounting, and successfully planned and completed many important initial public offerings and corporate financing projects.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. Wu Bin ("Mr. Wu"), aged 48, was appointed as an independent non-executive Director on 7 June 2017. Mr. Wu is also the chairman of each of the Nomination Committee and the Remuneration Committee of the Company and a member of each of the Audit Committee and the Development Strategy Committee. Mr. Wu is the current president and partner of Zhongping Capital and an equity investment and insurance private equity evaluation expert at Insurance Asset Management Association of China. Mr. Wu holds a doctor's degree in Economics from Fudan University. From September 1998 to February 2014, Mr. Wu served as the deputy general manager of Haitong Securities Co. Ltd. (the shares of which listed on the Shanghai Stock Exchange (Stock Code: 600837.SH) and the Stock Exchange (6837.HK)), the chairman of Haitong UniTrust International Leasing Corporation, the chairman of Haitong Asset Management Corporation and the director of Haitong International Finance Holdings Limited. He also successively served as the vice president of Shanghai Media Group (SMG), the vice chairman of Shanghai Oriental Pearl Group Co., Ltd., the chairman of Shanghai Media Development Corporation, the chairman of Shanghai EPIC Music, and a director of Shanghai Shendi (Group) Co., Ltd. (Shanghai Disney Holdings Limited). Mr. Wu was named as the Shanghai Financial Industry Leader, and was the former vice chairman of compliance committee of Securities Association of China, a member of asset management committee of Securities Association of China and an expert consultant of China Securities Investor Protection Fund.

Mr. Wang Lihua ("Mr. Wang"), aged 58, was appointed as an independent non-executive Director on 7 June 2017. Mr. Wang is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Wang is the current managing partner of Tian Yuan Law Firm. Mr. Wang holds a master's degree in Economic Law from Peking University. He previously served as the president of the 1st Beijing Xicheng Lawyers Association, a standing member of the All China Lawyers Association, a member of the Experts Panel of the Beijing Municipal Government, an expert of the International Chamber of Commerce China, a member of the Review Committee for Mergers and Acquisitions and Restructurings of Listed Companies of China Securities Regulatory Commission (CSRC) for the 3rd session (original) and the 1st, 2nd and 3rd sessions (current), and the independent director of Shandong Xingmin Wheel Co., Ltd., China Minsheng Banking Corp., Ltd., Xinjiang Chalkis Co., Ltd. and Hainan Mining Co., Ltd. (海南礦業股份有限公司). Mr. Wang was previously an assistant to the director of law department of Peking University, the vice president of the 7th Council of Beijing Lawyers Association, and a member of the Public Offering Review Committee of CSRC for the 7th and 8th sessions. He serves as the independent director of Shandong Buchang Pharmaceuticals Co., Ltd. (山東步長製藥股份有限公司)(the shares of which are listed on the Shanghai Stock Exchange (Stock code: 603858.SH)) and Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 300003.SZ)).

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Chen Yi ("Mr. Chen"), aged 39, is the deputy general manager of the Group. Mr. Chen joined the Group in May 2017. Mr. Chen is mainly responsible for investment business, communication with financial institutions and market development of the Group's business. Mr. Chen has 15-year experience in financial industry. Since April 2006, Mr. Chen has worked in China Minsheng Bank and served as deputy head and head of secretary department of general office and head of investor relationship management department. Mr. Chen graduated from the University of Wales Swansea with Master of Science in Mathematics and Computing for Finance.

Mr. Li Jianyang ("Mr. Li Jianyang"), aged 45, is the head of securities department of the Group. Mr. Li Jianyang joined the Group in July 2017. Mr. Li Jianyang is mainly responsible for the Group's securities business. Mr. Li Jianyang has 11-year experience in Hong Kong's capital market. Prior to joining the Group, Mr. Li Jianyang worked in a subsidiary of the investment bank of ICBC group in Hong Kong and the headquarter of ICBC. Mr. Li Jianyang graduated from University of International Business and Economics (UIBE) with Master of Finance.

Report of the Directors

The Directors present their report and the audited consolidated financial statements of the Group for the Reporting Year.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of loan financing services. Details of principal activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

During the Reporting Year and up to the date of this annual report, the Group expanded its businesses and operations by fully utilizing its licenses issued under the SFO (Types 1, 2, 4, 6 and 9 licences) as well as the money lender's license.

RESULTS AND DIVIDENDS

The Group's profit for the Reporting Year and the state of affairs of the Group are set out in the consolidated financial statements on pages 86 to 194 of this annual report.

The Board has recommended a payment of final dividend of HK0.33 cents per share, with a total of approximately HK$157.1 million (31 December 2019: HK0.33 cents per share).

BUSINESS REVIEW

The business review of the Group for the Reporting Year is set out in the section headed "Management Discussion and Analysis" on pages 10 to 25 of this annual report, the discussion of which forms part of the Report of the Directors.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial period/years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on pages 195 to 196 of this annual report. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Year are set out in note 35 to the consolidated financial statements.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 38 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda where the Company is incorporated.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2020, the Board recognized that the repurchase of Shares could increase the net asset value and/or earnings per share, so the Company repurchased a total of 52,530,000 Shares on the Stock Exchange, with a total consideration of approximately HK$7.03 million. As at the date of this annual report, all repurchased Shares have been canceled.

Details of repurchase are as follows:

Month of repurchase	Total shares repurchase	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Total consideration paid (HK$'000)
March	1,760,000	0.138	0.127	233
April	8,560,000	0.145	0.116	1,131
May	5,020,000	0.145	0.113	655
June	3,630,000	0.170	0.164	612
July	5,280,000	0.159	0.141	804
August	200,000	0.123	0.123	25
September	7,220,000	0.165	0.122	1,018
October	5,350,000	0.134	0.126	696
November	5,450,000	0.126	0.119	671
December	10,060,000	0.125	0.112	1,189
Total:	52,530,000	–	–	7,034

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

RESERVES

Details of movements in the reserves of the Company and of the Group during the Reporting Year are set out in note 44 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 91 and 92, respectively.

DISTRIBUTABLE RESERVES

As of 31 December 2020, the Company's distributable reserves to the Shareholders included a contributed surplus of HK$2,066.1 million (2019: HK$2,223.4 million). Pursuant to the provisions of the Companies Act 1981 of Bermuda, contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Year, the total revenue attributable to the Group's five largest customers represented approximately 19.8% of the Group's total revenue (Previous Year: approximately 19.8%) and the revenue attributable to the largest customer included therein amounted to approximately 10.3% (Previous Year: approximately 6.7%).

None of the Directors of the Company or any of their close associates or any Shareholders (who, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers. The Group is engaged in the provision of financial services. In the opinion of the Directors, disclosure of information on the Group's suppliers is of no value.

MAJOR RISKS AND UNCERTAINTIES

The Directors are of the view that the business operations of the Group are highly dependent on various internal or external factors, including the economic and market environment in the PRC and Hong Kong. The principal risks and uncertainties faced by the Group include but not limited to:

(i) credit risk that may arise from default of the Group's business counterparties, including borrowers, trading counterparties and bonds/note issuers;

(ii) market risk that may arise in the value of unlisted and listed securities invested by the Group, including when there is fluctuation of the equity and bond price;

(iii) operation risk that may arise from oversight of internal process management or misconduct of personnel;

(iv) legal and compliance risk that may arise when the Group fails to comply with changes in laws, regulations and rules of regulatory authorities that are applicable to it and its business on a timely manner due to the Group's business development; and

(v) liquidity risk that may arise when the funding requirements are not effectively assessed and predicted and when the Group fails to pay the debts in time as they fall due, fulfil the payment obligations and meet the funding requirements.

ENVIRONMENTAL POLICIES

The Board and the management of the Company are committed to enhancing environment protection by encouraging its employees to reduce consumption of electricity and paper, reduce waste, and use environmentally friendly products whenever possible. Details of the relevant policies are set out in the Environmental, Social and Governance Report on pages 62 to 76 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's legal department and compliance department have established and implemented compliance policies for the Group. The Group has taken various measures, such as improving internal systems, regular training and regular internal inspection, to ensure that each potential business transaction engaged by the relevant business teams is in compliance with the applicable laws, regulations and rules, including but not limited to the SFO, the Listing Rules, Anti-Money Laundering and Counter-Terrorist Financing Ordinance and the relevant laws.

Report of the Directors

RELATIONSHIP WITH EMPLOYEES

The Group recognizes the unique position and value of its employees. In addition to offering a market competitive remuneration package, the Group also provides an advantageous working environment and organizes leisure activities to build up a strong connection with its employees. Details of the employee policies are set out in the Environmental, Social and Governance Report on pages 62 to 76 of this annual report.

RELATIONSHIP WITH CUSTOMERS

The Group is committed to providing excellent services to its customers with a view to maintaining steady business and asset growth as well as long term profitability.

DIRECTORS

The Directors who held office during the Reporting Year and up to the date of this annual report are:

Executive Directors

Mr. Li Jinze *(Chairman)*
Mr. Ding Zhisuo *(General Manager)*
Mr. Ng Hoi Kam

Non-executive Directors

Mr. Ren Hailong
Mr. Liao Zhaohui

Independent Non-executive Directors

Mr. Lee, Cheuk Yin Dannis
Mr. Wu Bin
Mr. Wang Lihua

DIRECTORS' SERVICE CONTRACTS

None of the Directors (including the Directors being proposed for re-election at the forthcoming AGM) has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in note 11 to the consolidated financial statements.

CONNECTED TRANSACTION

During the Reporting Year, the connected transaction of the Group which does not fall under Rule14A.76(1) of the Listing Rules is as follows:

The Fee Letter

On 10 August 2020, CMBC Securities, a direct wholly-owned subsidiary of the Company, has entered into a fee letter ("**Fee Letter**") with an issuer, KWG Group Holdings Limited (stock code: 1813) ("**Issuer**"), pursuant to which, CMBCS agreed to procure the purchasers (which included CMBCI, CMBCC Investment Fund SPC – CMBCC Stable Investment Fund SP1 and CMBCC Investment Fund SPC – CMBCC High Yield Income Fund SP3) to purchase the notes issued by the Issuer in the aggregate principal amount of US$75,000,000 ("**Procured Purchased Amount**") and the Issuer agreed to pay CMBC Securities a commission of US$750,000 which is equal to 1% of the Procured Purchased Amount.

CMBCC Investment Fund SPC – CMBCC Stable Investment Fund SP1 is an associate of China Minsheng Bank and China Minsheng Bank is an indirect controlling Shareholder of the Company. CMBCC Investment Fund SPC – CMBCC Stable Investment Fund SP1 is therefore a connected person of the Company. CMBCI is also an indirect controlling Shareholder of the Company and is therefore a connected person of the Company. CMBCC Investment Fund SPC – CMBCC High Yield Income Fund SP3 is an associate of CMBCI and therefore a connected person of the Company. As such, the transaction under the fee letter constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the applicable ratios are less than 5%, the transaction under the Fee Letter is subject to reporting and announcement requirement, but is exempted from independent Shareholders' approval requirement of the Company under Chapter 14A of the Listing Rules.

For details, please refer to the Company's announcement dated 10 August 2020.

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions that took place during the Reporting Year which do not fall under the Rule 14A.76(1) of the Listing Rules are summarized as follows:

For details, please refer to the Company's announcements in relation to the continuing connected transactions dated 23 July 2019, 31 December 2019 and 27 July 2020, the circulars dated 30 August 2019 and 3 August 2020, and announcements in relation to the poll results of the special general meeting dated 23 September 2019 and 26 August 2020.

(I) Deposit Services

On 31 December 2019, the Company (for itself and on behalf of other members of the Group) and CMBC HK Branch entered into an agreement to renew the deposit services agreement which expired on 31 December 2019 ("**Renewed Deposit Services Agreement**"). Pursuant to the Renewed Deposit Services Agreement, among other things, CMBC HK Branch agreed to provide the Group with the deposit services ("**Deposit Services**") subject to the terms and conditions in the Renewed Deposit Services Agreement for a term commencing from 1 January 2020 and ending on 31 December 2022.

Pursuant to the Renewed Deposit Services Agreement, the annual cap for the daily balance of the Group's deposits with CMBC HK Branch for the three years ending 31 December 2022 are as follows:

	For the year ending 31 December		
	2020 (HK$ million)	2021 (HK$ million)	2022 (HK$ million)
Daily deposit balance	**300**	300	300

CMBC HK Branch is the Hong Kong branch of China Minsheng Bank. China Minsheng Bank is an indirect controlling Shareholder and a connected person of the Company. Therefore, CMBC HK Branch is a connected person of the Company. Accordingly, the Deposit Services under the Renewed Deposit Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(I) Deposit Services (Continued)

Since the applicable percentage ratios (other than the profits ratio) pursuant to Rule 14.07 of the Listing Rules in respect of the annual caps under the Renewed Deposit Services Agreement exceed 0.1% but are less than 5%, the Deposit Services to be provided under the Renewed Deposit Services Agreement are subject to the reporting, announcement and annual review requirements, but are exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. For details, please refer the Company's announcement dated 31 December 2019.

(II) China Minsheng AM Services, China Minsheng Distribution Services, China Minsheng Underwriting Referral Services and China Minsheng Underwriting Services

On 23 July 2019, the Company (for itself and on behalf of other members of the Group) entered into the services agreement ("**China Minsheng Services Agreement**") with China Minsheng Bank (for itself and on behalf of other members of China Minsheng Bank Group) for, among other things, the following continuing connected transactions:

(i) the Group agreed to provide the asset management services, investment advisory services and ancillary services ("**China Minsheng AM Services**") to China Minsheng Bank Group, its associates or any third parties who are deemed to be connected with the Company under the Listing Rules;

(ii) China Minsheng Bank Group agreed to provide the distribution services to the Group ("**China Minsheng Distribution Services**");

(iii) China Minsheng Bank Group agreed to provide the underwriting referral services ("**China Minsheng Underwriting Referral Services**") to the Group;

(iv) the Group agreed to provide the underwriting services ("**China Minsheng Underwriting Services**") to China Minsheng Bank Group, its associates or any third parties who are deemed to be connected with the Company under the Listing Rules.

The China Minsheng Services Agreement shall take effect from the date of approval of the China Minsheng Services Agreement and the services to be provided thereunder (including the annual caps) by the independent Shareholders at the special general meeting held at 23 September 2019 ("**2019 SGM**") to 31 December 2021 (both days inclusive).

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(II) China Minsheng AM Service, China Minsheng Distribution Service, China Minsheng Underwriting Referral Service and China Minsheng Underwriting Service (Continued)

During the process of the Company's internal review on continuing connected transactions, it was noted that the transaction amounts relating to the provision of the China Minsheng AM Services for the years ending 31 December 2020 and 2021 under the China Minsheng Services Agreement were expected to exceed the annual caps approved by the independent Shareholders in 2019 SGM ("**Existing Annual Caps**") due to an unanticipated greater demand for such services. Therefore, on 27 July 2020, the Board proposed to revise the Existing Annual Caps for the China Minsheng AM Services for the years ending 31 December 2020 and 2021 ("**Revised Annual Caps**") to accommodate such needs. The Revised Annual Caps was approved by the independent Shareholders at the special general meeting held on 26 August 2020.

The Revised Annual Caps under the China Minsheng Services Agreement for the three years ending 31 December 2021 are as follows:

	For the year ended 31 December		
	2019 (HK$ million)	**2020 (HK$ million)**	2021 (HK$ million)
China Minsheng Underwriting Referral Services*	12	**12**	12
China Minsheng AM Services	141	**204**	248
– Distribution fees*	5	**54**	62
– Management fees and advisory fees	94	**108**	124
– Performance fees	42	**42**	62
China Minsheng Underwriting Services	11	**11**	11

* Fees to be payable by the Group to China Minsheng Bank Group

China Minsheng Bank is an indirect controlling Shareholder of the Company. Therefore, each member of China Minsheng Bank Group is a connected person of the Company. Accordingly, the transactions above constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(II) China Minsheng AM Service, China Minsheng Distribution Service, China Minsheng Underwriting Referral Service and China Minsheng Underwriting Service (Continued)

Since the applicable percentage ratios (other than the profits ratio) pursuant to Rule 14.07 of the Listing Rules in respect of the Revised Annual Caps under the China Minsheng Services Agreement exceed 5%, the services to be provided under the China Minsheng Services Agreement are subject to the reporting, announcement, circular, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details, please refer to the Company's announcement dated 23 July 2019 and 27 July 2020, the circular dated 30 August 2019 and 3 August 2020 and announcement in relation to the poll results of the special general meeting dated 23 September 2019 and 26 August 2020.

(III) Office Sharing

On 31 December 2019, the Company entered into an agreement to renew the office sharing agreement with CMBCI which expired on 31 December 2019 (the "**Renewed Office Sharing Agreement**"). Pursuant to the Renewed Office Sharing Agreement, the Company agreed to grant CMBCI a non-exclusive right to use the Company's certain office space ("**Office Sharing**"), with the consideration being the sharing fee payable by CMBCI to the Company of HK$740,000 per month (the "**Sharing Fees**").

The Renewed Office Sharing Agreement is for a term commencing from 1 January 2020 and ending on 31 December 2022.

Pursuant to the Renewed Office Sharing Agreement, the annual caps relating to the Renewed Office Sharing Agreement for the three years ending on 31 December 2022 are as follows:

	For the year ending 31 December		
	2020 (HK$ million)	2021 (HK$ million)	2022 (HK$ million)
Sharing Fees	**8.88**	8.88	8.88

CMBCI is an indirect controlling Shareholder of the Company. Therefore, CMBCI is a connected person of the Company. Accordingly, the transactions under the Renewed Office Sharing Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(III) Office Sharing (Continued)

As the relevant percentage ratios (other than the profits ratio) pursuant to Rule 14.07 of the Listing Rules in respect of the annual cap under the Renewed Office Sharing Agreement exceed 0.1% but less than 5%, the transactions under the Renewed Office Sharing Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the circular and the independent Shareholders' approval requirements.

For details, please refer the Company's announcement dated 31 December 2019.

Annual Actual Amount

Set out below are the actual amount received/paid for the year ended 31 December 2020 in relation to the continuing connected transactions contemplated under the Renewed Deposit Services Agreement, China Minsheng Services Agreement and Renewed Office Sharing Agreement:

Continuing Connected Transactions	Payer	Payee	Actual Amount for the year ended 31 December 2020 (HK$ million)
Deposit Services (Daily Deposit Balance)	The Group	CMBC HK Branch	not exceeding the annual cap
China Minsheng Underwriting Referral Services	The Group	China Minsheng Bank Group	–
China Minsheng AM Services			
– Distribution fees	The Group	China Minsheng Bank Group	4.6
– Management fees and advisory fees	China Minsheng Bank Group	The Group	96.4
– Performance fees	China Minsheng Bank Group	The Group	40.4
China Minsheng Underwriting Services	China Minsheng Bank Group	The Group	–
Office Sharing	CMBCI	The Group	8.88

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Annual Review

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better to the Group than terms available to/from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in interests of the Shareholders and the Company as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Directors engaged the auditor of the Company to report on the above mentioned continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("**HKSAE 3000**") and with reference to Practice Note 740 "Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules" ("**PN740**") issued by the Hong Kong Institute of Certified Public Accountants.

The auditors have reported to the Directors in accordance with HKSAE 3000 and with reference to PN740 that the transactions:

(i) have been approved by the Board;

(ii) are in accordance with the pricing policies of the Group;

(iii) have been entered into in accordance with the relevant agreements governing such transactions; and

(iv) have not exceeded the relevant annual caps approved by the independent Shareholders at the special general meeting of the Company.

The auditors have issued an unqualified letter in relation to the continuing connected transactions according to Rule14A.56 of the Listing Rules, which contains its findings and conclusion. The auditors have also reported their findings and conclusion to the Board. The Company has submitted a copy of the auditors' letter to the Stock Exchange.

Regarding the related party transactions as set out in note 41 to the consolidated financial statements, the loans from the intermediate holding company and the corresponding interest are connected transactions which are exempt from the announcement, reporting and independent Shareholders' approval requirements under the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance between the Company or any of its subsidiaries and the Company's controlling Shareholders or any of its subsidiaries, in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, which subsisted during or at the end of the Reporting Year.

DIRECTOR'S INTERESTS IN COMPETING BUSINESSES

None of the Directors is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly with the business of the Group.

REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits include provident fund scheme, medical insurance, share option scheme, share award scheme as well as discretionary bonuses.

The Directors' remuneration is determined by taking into consideration their respective responsibilities and contributions to the Company with reference to market terms.

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 subsisted during the Reporting Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 31 December 2020, none of the Directors nor the chief executive of the Company or their respective associates had any interest or short position in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme", at no time during the Reporting Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the Reporting Year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to the said persons. Save as disclosed herein, the Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the Reporting Year and up to the date of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As of 31 December 2020, according to the list of substantial shareholders extracted from the website of the Stock Exchange and the announcement of the Company, the following companies or persons had an interest or short position in the Shares and the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company	Long position/ Short position
China Minsheng Bank	Interest of controlled corporation	30,226,039,093 (Note 1)	63.44%	Long position
CMBCI	Interest of controlled corporation	30,226,039,093 (Note 1)	63.44%	Long position
CMBC International Investment (HK)	Interest of controlled corporation	30,027,039,093 (Note 1)	63.03%	Long position
CMBC International Investment	Beneficial Owner	30,027,039,093 (Note 1)	63.03%	Long position

Note:

1. CMBC International Investment was beneficially and wholly-owned by CMBC International Investment (HK), which was in turn beneficially and wholly-owned by CMBCI. CMBCI was beneficially and wholly owned by China Minsheng Bank. As such, each of CMBC International Investment (HK), CMBCI and China Minsheng Bank was deemed to be interested in the Shares held by CMBC International Investment.

CONFIRMATION OF INDEPENDENCE

The Company has received the confirmation of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this annual report.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2020 have been reviewed by the Audit Committee of the Company before they were duly approved by the Board under the recommendation of the Audit Committee.

INDEPENDENT AUDITOR

The financial statements for the Reporting Year have been audited by PricewaterhouseCoopers.

On behalf of the Board

Li Jinze
Chairman

25 March 2021, Hong Kong

Corporate Governance Report

The Group has made continued efforts to incorporate the key elements of good corporate governance into its management structure and internal procedures. The Board is committed to maintaining a high level of corporate governance practices in accordance with applicable regulations.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout the Reporting Year except for the following deviation with reasons as explained:

ATTENDANCE OF THE ANNUAL GENERAL MEETING

Code Provision E.1.2

Code Provision E.1.2 stipulates that the chairman of the Board should invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) or in the absence of the chairmen of such committees, another member of the committee (or failing this his duly appointed delegate), to attend and be available to answer questions at the annual general meeting of the Company.

Deviation

The chairmen and members of the audit committee, the nomination committee and the remuneration committee were unable to attend the annual general meeting of the Company held on 30 June 2020 (the "**2020 AGM**") due to their other business engagement. However, the chairman of the Board had chaired the 2020 AGM and answered questions from the Shareholders. The 2020 AGM has provided a channel for communication between the Board and the Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by its Directors. All Directors confirmed that they have fully complied with the required standards as set out in the Model Code throughout the Reporting Year.

Corporate Governance Report

THE BOARD

The Board of Directors is currently composed of eight Directors, comprising three executive Directors, two non-executive Directors, and three independent non-executive Directors, whose names and offices are listed on page 4 of this annual report.

During the Reporting Year, the Directors had devoted sufficient time and attention to the Company's affairs. An update-to-date list of the Directors identifying their roles and functions is maintained on the websites of the Company and the Stock Exchange. Independent non-executive Directors are identified as such in all corporate communications containing the name of the Directors.

For biographical details of all current Directors and senior management of the Group, please see "Directors and Senior Management" in this annual report. To the best knowledge of the Directors, save as disclosed in the biographies of the Directors, there is no financial, business, family, or other material or relevant relationships amongst members of the Board during the Reporting Year.

Functions of the Board and Delegation of Powers

The principal function of the Board is to, among others, consider and approve the Group's overall business plans and strategies, develop and implement the corporate governance function, and supervise the implementation of these policies and strategies and the overall management of the Group. The Board has delegated the day-to-day operation of the Group to the executive Directors and the management team.

Board and General Meetings

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Bye-laws. Full minutes of the Board and the board committee meetings (including materials tabled at such meetings) were recorded by the duly appointed secretary of the meeting in sufficient detail of the matters considered by the Board and the decisions made, which are kept by such duly appointed secretary of the meeting.

Corporate Governance Report

THE BOARD (CONTINUED)

Board and General Meetings (Continued)

Pursuant to the Code Provisions A.1.1, the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Reporting Year, the Board held five meetings. The attendance record of each Director at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee, Risk Management and Internal Control Committee, the Executive Committee and Development Strategy Committee of the Company held during the Reporting Year is as follows, with the figures in the denominators indicating the total number of meetings held in the period in which the individual was a Director:

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Risk Management and Internal Control Committee	Development Strategy Committee	Executive Committee
Executive Directors							
Mr. Li Jinze *(Chairman)*	4/4*	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Ding Zhisuo *(General Manager)*	4/4*	N/A	N/A	N/A	2/2	1/1	1/1
Mr. Ng Hoi Kam	4/4*	N/A	N/A	N/A	N/A	1/1	1/1
Non-executive Directors							
Mr. Ren Hailong	4/4*	N/A	1/1	1/1	N/A	1/1	N/A
Mr. Liao Zhaohui	4/4*	N/A	N/A	N/A	2/2	N/A	N/A
Independent Non-executive Directors							
Mr. Lee, Cheuk Yin Dannis	5/5	3/3	N/A	N/A	2/2	N/A	N/A
Mr. Wu Bin	5/5	3/3	1/1	1/1	N/A	1/1	N/A
Mr. Wang Lihua	5/5	3/3	1/1	1/1	N/A	N/A	N/A

* The executive Directors and the non-executive Directors were required to abstain from attending and voting in the board meetings which were held for the approval of the Group's connected transactions.

THE BOARD (CONTINUED)

Independent Non-executive Directors

The Company has three independent non-executive Directors which complies with Rules 3.10(1) and 3.10A of the Listing Rules. Furthermore, amongst these three independent non-executive Directors, Mr. Lee, Cheuk Yin Dannis has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. In accordance with Rule 3.13 of the Listing Rules, the Company has received from each of its independent non-executive Directors a written confirmation of his independence. The Company, based on such confirmations, considers each of Mr. Lee, Cheuk Yin Dannis, Mr. Wu Bin, and Mr. Wang Lihua continues to be independent.

Chairman and General Manager

The chairman of the Board is responsible for overseeing all Board functions, while the executive Directors and the Company's senior management are under the leadership of the general manager of the Company to oversee the day-to-day operations of the Group and implement the strategies and policies approved by the Board.

The positions of the chairman of the Board and the general manager of the Company are currently held by Mr. Li Jinze and Mr. Ding Zhisuo, respectively.

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors and officers that may arise out of its corporate activities. The insurance coverage is reviewed on an annual basis.

Continuing Professional Development

The Company will provide a comprehensive, formal, and tailored induction and briefing to each newly appointed director on his or her first appointment in order to enable him or her to have appropriate understanding of the business and operations of the Company and that he or she is fully aware of his or her responsibilities and obligations under the Listing Rules, other relevant legal and regulatory requirements and the Company's internal governance policies. Moreover, all directors are provided with periodic up-to-date information on the Company's performance, position, and prospects to enable the Board as a whole and each Director to discharge their duties.

THE BOARD (CONTINUED)

Continuing Professional Development (Continued)

According to the professional development training records maintained by the Company, the training received by each of the existing Directors during the year ended 31 December 2020 is summarised as follows:

	Training related to regulatory development and/or other relevant topics
Executive Directors	
Mr. Li Jinze *(Chairman)*	✔
Mr. Ding Zhisuo *(General Manager)*	✔
Mr. Ng Hoi Kam	✔
Non-executive Directors	
Mr. Ren Hailong	✔
Mr. Liao Zhaohui	✔
Independent Non-executive Directors	
Mr. Lee, Cheuk Yin Dannis	✔
Mr. Wu Bin	✔
Mr. Wang Lihua	✔

BOARD COMMITTEES

The Company currently has six Board committees, namely the Audit Committee, Remuneration Committee, Nomination Committee, Risk Management and Internal Control Committee, Development Strategy Committee and Executive Committee, for overseeing particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

Terms of reference of the Audit Committee are in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements, provide advice in respect of financial reporting, and review the risk management and internal control systems.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lee, Cheuk Yin Dannis (the chairman of the Audit Committee), Mr. Wu Bin, and Mr. Wang Lihua.

The Audit Committee has reviewed, inter alia, the annual results during the Reporting Year of the Group. During the Reporting Year, the Audit Committee held three meetings, with all members present.

Remuneration Committee

Terms of reference of the Remuneration Committee are in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance-based remuneration, and ensure none of the Directors determine their own remuneration.

The Remuneration Committee comprises two independent non-executive Directors, namely, Mr. Wu Bin (the chairman of the Remuneration Committee) and Mr. Wang Lihua, and one non-executive Director, namely, Mr. Ren Hailong.

BOARD COMMITTEES (CONTINUED)

Remuneration Committee (Continued)

The Remuneration Committee has performed the following works during the Reporting Year and up to the date of this annual report:

(i) to review, inter alia, the performance and policy for the remuneration package of the Directors; and

(ii) to review the Company's policy and structure for remuneration of all members of senior management of the Group.

During the Reporting Year, the Remuneration Committee held one meeting, with all members present.

According to Code Provision B.1.5, the remuneration of the members of the senior management (other than Directors) by band for the Reporting Year is set out below:

Remuneration bands (HK$)	Number of individual(s)
Up to 1,000,000	–
1,000,001 to up to 2,000,000	1
Above 2,000,000	1

Remuneration Policy for Directors and Senior Management

The remuneration payable to the employees includes salaries and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors is to enable the Group to retain and motivate the executive Directors by linking their compensation with performance as measured against corporate objectives achieved. Each of the executive Directors is entitled to the remuneration packages including basic salaries and discretionary bonuses.

Nomination Committee

Terms of reference of the Nomination Committee are in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee include reviewing the structure, size, and composition of the Board, assessing the independence of independent non-executive Directors, and making recommendations to the Board on matters relating to the appointment of Directors.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

The Board is empowered under the Bye-laws to appoint any person as a Director to fill a casual vacancy or, as an additional member of the Board. Qualified candidates will be proposed by the Nomination Committee to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship to the Shareholders having regards to the balance of skills and experience appropriate to the Group's business.

The Nomination Committee comprises two independent non-executive Directors, namely, Mr. Wu Bin (the chairman of the Nomination Committee) and Mr. Wang Lihua, and one non-executive Directors, namely Mr. Ren Hailong.

The Nomination Committee has performed, inter alia, the following works during the Reporting Year and up to the date of this annual report:

(i) to review the structure, size, and composition (including the skills, knowledge, and experience) of the Board as well as the policy concerning the diversity of the members of Board; and

(ii) to assess the independence of the independent non-executive Directors.

During the Reporting Year, the Nomination Committee held one meeting, with all members present.

Executive Committee

The Executive Committee was established in July 2017. The Executive Committee consists of all executive Directors and is chaired by the chairman of the Board.

The roles and functions of the Executive Committee includes, amongst others, (1) to make investment decision delegated to the Executive Committee; (2) to monitor day-to-day operation of the Group on behalf of the Board; (3) to handle relevant matters that shall not be necessarily dealt with through regular Board meetings or too late to be dealt with through provisional Board meetings as considered by the chairman of the Board; and (4) to handle any other matters authorised by the Board to the Executive Committee.

During the Reporting Year, the Executive Committee held one meeting with all members present, and considered and approved investment projects under their delegated authority and other day-to-day operations as assigned by the Board.

BOARD COMMITTEES (CONTINUED)

Risk Management and Internal Control Committee

The Risk Management and Internal Control Committee was established in November 2017. The Risk Management and Internal Control Committee consists of Mr. Liao Zhaohui, Mr. Ding Zhisuo, and Mr. Lee, Cheuk Yin Dannis and is chaired by Mr. Liao Zhaohui.

The roles and functions of the Risk Management and Internal Control Committee includes, amongst others, (1) to consider and make the Group's risk management and internal control strategies; (2) to make, review, and approve the Group's risk management and internal control policies and guidance; (3) to assess and decide the risk appetite and tolerance of the Group and the relevant resource allocation; (4) to review and monitor the Group's risk management and internal control system, and evaluate its sufficiency; and (5) to handle any other matters authorised by the Board.

During the Reporting Year, the Risk Management and Internal Control Committee has fulfilled the above duties and confirmed that the Company's risk management and internal control systems and settings were adequate and effective.

During the Reporting Year, the Risk Management and Internal Control Committee held two meetings, with all members present.

Development Strategy Committee

The Development Strategy Committee was established in November 2017. The Development Strategy Committee consists of Mr. Li Jinze, Mr. Ding Zhisuo, Mr. Ng Hoi Kam, Mr. Wu Bin, and Mr. Ren Hailong and is chaired by the chairman of the Board.

The roles and functions of the Development Strategy Committee includes, amongst others, (1) to conduct research on and advise the mid-to-long term development strategy of the Company; (2) to conduct research on and advise the material investment plans; and (3) to handle any other matters authorised by the Board.

During the Reporting Year, the Development Strategy Committee held one meeting, with all members present.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "**Policy**") in September 2013 which sets out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board. Selection of candidates will be based on range of diversity perspectives, which would include but not limited to educational background, ethnicity, professional experience, skills, knowledge, and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will monitor the implementation of the Policy and will from time to time review the Policy, as appropriate, to ensure the effectiveness of the Policy. The attendance record of each member at the Nomination Committee meetings is set out in the sub-section of the Board and General Meetings of the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial year to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the Reporting Year, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair, and reasonable, and prepared the consolidated financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. A statement by the auditors about their reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

External Auditor

The consolidated financial statements of the Company for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers.

For the Reporting Year, the total fee charged by PricewaterhouseCoopers for audit services was HK$3,275,000 and non-audit services was HK$600,000 for the review of the interim financial statements and other services.

ACCOUNTABILITY AND AUDIT (CONTINUED)

Corporate Governance Functions

The Board has performed the following corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board during the Reporting Year and up to the date of this annual report:

(i) to develop, review and determine the policies and practices on corporate governance of the Company and make recommendations to the Board;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review, and monitor the code of conduct and compliance manual applicable to Directors and employees; and

(v) to review the Company's compliance with the CG Code and the disclosure in the corporate governance report of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has established mature corporate governance and has set up comprehensive risk management and internal control procedures to identify, monitor, assess, and manage the major risks that may occur in the process of business operation. The Group conducts an annual review on these risk management and internal control procedures for the Reporting Year. The Group has established a multi-level structure of risk management and internal control system, including: (1) the Risk Management and Internal Control Committee established by the Board, with its main duties being considering, reviewing, and approving the risk management and internal control policies and guidelines; reviewing and monitoring the system of risk management and internal control and assessing the effectiveness of its implementation; (2) decision-making committees that operate at the management level, which is responsible for performing daily management and control duties and deciding and approving matters within its authority; (3) relevant departments which execute risk management works, including each of the business line department, legal, compliance, risk management and internal audit departments, regulating business operations at the front, the middle, and the back; (4) the independent internal audit department of the Company is responsible to independently audit whether each of the business lines and functional departments handled the business, implemented systems and followed operation procedures pursuant to relevant standards.

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

The Group attaches great importance to corporate governance effectiveness, legal compliance management, and comprehensive risk management. To ensure the healthy and sustainable development of the business, the risk management in all business segments is implemented through a clear governance structure, policy procedures, and reporting mechanism.

During the Reporting Year, with multidimensional fine management regarding products, processes, internal inspection and training, the Group supplemented and improved a series of systematic measures to effectively control credit risk and market risk, prevent major operational risks and legal compliance risks and satisfy the overall liquidity management requirements thereby improving the overall risk management level of the Company while providing effective solutions for identification, assessment, and treatment of risks to enhance the risk management and internal control systems.

As for credit risk, the Group attaches great importance to the development and continual management of businesses that have exposures to credit risks. During the Reporting Year, the Group continuously improved the relevant systems and process management rules for various businesses, optimized the credit risk management system, raised the overall awareness and efficiency of credit risk management, improved its capabilities of investment analytic study and management, and kept strengthening the post-investment tracking management of investment and financing projects so as to ensure a constantly optimized portfolio investment structure.

As for market risk, during the Reporting Year, the Group constantly improved the framework and system of the market risk management and the indicator management under the market risk framework. The Group kept optimizing the market risk management and control process mechanism from pre-investment analysis, transaction management during investment, to post-investment tracking and monitoring and further refined the tools for analyzing market risk management indicators. In addition, the Group established a normalized mechanism for tracking analysis of the global financial market dynamics, and collected, made prompts, and responded in a timely manner to various factors affecting the stability of the financial market.

As for legal compliance risk, the Group developed, constantly improved and implemented the legal compliance policies, always monitored the development of applicable laws, regulations, and rules. By highlighting our legal compliance management philosophy and safeguard mechanisms, and updating and compiling a series of system rules on conflicts of interest, prevention of money laundering, connected transactions, and information disclosure, we have ensured the legal compliance of the Group's operations and business, and standardized the Company's connected transactions and information disclosure requirements. Also, with persistent compliance monitoring and ethics training for employees and internal inspection, we have strengthened the Company's legal compliance awareness and operational practices. The Group has also engaged external legal counsel to advise on the laws, regulations, and rules applicable to the Group and its business.

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

As for operational risk, during the Reporting Year, the Group improved various management rules regarding process management and internal management mechanisms of each business segment, emphasized on the risk management awareness and effective execution of each department from the front desk to the back office in the entire business process, and supervised and guided all the employees to implement the management rules diligently. The Group sorted through the key elements in its core business regarding risk prevention and control, and delineated the basic operation sequence for each business and the main risk control elements for each of these sequences while emphasizing the standardized and transparent management of the process. The information security policies and information system security were enhanced. Through improvement of information security policies and standard operating procedures, upgrading new software and hardware, improvement of network structure, and implementation of defensive, detection, and monitoring measures, the Group is able to safeguard its trading systems and data.

As for liquidity risk, the Group monitored liquidity risk and assessed funding needs through internal measures, and broadened the financing channels to ensure that the Group's subsidiaries which are subject to SFO are always in compliance with relevant rules and regulations. The Group measured and monitored various liquidity indicators, and managed liquidity effectively in aspects including centralized management, financing structure, stress testing, early warning mechanism, and contingency planning.

PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of SFO and the Listing Rules. The Group has established a Guidelines on the Management of Disclosure of Inside Information to ascertain the Company's responsibilities and work processes in relation to the disclosure of inside information, prevent the risk of inside information not being disclosed in a timely manner and safeguard the interests of all Shareholders. The Group has established the inside information team, which includes at least an executive Director. The inside information team is responsible for the following matters: ensuring that appropriate systems and controls are in place to collect, review, and verify potential inside information, reviewing potential inside information and determining whether disclosure is required, advising the Board on the same, examining the contents of the information to be disclosed; deciding whether to take other actions to clarify any uncertainties, proposing to appoint consultant on such matter and from time to time reviewing the Group's compliance with the Guidelines on the Management of Disclosure of Inside Information.

The Group discloses inside information to the public according to the guidelines as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential according to the guidelines.

COMMUNICATIONS WITH SHAREHOLDERS

The Company values communication with the Shareholders. The Company adopts a two-way communication channels to provide Shareholders with information about the performance of the Company. Enquiries and suggestions from Shareholders are welcomed, and enquiries may be sent to the Company Secretary either by mail or telephone, who would relay the enquiries to the Board:

(i) By mail to the Company's principal place of business at 45/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong; or

(ii) By telephone at 3728 8000.

The Company uses a number of formal communication channels to provide the Shareholders with information about the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting which provides a platform for the Shareholders to raise comments and exchange views with the Board; (iii) updated important information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website which serves as a communication channel between the Company and its Shareholders; and (v) the Company's branch share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed, timely manner information of the Group on a regular basis through the publication of interim and annual reports and/or despatching circulars, notices, and other announcements.

The Company strives to take into consideration its Shareholders' comments and suggestions, and address Shareholders' concerns. Shareholders are encouraged to attend the Company's annual general meeting for which at least 20 clear business days' notice shall be given.

PROCEDURES FOR SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

According to the Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the "**Companies Act**").

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

Pursuant to the Companies Act, any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates or not less than one hundred shareholders, can request the Company in writing to: (a) give to Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting send to them any 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 that meeting. The requisition must be deposited to the Company not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

CONSTITUTIONAL DOCUMENTS

There were no changes to the memorandum of association and the Bye-laws during the Reporting Year. The latest version of the Bye- laws is posted on the Company's website and the Stock Exchange's website.

COMPANY SECRETARY

Mr. Ho Yau Cheung ("**Mr. Ho**") was appointed as the Company Secretary since December 2018. Mr. Ho reports to Mr. Ding Zhisuo directly and is responsible for providing advice and services to the Board to ensure that the Board procedures, applicable laws, rules and regulations are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraising the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of the Directors.

According to the Rule 3.29 of the Listing Rules, Mr. Ho has taken no less than 15 hours of relevant professional training for the Reporting Year.

PROCEEDINGS IN THE HONG KONG MARKET MISCONDUCT TRIBUNAL

Reference is made to the announcements dated 18 December 2018 and 16 October 2020, and the annual report for the year ended 31 December 2019.

As at the date of this annual report, the Company has executed the judgment by the Tribunal, including paying the Government one-seventh of the costs and expenses reasonably incurred by the Government in relation or incidental to the proceedings up to 10 March 2020 (approximately HK$25,000), and paying the SFC a total sum of approximately HK$200,000 on account of the costs and expenses reasonably incurred by the SFC in relation or incidental to the investigation and the proceedings.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This Environmental, Social and Governance Report (the "**ESG Report**") aims to provide stakeholders with an overview of the Group's efforts regarding the environmental, social and governance ("**ESG**") aspects of our business.

Scope of the Report

This ESG Report provides a balanced presentation of the Group's environmental and social policies and performance. Unless otherwise stated, the ESG Report covers the Reporting Year. For corporate governance, please refer to the section headed "Corporate Governance Report" on pages 47 to 61 of this annual report.

Reporting Guide

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") under Appendix 27 to the Listing Rules and has complied with the "Comply or Explain" Provisions of the Guide.

Communication with Stakeholders

The Group is aware of the important role of stakeholders in sustainable development, thus the Group has set up different communication channels for shareholders, customers, employees, suppliers and other stakeholders. The Group also strives to provide stakeholders with updated information in relation to its business operation through these channels, which includes but is not limited to announcements, circulars, financial reports, general meetings, company websites and electronic communication.

OPERATION PRACTICES

Strict Compliance with Laws and Regulations

The Group recognizes the importance of business ethics and strictly abides by laws, regulations and regulatory requirements (such as Securities and Futures Ordinance and its subsidiary legislations, Prevention of Bribery Ordinance and Codes and Guidelines issued by the Securities and Futures Commission) in its daily operations. The Group requires the management to ensure that the business is conducted in accordance with applicable laws and regulations. The legal department together with the compliance department are required to review and monitor the business operations of the Group to ensure compliance with relevant laws and regulations which have significant impacts on the Group, and arrange internal trainings for the relevant personnel from time to time in order to ensure every department across all operations is kept abreast of the development of all applicable laws, regulations and rules.

The Group holds all material licenses required for the provision of services expected or required by most of its clients, such as dealing in securities and futures contracts; advising on securities; and advising on corporate finance and asset management, etc.

Moreover, the Group manages the protection of its intellectual property rights by constantly monitoring domain names and renewing upon their expiration in a timely manner.

Anti-corruption/Anti-money Laundering

To strengthen the Group's compliance culture and combat money laundering and financial crimes effectively, the Group has established policies and procedures for anti-corruption and anti-money laundering. Our approach includes customer screening and monitoring requirements, "know your customer" policy, record keeping requirements, and procedures for reporting suspicious circumstances in accordance with the relevant laws, regulations and guidelines issued by the regulatory authorities (such as the Guideline on Prevention of Money Laundering). The Group requires that every new customer, upon account opening, shall be subject to a name search in an anti-money laundering database provided by an independent third party vendor, in order to ascertain whether the new customer is included in the current terrorist or sanction list, and to check whether the customer is a Politically Exposed Person ("**PEP**"). New account applications lodged by terrorists or sanctioned entities would be rejected. The Group conducts regular reviews on the transactions carried out by high-risk customers to identify suspicious transactions. Any suspicious transaction, if noted, will be reported to the Joint Financial Intelligence Unit in due course.

The Group has set up a whistle-blowing policy to allow whistle-blowers to report any irregularities, such as unlawful conduct, incidents of corruption and circumvention of internal controls, under protection. The whistle-blowing and disciplinary policies stipulate that any employee which has committed serious irregularities or misconduct will be subject to disciplinary actions, including immediate dismissal. During the Reporting Year, none of the members of the Group nor its employees were engaged in any litigation regarding corruption, extortion, fraud or money laundering, nor was there any report of criminal offences or misconduct.

Case: Anti-money laundering training conducted by the Company

Keeping our employees abreast of the Group's latest anti-corruption measures is essential to maintaining business integrity. To assure compliance and effectiveness of the anti-money laundering monitoring system, the Group arranged an anti-money laundering training for its senior management, department heads and employees on 25 February 2020. Through the training, participants improved their knowledge of compliance requirements and were familiarized with the latest anti-money laundering measures.

To ensure our new colleagues are aware of the Group's anti-money laundering system and related compliance requirements, the Group conducts regular on-boarding trainings which covers topics including the Group's policy on anti-money laundering.

Supplier Management

The Group is committed to maintaining mutually beneficial long term cooperation with its suppliers who comply with our quality, environmental, health and safety standards. Major suppliers of the Group include law firms, accounting firms, several professional consulting companies and a number of financial advisory solution suppliers.

The Group sets out various evaluation standards, such as pricing, stability of the trading platform, response speed, experience and reputation, to enable the Group to effectively carry out selection and assessment of suppliers. In addition, to encourage suppliers to fulfil their social responsibility, the Group will take into account the measures taken by the counterparty with respect to environmental protection during the selection process. When practicable, the Group will give priority to the ones who have adopted environmental protection measures.

The Group has put in place the "Administrative Measures for Bulk Purchase", which requires that contracts valued at HK$50,000 or above be submitted to the procurement committee for review and prior approval. This helps to ensure the Group will only engage with approved supplies and would encourage supplier competition for contracts with a lower value.

Customer Oriented

Professional Services

As a customer-centric financial services provider, the Group utilizes its profound experience, expertise, internal resources and platforms to create value for its customers and consistently achieve service excellence, thereby earning the trust of domestic and international customers.

The Group comprises teams of professionals with diversified backgrounds including major investment banks, regulatory institutions, lawyers and accountants. With its expertise, experience and extensive network, the Group provides flexible, diversified and comprehensive investment banking services for customers. As at 31 December 2020, approximately 60 employees of the Group were licensed with the SFC in various regulated activities: dealing in securities (Type 1), dealing in futures contracts (Type 2), advising on securities (Type 4), advising on corporate finance (Type 6) and asset management (Type 9).

With the aim to establish a leading international financial investment service platform, the Group has carried out extensive upgrades in various aspects, including but not limited to business development, management and operation, risk control, market monitoring, product services, and trading platform.

Smooth Communication

Understanding the demands of clients can help improve the Group's business and services, thus the Group listens carefully to its clients' feedback and tries to improve its services. The Group's internal procedures are in place to ensure that the clients' feedback, advice and recommendations are received and handled in a timely manner.

The Group has established designated channels, including hotline, fax and e-mail for clients' complaints. All complaints received will be forwarded to supervisors for handling. The supervisors will investigate in a timely manner and report the investigation results to the senior management. The senior management will then review the complaints and decide whether any internal control and procedures shall be strengthened, or whether any other appropriate actions shall be taken.

Information Security

The Group regards the protection of clients' privacy with the utmost importance. Pursuant to the relevant laws and regulations including the Personal Data (Privacy) Ordinance, the Group has adopted a series of technical and management measures to safeguard clients' privacy.

The Group prohibits staff from carrying out unauthorised operations or leaking clients' information. In addition, the Group reminds its clients to manage their account passwords with caution, avoid logging into their accounts on public computers and networks, change their passwords regularly and contact the Group's staff for consultation when necessary. During the Reporting Year, there was no non-compliance with the relevant laws and regulations as to clients' privacy and information security in the Group.

Employee Care

Employment and Labour Practices

Our employees are our driving force contributing to the continuous growth and development of our business. To recruit a diverse set of talent, the Group actively expands its recruitment channels and formulates procedures to ensure that the recruitment process is conducted in an orderly fashion.

During the Reporting Year, the Group complied with relevant rules and regulations, such as the Employment Ordinance. We endeavor to establish a fair, active and highly efficient work environment and provide all employees with equal opportunities with respect to recruitment, remuneration and benefits, training, promotion and various subsidies.

The basic remuneration of employees includes salary, bonuses and subsidies (such as meal allowance). Other benefits include medical insurance, provident funds and other competitive fringe benefits. Salary is determined with reference to the market rate, and the bonus is determined with reference to factors including position, individual performance and department performance. The Group conducts performance appraisals for its employees and reviews their salary on an annual basis. In addition, employees are entitled to all public holidays announced by the Government of the Hong Kong Special Administrative Region. They are also entitled to paid annual leave, sick leave, maternity leave, etc. To maintain a balance between work and personal life, the Group adopts a five-day work week policy.

Our employees comprise of different age groups and have a diverse cultural background that brings individual traits as well as diversity to facilitate business development. The Group adheres to the principle of equality and does not tolerate any discrimination based on gender, pregnancy, race, marital status, family status or disability, and strives to provide employees with a working environment free of discrimination and harassment. If any employee is discriminated against or suffers from harassment, he/she can file a protected complaint through a designated channel.

The Group prohibits the employment of child labour and forced labour and strictly abides by the relevant labour laws and regulations, including the Employment of Children Regulations. The Group takes measures (such as review of applicant's background information during the recruitment process) to prevent the employment of child labour and forced labour.

Health and safety

The Group is committed to maintaining a safe working environment for the health and well-being of our employees. The Group has formulated policies regarding employees' work environment and protection, which stipulate the reporting procedure for industrial accidents and various measures to ensure the safety of employees, such as providing safety medical kits in case of injuries and posting the Work Safety and Health Guidelines to inform employees of the importance of workplace safety.

The Group has arranged for staff to learn relevant safety information and emergency measures which can help increase their alertness and ability to prevent possible accidents, creating a healthy and safe work environment.

In response to the COVID-19 pandemic, the Group has implemented additional precautionary measures including, but not limited to, work from home arrangements for employees, requiring health checks when necessary to prevent the spread of any virus, body temperature screening for all employees and visitors before entering the office premises and suspending the use of the office canteen to avoid social gathering. In addition, the Group has also provided surgical masks and sanitizers to staff for their daily use and has engaged cleaning companies to provide disinfection services at our office on a regular basis. The management of the Group has been closely monitoring the situation and will adopt any further measures as necessary.

During the Reporting Year, the Group has complied with the Occupational Safety and Health Ordinance and there were no work-related casualties or loss of working days arising therefrom.

Development and Training

The Group believes that professional skills and knowledge are crucial for employee development as well as the Group's long-term success. In addition, the Group expects its employees to maintain the highest professional conduct and ethical standard in the course of business operation.

During the Reporting Year, the Group organised a variety of seminars and training programs in relation to the latest developments in the market for its employees which include, but are not limited to, requirements and policies in relation to anti-money laundering, market misconduct under the SFO, insider information under the SFO, SFC cases updates, Stock Exchange enforcement cases, due diligence requirements for financing businesses, procedures on accounts opening, internal audit, secondary listing in Hong Kong funds regulatory, and the Listing Rules (such as connected transactions). The trainings were conducted by our staff, other financial institutions and professional firms (such as accounting firms and law firms). During the Reporting Year, the Group has organized over 60 training sessions for its employees.

To ensure that all employees are aware of the requirements under the relevant laws and regulations, where the training is related to laws or compliance, the attendees will be required to complete a test after the training.

Leading Employees to Colourful Life

The Group believes that maintaining a healthy work-life balance is essential for employee well-being. It was the Group's usual practice to organize social activities for its employees with an aim to strengthen the relationships between employees and to help them relieve stress. However, in light of the COVID-19 pandemic, the Group suspended these activities during the Reporting Year.

Facilitating Employee Development

The Group believes that career development is important to its employees. Therefore, the Group provides its employees with a nurturing environment. By providing trainings, the Group hopes that it would enable its employees to acquire the necessary skills and knowledge thereby enabling them to progress with their career development. In addition, the Group conducts ongoing performance assessments and/or formal annual reviews. Where an employee achieves an appropriate level of competency/excellence, he/she will be considered for promotion. The Group strives to ensure that hard work does not go unnoticed and actively recognises its employees' performance by prudently planning their career path.

Community Investment

The Group is passionate about participating in community engagement and is committed to contributing to the creation of a harmonious community. The Group places great importance on community investment and is committed to the mission of "From the Community, To the Community", with a focus on sharing the fruits of corporate development with society and contributing to social harmony.

The Group's management team plays an important role in mobilising staff to join community programmes. The Group encourages staff to participate in a wide range of charity events as a way to boost their compassion for the communities we operate, and inspire more people to take part in community services. In addition, we actively encourage our staff members to take part in social welfare activities.

Environmental, Social and Governance Report

Environmental Responsibility

Green Office[1][2]

During the Reporting Year, the Group complied with the laws and regulations in relation to the environment, such as the Air Pollution Control Ordinance, the Motor Vehicle Idling (Fixed Penalty) Ordinance, and the Building Energy Efficiency Ordinance. The Group has made continuous efforts on leading its staff to pursue a low carbon lifestyle. We actively respond to the call for environmental protection, and promote the idea of a low carbon environment and resource conservation, through the perspective of advancing the development of public welfare. As the Group's operations are office-based, its environmental impacts from daily operations only involve vehicle emissions, office electricity and paper consumption. Although the Group's business operations do not significantly consume energy or produce air emissions, the Group strives to minimize its environmental impacts by implementing energy-saving and other environmentally friendly measures.

Greenhouse gas emissions of the head office in Hong Kong

Vehicle emissions (Scope 1 emissions)	approx. 4.68 metric tonne
Electricity consumption emissions (Scope 2 emissions)	approx. 85.55 metric tonne
Total volume of greenhouse gas emissions	approx. 90.23 metric tonne
Total intensity of greenhouse gas emissions	approx. 0.006metric tonne/ ft^2 office area

Air pollutants from vehicle emissions

CO emissions	approx. 9.54 kg
NO_X emissions	approx. 0.55 kg
SO_X emissions	approx. 0.03 kg
$PM_{2.5}$ emissions	approx. 0.04 kg

1 The Group primarily sourced water from the water supply system of building and has encountered no difficulty in water sourcing. There was no individual water meter due to its minimal water consumption. Thus, data of water consumption is not available.

2 Packaging material is not applicable to the business of the Group.

Environmental, Social and Governance Report

The Group believes that green buildings play a vital role in the implementation of a sustainable development strategy. The core value of green buildings is to minimize the consumption of energy and resources and reduce negative impacts to the environment while maximizing the application of new technologies and new materials conducive to better living quality. During the Reporting Year, the Group's principal place of business was located at One Exchange Square in Hong Kong, which has been awarded a platinum BEAM[3] rating by BEAM Society Limited. The platinum grade rating, which is the highest ranking, was based on an assessment of various factors, including the management, building design, materials, waste, energy use and water use. The Group has actively cooperated with the property management company with respect to the efficient use of resources and waste management. In addition, the Group has initiated a number of internal environmental measures, some of which are listed below:

- Adjust air conditioning temperature to 25°C
- Switch off unused appliances, lightings and office equipment
- Place a notice of water preservation in the pantry
- Use energy-saving appliances with Grade 1 Energy Efficiency Label
- Utilise natural sunlight in office
- Encourage the use of electronic mail and digital file management system
- Reuse and recycle paper and encourage double-sided printing
- Upgrade to LED lighting systems with automatic timers to reduce energy consumption
- Equip energy saving switches with lighting timers

[3] Building Environmental Assessment Method ("**BEAM**") assessment and certification provides building users with a single performance label that demonstrates the overall quality of a building.

Amount of resource consumption in the head office in Hong Kong in 2020:

Office electricity consumption	approx. 121,372Kwh
Office electricity consumption intensity	approx. 8.40Kwh/ft^2

Waste Management [4]

Due to the characteristics of its business, the Group does not produce any hazardous waste, while the non-hazardous waste generated during operations mainly consists of paper and general domestic waste. The Group actively participates in various recycling campaigns and also encourages its staff to reduce the use of plastics and disposable products.

The Group plays an active role in promoting paper-free operation to reduce the use of paper in the office. Paper usage data from printers in the office are collected and assessed on a regular basis in order to monitor the effectiveness of the paper-free environment. All staff are also encouraged to reuse paper whenever possible.

Through customer engagement, the Group continues to promote environmental awareness along the value chain. Given that the formalities for opening a securities account involve a considerable amount of paperwork, the Group improved the account opening form to minimise paper usage. The advancement of information technology has led to the increasing popularity of e-commerce and paperless office. An online electronic system provides customers with a convenient, reliable and robust trading platform and enables the Group to achieve paperless operations. As part of the paperless operation initiative, the Group offers free electronic billing to our customers to encourage customers to adopt electronic billing.

Volume of resources recycled in the head office in Hong Kong in 2020:

Paper consumption	approx. 1,930 kg
Paper consumption intensity	approx. 0.13kg/ft^2
Paper recycled	approx. 1,643 kg
Paper recycled intensity	approx. 0.11 kg/ft^2

4 As the domestic waste of the Group is subject to centralised processing by property management of building, such statistics are not available.

Environmental, Social and Governance Report

ESG Reporting Guide Content Index

The Group has complied with the "Comply or Explain" provisions of the Guide. The table below provides a summary of the ESG Report's compliance.

Aspect	HKEx KPI	Description	Disclosures	Pages/ Remarks
Environmental				
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	✓	70
	A1.1	The types of emissions and respective emissions data	✓	70
	A1.2	Greenhouse gas emissions in total and intensity	✓	70
	A1.3	Total hazardous waste produced and intensity	N/A, the business of the Group does not involve hazardous waste discharge.	
	A1.4	Total non-hazardous waste produced and intensity	✓	72
	A1.5	Description of measures to mitigate emissions and results achieved	✓	70-71
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	✓	The Group has not produced any hazardous waste during the reporting period.

Environmental, Social and Governance Report

Aspect	HKEx KPI	Description	Disclosures	Pages/ Remarks
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	✓	70
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	✓	72
	A2.2	Water consumption in total and intensity	No data was collected due to low water consumption and no individual water meter.	
	A2.3	Description of energy use efficiency initiatives and results achieved	✓	70-71
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	✓	71
	A2.5	Total packaging material used for finished products	Packaging material is not applicable to the Group's business.	
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	✓	70-72
	A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	✓	70-72
Social				
Employment and Labour Practices				
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	✓	67

Aspect	HKEx KPI	Description	Disclosures	Pages/ Remarks
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	✓	68
	B2.1	Number and rate of work-related fatalities	✓	68
	B2.2	Lost days due to work injury	✓	68
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	✓	68
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	✓	68-69
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	✓	67
Operating Practices				
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	✓	64-65

Environmental, Social and Governance Report

Aspect	HKEx KPI	Description	Disclosures	Pages/ Remarks
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	✓	63
	B6.3	Description of practices relating to observing and protecting intellectual property rights	✓	63
	B6.4	Description of quality assurance process	✓	65
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	✓	66
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	✓	63-64
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	✓	63-64
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	✓	63-64
Community				
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	✓	69

Independent Auditor's Report

TO THE SHAREHOLDERS OF CMBC CAPITAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of CMBC Capital Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 86 to 194, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

INDEPENDENCE

We are independent of the 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

- Allowance for Expected Credit Loss of Financing Assets and Debt Investment Securities
- Valuation of Level 3 Financial Assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Allowance for Expected Credit Loss of Financing Assets and Debt Investment Securities	
Refer to notes 20, 21, 22 and 25 to the consolidated financial statements. The balances of allowance for Expected Credit Loss ("**ECL**") represent the management's estimates of ECL under Hong Kong Financial Reporting Standard 9 at the end of the reporting date. As at 31 December 2020, the Group's financial assets arising from financing businesses which included loans and advances and accounts receivable from margin clients ("**Financing Assets**"), totalled HK$1,972 million with an allowance for ECL of HK$9.6 million.	We performed the following audit procedures over the ECL allowance: • We obtained an understanding of the management's internal control and assessment process of allowance for ECL and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of subjectivity of significant management judgements and assumptions applied in developing the ECL estimate; • We evaluated and tested the following key controls over: • the approval and application of ECL models, including ongoing model monitoring and ECL calculation and review;

Key Audit Matter	How our audit addressed the Key Audit Matter
Also, the Group held debt investments measured at fair value through other comprehensive income and at amortised cost ("**Debt Investment Securities**") totalling HK$5,251 million with an allowance for ECL of HK$94.9 million. The Group calculates the allowance for ECL of stage 1 and 2 Financing Assets and Debt Investment Securities using ECL models that involve various risk parameters. The allowance for ECL of stage 3 Financing Assets and Debt Investment Securities is calculated by using the discounted cash flow method. The determination of allowance for ECL using the ECL models is subject to management judgements and assumptions, primarily including: (1) Selection of the appropriate methodologies and assumptions; (2) Determination of the criteria for significant increase in credit risk ("**SICR**"), and definition of credit-impaired; (3) Exercising judgements in estimating future cash flows; and (4) Adjustments for forward-looking information.	• the accuracy and completeness of key data inputs adopted by the ECL models; and • the ongoing monitoring processes, which included: (i) the margin call procedures for margin shortfall and risk mitigating actions taken by management for accounts receivable from margin clients; and (ii) the periodic reviews for identification of any delinquency in principal or interest repayment for Financing Assets and Debt Investment Securities. • With the assistance of our internal credit modelling specialists, we examined the ECL modelling methodologies, key inputs and assumptions and assessed their reasonableness of the significant management judgements and assumptions applied; • We assessed the reasonableness of the management judgement in determining the criteria for SICR, and definition of credit-impaired. We further tested, on a sample basis, the application of such criteria to Financing Assets and Debt Investment Securities with a focus of our testing on the higher risk borrowers or debt issuers impacted by COVID-19;

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
The macro-economic environment was volatile in 2020 with the onset of the COVID-19 pandemic developments, adding challenges to the inherently complex ECL determination, primarily due to the greater estimation uncertainty surrounding the forward-looking economic information and assessment of credit risk in the Group's Financing Assets and Debt Investment Securities portfolios under the lingering impact of the pandemic. Allowance for ECL of Financing Assets and Debt Investment Securities was considered to be a key area of audit focus due to the size of the balance and the high degree of estimation uncertainty. The inherent risk in relation to the allowance for ECL is considered significant due to subjectivity of significant management judgements and assumptions involved in developing the ECL estimate.	• For forward-looking economic scenarios, we assessed the basis of determining the economic variables, number of scenarios and relative weightings, and the reasonableness of the significant management judgements and assumptions applied, taking into consideration of the management's view on the latest developments of COVID-19; • We tested the accuracy and completeness of key data sources applied in the ECL computation on a sample basis by checking to the Group's supporting information and external data sources, as applicable; and • For the credit-impaired assets classified at Stage 3, we tested the computations of the expected future cash flows and the fair value of collateral (if any) for the impaired amounts. We also examined the underlying documentation supporting the management's key estimations used in the individual ECL assessment. We corroborated and challenged management's assessment and expectation of reasonably possible outcomes on the recoverability of these impaired assets, and where applicable, the estimated fair value and expected future cash flows from the pledged collateral against externally available information.

Key Audit Matter	How our audit addressed the Key Audit Matter
	Based on the above, we considered that management's judgements and assumptions applied in the estimation of allowance for ECL were supportable by the evidence obtained and procedures performed.
Valuation of Level 3 Financial Assets	
Refer to notes 26 and 37(e) to the consolidated financial statements. As at 31 December 2020, the Group held unlisted financial assets amounting to HK$931 million which are measured at fair value through profit or loss and classified as Level 3 financial assets under the fair value hierarchy ("**Level 3 Financial Assets**"), representing approximately 8.3% of the Group's total assets. Management selected and adopted specific valuation models that required a considerable number of inputs and judgements. Where observable data is not readily available, estimates of inputs need to be developed by management which will involve significant judgements.	We performed the following audit procedures over valuation of Level 3 Financial Assets: • We obtained an understanding of the management's internal control and assessment process of valuation of Level 3 Financial Assets and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of subjectivity of the significant management judgements and assumptions applied; • We evaluated and tested the key controls in relation to the management's review on the valuation of Level 3 Financial Assets; • We assessed the competency, capabilities and objectivity of the external valuation specialists engaged by the management;

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Level 3 Financial Assets was considered to be a key area of audit focus due to the size of the balance and the high degree of estimation uncertainty. The inherent risk in relation to the valuation of level 3 Financial Assets is considered significant due to subjectivity of significant management judgements and assumptions involved in developing the estimate.	• We inspected the relevant terms and conditions of the underlying investment agreements to evaluate the impact on valuation; and • With the assistance of our internal valuation specialists we performed independent assessments of the Group's valuation of Level 3 Financial Assets. Our independent valuation assessments included evaluating the appropriateness of valuation models, assessing the reasonableness of the significant management judgements and assumptions and the key inputs used in the valuation models with reference to industry practice and relevant available market data. Based on the above, we considered that management's judgements and assumptions applied in the valuation of Level 3 Financial Asset were supportable by the evidence obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors 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. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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 Tam Man Kit James.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	4	**1,019,185**	978,683
Net gains on financial assets/liabilities at fair value through profit or loss ("**FVTPL**")		**150,975**	123,760
Net losses on financial assets at fair value through other comprehensive income ("**FVOCI**")		**(84,204)**	(32,632)
Net losses on financial assets at amortised cost		**(18,972)**	–
Other income	6	**16,515**	10,608
Other gains and losses	7	**2,615**	(6,315)
Impairment losses	8	**(113,614)**	(116,011)
Staff costs		**(89,126)**	(119,644)
Depreciation and amortisation		**(27,718)**	(29,704)
Other operating expenses		**(51,998)**	(60,494)
Finance costs	9	**(318,478)**	(323,011)
Profit before taxation	10	**485,180**	425,240
Taxation	13	**(91,960)**	(68,377)
Profit for the year attributable to owners of the Company		**393,220**	356,863

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Note	**2020** **HK$'000**	2019 HK$'000
Profit for the year attributable to owners of the Company		**393,220**	356,863
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**34,517**	56,387
Item that may be reclassified subsequently to profit or loss:			
– Financial assets at fair value through other comprehensive income – net movement in fair value reserve (recycling)		**114,270**	32,314
Other comprehensive income for the year, net of tax		**148,787**	88,701
Total comprehensive income for the year attributable to owners of the Company		**542,007**	445,564
Earnings per share attributable to owners of the Company (HK cents)	15		
– Basic		**0.83**	0.75
– Diluted		**0.83**	0.75

The notes on pages 95 to 194 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Non-current assets			
Property, plant and equipment	16	**9,418**	11,926
Right-of-use asset	17(a)	**93,428**	116,785
Goodwill	18	**16,391**	16,391
Intangible assets	19	**2,103**	3,474
Loans and advances	20	**–**	357,822
Financial assets at amortised cost	21	**77,272**	77,574
Deferred tax assets	32	**1,383**	13,520
Other assets		**10,138**	10,184
		210,133	607,676
Current assets			
Accounts receivable	22	**502,816**	601,243
Prepayments, deposits and other receivables	23	**35,339**	55,773
Interests receivable		**119,836**	147,676
Amount due from an intermediate holding company	24	**–**	4,109
Loans and advances	20	**1,485,217**	1,852,889
Financial assets at fair value through other comprehensive income	25	**6,835,510**	6,888,906
Financial assets at amortised cost	21	**–**	93,504
Financial assets at fair value through profit or loss	26	**1,240,808**	952,053
Cash held on behalf of customers	27(a)	**357,370**	35,279
Cash and cash equivalents	27(b)	**378,170**	400,708
		10,955,066	11,032,140

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Current liabilities			
Accounts payable	28	**359,441**	38,958
Other payables and accruals	29	**83,147**	145,329
Amount due to an intermediate holding company	24	**5,927**	–
Bank and other borrowings	30	**4,446,443**	5,748,468
Notes payable	31	**–**	50,000
Tax payable		**20,831**	82,510
Financial assets sold under repurchase agreements	33	**3,390,747**	3,180,420
Financial liabilities at fair value through profit or loss	34	**93,922**	27,977
Lease liabilities	17(a)	**27,388**	27,388
		8,427,846	9,301,050
Net current assets		**2,527,220**	1,731,090
Total assets less current liabilities		**2,737,353**	2,338,766
Non-current liabilities			
Lease liabilities	17(a)	**66,670**	91,012
Deferred tax liabilities	32	**70,715**	25,511
		137,385	116,523
NET ASSETS		**2,599,968**	2,222,243

Consolidated Statement of Financial Position

At 31 December 2020

	Note	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
CAPITAL AND RESERVES			
Share capital	35	**476,279**	476,792
Reserves		**2,123,689**	1,745,451
TOTAL EQUITY		**2,599,968**	2,222,243

Approved and authorised for issue by the board of directors on 25 March 2021.

Li Jinze
DIRECTOR

Ding Zhisuo
DIRECTOR

The notes on pages 95 to 194 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Note	Attributable to owners of the Company							
		Share capital HK$'000	Share premium HK$'000 (Note a)	Contributed surplus HK$'000 (Note b)	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Other reserve HK$'000 (Note c)	Accumulated profit/ (losses) HK$'000	Total HK$'000
At 1 January 2020		476,792	1,766,218	2,223,351	(229,548)	3,214	479	(2,018,263)	2,222,243
Changes in equity for 2020:									
Profit for the year		–	–	–	–	–	–	393,220	393,220
Other comprehensive income		–	–	–	114,270	34,517	–	–	148,787
Total comprehensive income		–	–	–	114,270	34,517	–	393,220	542,007
Disposal of equity investments at fair value through other comprehensive income		–	–	–	–	(17,905)*	–	17,905*	–
Shares repurchased and cancelled	35(i)	(513)	(6,393)	–	–	–	281	–	(6,625)
Shares repurchased but not yet cancelled		–	–	–	–	–	(387)	–	(387)
Dividend approved in respect of the previous year		–	–	(157,270)	–	–	–	–	(157,270)
Balance at 31 December 2020		476,279	1,759,825	2,066,081	(115,278)	19,826	373	(1,607,138)	2,599,968

* Amounts reclassified to accumulated profit/(losses) upon disposal of equity investments at fair value through other comprehensive income.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

		Attributable to owners of the Company							
	Note	Share capital HK$'000	Share premium HK$'000 (Note a)	Contributed surplus HK$'000 (Note b)	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Other reserve HK$'000 (Note c)	Accumulated profit/ (losses) HK$'000	Total HK$'000
At 1 January 2019		477,059	1,769,659	2,318,758	(261,862)	(57,555)	761	(2,370,744)	1,876,076
Changes in equity for 2019:									
Profit for the year		–	–	–	–	–	–	356,863	356,863
Other comprehensive income		–	–	–	32,314	56,387	–	–	88,701
Total comprehensive income		–	–	–	32,314	56,387	–	356,863	445,564
Disposal of equity investments at fair value through other comprehensive income		–	–	–	–	4,382*	–	(4,382)*	–
Shares repurchased and cancelled	35(i)	(267)	(3,441)	–	–	–	–	–	(3,708)
Shares repurchased but not yet cancelled		–	–	–	–	–	(282)	–	(282)
Dividend approved in respect of the previous year		–	–	(95,407)	–	–	–	–	(95,407)
Balance at 31 December 2019		476,792	1,766,218	2,223,351	(229,548)	3,214	479	(2,018,263)	2,222,243

* Amounts reclassified to accumulated profit/(losses) upon disposal of equity investments at fair value through other comprehensive income.

Notes:

a. Share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.
b. Amounts represent credits arisen from the capital reduction and share premium cancellation transferred to the contributed surplus account, which had been partially utilised to eliminate the accumulated losses of the Group.
c. The other reserve of the Group represents the difference between the proportionate share of net assets attributable to additional interest in a subsidiary and the consideration paid, and treasury shares of the Company held as at 31 December 2020 and 2019.

The notes on pages 95 to 194 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Operating activities			
Cash from operations	27(c)	**1,249,750**	346,452
Hong Kong Profits Tax paid		**(96,298)**	(6,832)
Interest received		**687,177**	550,856
Dividend received		**8,518**	39,856
Interest paid		**(330,546)**	(299,080)
Net cash generated from operating activities		**1,518,601**	631,252
Investing activity			
Purchases of property, plant and equipment		**(482)**	(13,906)
Net cash used in investing activity		**(482)**	(13,906)
Financing activities			
Repurchase of shares		**(7,012)**	(3,990)
New bank and other borrowings raised		**5,039,553**	2,550,462
Repayment of notes		**(50,000)**	(100,000)
Repayment of bank and other borrowings		**(6,328,580)**	(3,422,608)
Dividend paid		**(157,270)**	(95,407)
Principal and interest elements of lease payments		**(29,670)**	(22,824)
Net cash used in financing activities		**(1,532,979)**	(1,094,367)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Net decrease in cash and cash equivalents		**(14,860)**	(477,021)
Cash and cash equivalents at the beginning of year		**400,708**	887,579
Effect of foreign exchange rate changes, net		**(7,678)**	(9,850)
Cash and cash equivalents at the end of year		**378,170**	400,708
Analyses of cash and cash equivalents at end of year:			
Bank balances – house accounts	27(b)	**378,170**	400,708

The notes on pages 95 to 194 form part of these financial statements.

1 GENERAL INFORMATION

CMBC Capital Holdings Limited ("**the Company**") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of registered office and the principal place of business of the Company are disclosed in the corporate information section to the annual report.

At 31 December 2020, the directors consider the immediate parent and ultimate controlling party to be CMBC International Investment Limited, which is incorporated in British Virgin Islands and China Minsheng Banking Corp., Ltd. which is incorporated in People's Republic of China, respectively. The ultimate controlling entity produces financial statements available for public use and can be obtained at the website of The Stock Exchange of Hong Kong.

The principal activities of the Company are investment holding and provision of loan financing services. The activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all individual 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. 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. Significant accounting policies adopted by the Group are disclosed 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 2(c) 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 consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "**Group**").

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– financial instruments classified as financial assets at fair value through other comprehensive income (see note 2(r));

– financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (see note 2(r)); and

– derivative financial instruments (see note 2(r)).

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 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 current and future periods. Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 3.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

A number of new or amended standards became applicable for the current reporting period, and the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The following amendments to accounting standards are applicable for annual reporting periods commencing on or after 1 January 2020:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7
- COVID-19-Related Rent Concessions – amendments to HKFRS 16

None of these is expected to have a significant effect on the consolidated financial statements of the Group.

(d) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group:

HKFRS 17	Insurance Contracts[1]

[1] Effective for annual periods beginning on or after 1 January 2023.

There are no other HKFRSs or interpretations that are effective from 1 January 2020 or not yet effective that would be expected to have a material impact on the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

(f) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Business combinations (continued)

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

(g) Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

(h) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment at the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Revenue recognition

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

Revenue is recognised when service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. The Group applied the optional practical expedient to immediately expense cost to obtain a contract if the amortisation period of the asset that would have recognised is one year or less.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, 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 with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

(i) Revenue arising from financial services is recognised on the following basis:

- Commission income for brokerage business and future and options contracts dealing services are recognised on execution of purchase, sales or other transactions or services by the Group on behalf of its clients;

- Underwriting, sub-underwriting, placing and sub-placing commissions are recognised as income in accordance with the terms of underlying agreement or deal mandate when the relevant significant act has completed;

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Revenue recognition (continued)

(i) Revenue arising from financial services is recognised on the following basis: (continued)

- Financial advisory, sponsorship, arrangement fee and other service income are recognised over time according to performance obligation and transaction prices of the contracts. It is recognised when the Group has an enforceable right to payment for performance completed to date at all times throughout the duration of the contract;

- Asset management fee income are recognised over time as those services are provided continuously over the contract period. Invoices for these services income are issued on a regular basis based on the terms stated in the contract; and

- The Group is entitled to a performance fee income when there is a positive performance for the relevant performance period and it is recognised at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(ii) Interest income from a financial asset is recognized as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(iii) Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

(iv) The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below (see note 2(k)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. The consolidated financial statements are presented in HK dollars ("**HK$**"), which is the Company's functional and presentation currency. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items are recognised in profit or loss in the period in which they arise.

(k) Leases

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 17). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contacts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee benefits

(i) Retirement benefit costs

Payment to Hong Kong Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

(ii) Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

(m) Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Taxation

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Taxation (continued)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Taxation (continued)

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(o) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(p) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and impairment losses, on the same basis as intangible assets that acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Impairment of tangible and intangible assets other than goodwill and financial assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets with finite useful lives 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 are tested for impairment at least annually, and whenever there is an indication that they 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 a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to other assets on a pro-rata basis based on the carrying amount of each asset in unit. The carrying amount of an asset is not reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the assets is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

A financial asset and a financial liability is offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Financial assets

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest ("**SPPI**"). Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses ("**ECLs**"), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

(i) Financial assets (continued)

Investments other than equity investments (continued)

– FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment the Group considers:

– Contingent events that would change the amount and timing of cash flows;

– Leverage features;

– Prepayment and extension terms;

– Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and

– Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

(i) Financial assets (continued)

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI (non-recycling), are recognised in profit or loss as revenue.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

(ii) Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities (including accounts payable, other payables, bank and other borrowings, bank overdrafts, notes payable and financial assets sold under repurchase agreements) are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss, except for changes in fair value attributable to changes in own credit risk which are presented in other comprehensive income.

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 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

(iii) Derivative financial instruments

The derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(s) Credit losses and impairment of financial assets

The Group recognises a loss allowance for ECLs on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, accounts receivable and loans and advances);
- contract assets as defined in HKFRS 15;
- debt securities measured at FVOCI (recycling); and
- loan commitments issued, which are not measured at FVTPL.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVTPL, and equity securities designated at FVOCI (non-recycling), are not subject to the expected credit loss ("**ECL**") assessment.

Measurement of ECLs

The Group established ECL model by using a statistical approach for financial instruments. This approach involves estimation of four risk parameters, i.e. Probability of Default ("**PD**"), Loss Given Default ("**LGD**"), Exposure at Default ("**EAD**") and expected life, as well as the use of effective interest rate and forward-looking information.

In calculating the expected credit loss rates, forward looking macroeconomic information, such as unemployment rate or gross domestic product ("**GDP**"), is incorporated as part of risk parameters estimation.

Various economic scenarios are considered such that a probability-weighted average ECL can be estimated. Three scenarios are proposed, i.e. good scenario, neutral scenario and bad scenario. By considering the corresponding probabilities of the scenarios, the probability-weighted average ECL can be estimated.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Credit losses and impairment of financial assets (continued)

Measurement of ECLs (continued)

Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

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

– fixed-rate financial assets and accounts receivable: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Credit losses and impairment of financial assets (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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
POCI	–	Purchased or originated credit-impaired ("**POCI**") assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at initial recognition and interest income is subsequently recognized based on a credit-adjusted effective interest rate. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Credit losses and impairment of financial assets (continued)

Measurement of ECLs (continued)

For financial instruments including financial assets measured at amortised cost, contract assets, debt securities measured at FVOCI, loan commitments issued, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Credit losses and impairment of financial assets (continued)

Significant increases in credit risk (continued)

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Credit losses and impairment of financial assets (continued)

Basis of calculation of interest income (continued)

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

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

Write-off policy

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

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

(t) Share-based payment transactions

(i) Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 38 to the Group's consolidated financial statements.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss, with a corresponding increase in equity (share option reserve).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Share-based payment transactions (continued)

(ii) Share options granted to agents and consultants/vendors

Share options issued in exchange for goods or services are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings/accumulated losses.

(u) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(s).

Segregated accounts maintained by the Group to hold clients' monies are recognised as an asset in financial statements and are disclosed in note 27 to the consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) 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 over 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.

(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.

(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 Group's parent.

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 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) 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, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(x) Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements continue to be recognised, which do not result in derecognition of the financial assets, and are recorded as financial assets at FVOCI, financial assets at amortised cost and financial assets at FVTPL. Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position. The proceeds from selling such assets are presented as "financial assets sold under repurchase agreements". Financial assets sold under repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. 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 current and future periods. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

An annual assessment is made, as set out in note 18, as to whether the current carrying value of goodwill is impaired.

Fair value of level 3 financial instruments

Notes 2(r) and 37(e) provide further information on the Group's fair value accounting policy and how the fair values of financial instruments are determined.

Impairment of financial assets

Policies on impairment of financial assets are set out in note 2(s).

4 REVENUE

An analysis of the Group's revenue for the year is as follows:

	2020 HK$'000	2019 HK$'000
Commission income from brokerage and related services	**699**	1,299
Commission income from underwriting, sub-underwriting, placing and sub-placing	**54,167**	73,979
Interest income from debt securities investments	**460,699**	335,532
Interest income from FVTPL investments	**20,934**	45,250
Interest income from provision of finance and securities margin financing	**216,945**	334,602
Dividend income and other investment income	**97,021**	44,029
Financial advisory, sponsorship, arrangement fee and other service income	**31,288**	66,410
Asset management fee and performance fee income	**137,432**	77,582
	1,019,185	978,683

5 SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the Group's management, being the chief operating decision makers, for the purpose of resources allocation and assessment of segment performance focusing on types of services provided. "Investment and Financing", which was previously presented in 2019, is now presented as two segments "Fixed-income direct investment" and "Other Investment and financing" in 2020. "Asset management, corporate finance and advisory", which was previously presented in 2019, is now presented as two segments "Asset management" and "Corporate finance and advisory" in 2020. Therefore, the comparatives have been re-presented accordingly to align with the Group's current internal reporting information.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- the "securities" segment representing the business line of provision of brokerage services, securities margin financing services to clients and securities underwriting/placing;
- the "fixed-income direct investment" segment representing direct investment and trading activities in fixed-income securities;
- the "other investment and financing" segment representing investment and trading activities in equity securities, bonds and funds other than direct investment and trading activities in fixed-income securities, and provision of loan financing services;
- the "asset management" segment representing provision of asset management services to clients;
- the "corporate finance and advisory" segment representing provision of sponsorship, financial advisory and financial arrangement services to clients; and
- the "Others" segment primarily includes head office operations as well as interest income and interest expense incurred for generating working capital for general operations.

5 SEGMENT INFORMATION (continued)

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service lines is as follows:

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Commission income from brokerage and related services	699	1,299
– Commission income from underwriting, sub-underwriting, placing and sub-placing	54,167	73,979
– Financial advisory, sponsorship, arrangement fee and other service income	31,288	66,410
– Asset management fee and performance fee income	137,432	77,582
	223,586	219,270
Revenue from other sources		
Loan and financing		
– Interest income from provision of finance and securities margin financing	216,945	334,602
Financial investments		
– Interest income from debt securities investments	460,699	335,532
– Interest income from FVTPL investments	20,934	45,250
– Dividend income and other investment income	97,021	44,029
	578,654	424,811
	1,019,185	978,683

5 SEGMENT INFORMATION (continued)

(i) Disaggregation of revenue (continued)

Disaggregation of revenue is set out below:

	Securities		Fixed-income direct investment		Other investment and financing		Asset management		Corporate finance and advisory		Total	
	2020	2019	2020	2019 (Re-presented)	2020	2019 (Re-presented)	2020	2019 (Re-presented)	2020	2019 (Re-presented)	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15	38,262	65,039	–	–	–	–	137,432	77,582	47,892	76,649	223,586	219,270
Revenue from other sources												
Loan and financing												
– Interest income from provision of finance and securities margin financing	48,932	63,974	–	–	168,013	270,628	–	–	–	–	216,945	334,602
Financial investments												
– Interest income from debt securities investments	–	–	460,699	335,532	–	–	–	–	–	–	460,699	335,532
– Interest income from FVTPL investments	–	–	6,694	–	14,240	45,250	–	–	–	–	20,934	45,250
– Dividend income and other investment income	–	–	88,504	29,943	8,517	14,086	–	–	–	–	97,021	44,029
	–	–	555,897	365,475	22,757	59,336	–	–	–	–	578,654	424,811
Reportable segment revenue	87,194	129,013	555,897	365,475	190,770	329,964	137,432	77,582	47,892	76,649	1,019,185	978,683

5 SEGMENT INFORMATION (continued)

(ii) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	For the year ended 31 December 2020						
	Securities HK$'000	Fixed-income direct investment HK$'000	Other investment and financing HK$'000	Asset management HK$'000	Corporate finance and advisory HK$'000	Others HK$'000	Total HK$'000
Segment revenue and investment gains/(losses)							
– Reportable segment revenue	87,194	555,897	190,770	137,432	47,892	–	1,019,185
– Net (losses)/gains on financial assets/ liabilities at fair value through profit or loss	–	(17,693)	168,668	–	–	–	150,975
– Net losses on financial assets at fair value through other comprehensive income	–	(84,204)	–	–	–	–	(84,204)
– Net losses on financial assets at amortised cost	–	(18,972)	–	–	–	–	(18,972)
	87,194	435,028	359,438	137,432	47,892	–	1,066,984
Other income	5,075	955	12	520	769	9,184	16,515
Other gains and losses	(892)	9,783	2,693	(303)	340	(9,006)	2,615
Segment expenses	(31,357)	(374,828)	(97,684)	(34,400)	(29,537)	(33,128)	(600,934)
Segment results	60,020	70,938	264,459	103,249	19,464	(32,950)	485,180

5 SEGMENT INFORMATION (continued)

(ii) Segment revenue and results (continued)

	For the year ended 31 December 2019						
	Securities	Fixed-income direct investment (Re-presented)	Other investment and financing (Re-presented)	Asset management (Re-presented)	Corporate finance and advisory (Re-presented)	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue and investment gains/(losses)							
– Reportable segment revenue	129,013	365,475	329,964	77,582	76,649	–	978,683
– Net gains on financial assets/liabilities at fair value through profit or loss	–	18,519	105,241	–	–	–	123,760
– Net losses on financial assets at fair value through other comprehensive income	–	(32,632)	–	–	–	–	(32,632)
	129,013	351,362	435,205	77,582	76,649	–	1,069,811
Other income	2,565	1,293	6	9	969	5,766	10,608
Other gains and losses	(655)	6,155	(1,937)	(87)	87	(9,878)	(6,315)
Segment expenses	(41,868)	(282,137)	(170,705)	(28,333)	(26,464)	(99,357)	(648,864)
Segment results	89,055	76,673	262,569	49,171	51,241	(103,469)	425,240

5 SEGMENT INFORMATION (continued)

(iii) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

	As at 31 December 2020						
	Securities HK$'000	Fixed-income direct investment HK$'000	Other Investment and financing HK$'000	Asset management HK$'000	Corporate finance and advisory HK$'000	Others HK$'000	Total HK$'000
Assets							
Segment assets	985,583	6,955,357	2,947,028	48,656	26,750	201,825	11,165,199
Liabilities							
Segment liabilities	776,097	6,383,045	1,236,604	14,106	–	155,379	8,565,231

	As at 31 December 2019						
	Securities HK$'000	Fixed-income direct investment (Re-presented) HK$'000	Other Investment and financing (Re-presented) HK$'000	Asset management (Re-presented) HK$'000	Corporate finance and advisory (Re-presented) HK$'000	Others HK$'000	Total HK$'000
Assets							
Segment assets	749,591	7,463,464	3,090,405	30,578	27,002	278,776	11,639,816
Liabilities							
Segment liabilities	545,222	7,025,674	1,599,970	12,140	3,447	231,120	9,417,573

5 SEGMENT INFORMATION (continued)

(iii) Segment assets and liabilities (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment results represent the profit earned by/(loss from) each segment without allocation of central administrative costs, directors' emoluments, certain other income, certain other gains and losses and finance costs. This is the measure reported to the chief operating decision makers for the purpose of resources allocation and performance assessment.

Assets and liabilities, excluding intragroup receivables and payables, are allocated to reportable and operating segments.

(iv) Other segment information

	For the year ended 31 December 2020						
	Securities HK$'000	Fixed-income direct investment HK$'000	Other investment and financing HK$'000	Asset management HK$'000	Corporate finance and advisory HK$'000	Others HK$'000	Total HK$'000
Depreciation of property, plant and equipment	43	–	–	–	–	2,947	2,990
Depreciation of right-of-use asset	–	–	–	–	–	23,357	23,357
Addition of property, plant and equipment	–	–	–	–	–	482	482
Amortisation of intangible asset	1,371	–	–	–	–	–	1,371
Reversal of impairment loss in respect of loans and advances	–	–	(125)	–	–	–	(125)
Impairment loss in respect of accounts receivable	1,452	–	–	–	–	–	1,452
Impairment loss in respect of financial assets at fair value through other comprehensive income	–	77,616	–	–	–	–	77,616
Impairment loss in respect of financial assets at amortised cost	–	34,671	–	–	–	–	34,671
Finance costs	298	251,190	58,778	–	–	8,212	318,478

5 SEGMENT INFORMATION (continued)

(iv) Other segment information (continued)

	For the year ended 31 December 2019						
	Securities	Fixed-income direct investment (Re-presented)	Other investment and financing (Re-presented)	Asset management (Re-presented)	Corporate finance and advisory (Re-presented)	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Depreciation of property, plant and equipment	116	–	–	–	–	4,860	4,976
Depreciation of right-of-use asset	–	–	–	–	–	23,357	23,357
Addition of property, plant and equipment	–	–	–	–	–	13,906	13,906
Amortisation of intangible asset	1,371	–	–	–	–	–	1,371
Impairment loss in respect of loans and advances	–	–	10,203	–	–	–	10,203
Impairment loss in respect of accounts receivable	1,516	–	–	–	–	–	1,516
Impairment loss in respect of financial assets at fair value through other comprehensive income	–	80,570	–	–	–	–	80,570
Impairment loss in respect of financial assets at amortised cost	–	23,722	–	–	–	–	23,722
Finance costs	–	177,689	129,309	–	–	16,013	323,011

(v) Geographical information

The Group's operations are carried out in Hong Kong.

The Group's revenue from external customers and its non-current assets are located in Hong Kong.

(vi) Information about major customers

Revenue of approximately HK$105,271,000 for the year ended 31 December 2020 was derived from asset management service to a customer and accounted for more than 10% of the total revenue.

No customer contributed over 10% of the total revenue of the Group for the year ended 31 December 2019.

6 OTHER INCOME

	2020 HK$'000	2019 HK$'000
Bank interest income	**1,290**	1,970
Office sharing fee income	**8,880**	5,180
Other income	**6,345**	3,458
	16,515	10,608

7 OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000
Loss on disposal of property, plant and equipment	**–**	134
Net exchange (gain)/loss	**(2,615)**	6,181
	(2,615)	6,315

8 IMPAIRMENT LOSSES

	2020 HK$'000	2019 HK$'000
(Reversal)/provision of impairment losses		
– Loans and advances (note 20)	**(125)**	10,203
– Accounts receivable (note 22)	**1,452**	1,516
– Financial assets at fair value through other comprehensive income (note 25)	**77,616**	80,570
– Financial assets at amortised cost (note 21)	**34,671**	23,722
	113,614	116,011

9 FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest expense on:		
Margin loans	**217**	–
Notes payable (note 31)	**2,781**	7,904
Bank borrowings	**401**	2,027
Financial assets sold under repurchase agreements	**67,122**	64,348
Loans from an intermediate holding company	**242,629**	242,650
Lease liabilities (note 17(b))	**5,328**	6,082
	318,478	323,011

10 PROFIT BEFORE TAXATION

	2020 HK$'000	2019 HK$'000
Profit before taxation is arrived at after charging:		
Staff costs (including directors' remuneration):		
Wages and salaries	**87,928**	118,225
Retirement benefits contributions	**1,198**	1,419
Total staff costs	**89,126**	119,644
Auditor's remuneration	**3,755**	3,225
Depreciation of property, plant and equipment (note 16)	**2,990**	4,976
Depreciation of right-of-use asset (note 17(b))	**23,357**	23,357
Amortisation of intangible assets (note 19)	**1,371**	1,371
Lease payments in respect of short-term leases	**–**	6,043

11 DIRECTORS' REMUNERATION

The remuneration paid or payable to the executive directors, non-executive directors and independent non-executive directors of the Company is disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, as follows:

	For the year ended 31 December 2020								
	Executive directors			Non-executive directors		Independent non-executive directors			
	Mr. Li Jinze HK$'000	Mr. Ding Zhisuo HK$'000	Mr. Ng Hoi Kam HK$'000	Mr. Ren Hailong HK$'000	Mr. Liao Zhaohui HK$'000	Mr. Lee, Cheuk Yin Dannis HK$'000	Mr. Wu Bin HK$'000	Mr. Wang Lihua HK$'000	Total HK$'000
Fees	–	–	–	300	300	300	300	300	1,500
Other emoluments:									
Salaries and other allowances	4,800	3,900	3,360	–	–	–	–	–	12,060
Discretionary bonuses	211	250	1,146	–	–	–	–	–	1,607
Retirement benefits contribution	18	18	18	–	–	–	–	–	54
	5,029	4,168	4,524	300	300	300	300	300	15,221

	For the year ended 31 December 2019								
	Executive directors			Non-executive directors		Independent non-executive directors			
	Mr. Li Jinze HK$'000	Mr. Ding Zhisuo HK$'000	Mr. Ng Hoi Kam HK$'000	Mr. Ren Hailong HK$'000	Mr. Liao Zhaohui HK$'000	Mr. Lee, Cheuk Yin Dannis HK$'000	Mr. Wu Bin HK$'000	Mr. Wang Lihua HK$'000	Total HK$'000
Fees	–	–	–	300	300	300	300	300	1,500
Other emoluments:									
Salaries and other allowances	4,800	3,900	3,090	–	–	–	–	–	11,790
Discretionary bonuses	–	–	594	–	–	–	–	–	594
Retirement benefits contribution	18	17	18	–	–	–	–	–	53
	4,818	3,917	3,702	300	300	300	300	300	13,937

11 DIRECTORS' REMUNERATION (continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments in the Group, three (2019: three) were directors of the Company whose remuneration are set out in note 11 above. Details of the remuneration of the remaining two (2019: two) non-director, highest paid employees for the year are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other allowances	**3,637**	4,283
Discretionary bonuses	**2,475**	–
Retirement benefits contributions	**36**	36
	6,148	4,319

The emoluments of the five highest paid employees, including directors, for the year fell within the following bands:

	Number of individuals	
	2020	2019
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	2
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	2
HK$4,000,001 to HK$4,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**1**	1
HK$5,000,001 to HK$5,500,000	**1**	–
	5	5

No emoluments were paid by the Group to any of the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office in both the year ended 31 December 2020 and 2019.

13 TAXATION

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 HK$'000	2019 HK$'000
Current tax:		
Hong Kong Profits Tax	**36,874**	67,990
Over-provision in prior years	**(2,255)**	(4,573)
	34,619	63,417
Deferred tax (note 32):		
Origination and reversal of temporary differences	**57,341**	4,960
	91,960	68,377

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both the year ended 31 December 2020 and 2019.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2020 HK$'000	2019 HK$'000
Profit before taxation	**485,180**	425,240
Notional tax at the profit tax rate of Hong Kong of 16.5% (2019: 16.5%)	**80,055**	70,165
Tax effect of income not taxable for tax purpose	**(19,957)**	(8,198)
Tax effect of expenses not deductible for tax purpose	**6,872**	11,176
Tax effect of tax losses not recognised	**31,871**	4,649
Tax losses utilised from previous periods	**(4,626)**	(4,842)
Over-provision in prior years	**(2,255)**	(4,573)
Income tax expense	**91,960**	68,377

14 DIVIDENDS

	2020 HK$'000	2019 HK$'000
Proposed: Final – HK0.33 cents (2019: HK0.33 cents) per ordinary share	**157,080**	157,335

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

The final dividend of HK0.33 cents per share for the year ended 31 December 2019 had been approved by the shareholders of the Company on 30 June 2020 and was paid on 24 July 2020 in an aggregated amount of approximately HK$157,270,000.

15 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2020 HK$'000	2019 HK$'000
Earnings		
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	**393,220**	356,863

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**47,660,669**	47,704,762

The denominators used are the same as those detailed above for the basic and diluted earnings per share.

There was no dilutive items during the year ended 31 December 2020 and 2019.

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost			
At 1 January 2019	7,442	2,375	9,817
Additions	10,354	3,552	13,906
Disposal	(8,310)	(474)	(8,784)
At 31 December 2019	9,486	5,453	14,939
Additions	–	482	482
Disposal	–	(85)	(85)
At 31 December 2020	9,486	5,850	15,336
Accumulated depreciation and impairment			
At 1 January 2019	5,417	1,270	6,687
Charged for the year	4,157	819	4,976
Eliminated on disposal	(8,310)	(340)	(8,650)
At 31 December 2019	1,264	1,749	3,013
Charged for the year	1,897	1,093	2,990
Eliminated on disposal	–	(85)	(85)
At 31 December 2020	3,161	2,757	5,918
Carrying values			
At 31 December 2020	6,325	3,093	9,418
At 31 December 2019	8,222	3,704	11,926

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum.

Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	20%

17 LEASES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Right-of-use asset		
Office	**93,428**	116,785
Lease liabilities		
Current	**27,388**	27,388
Non-current	**66,670**	91,012
	94,058	118,400

On adoption of HKFRS 16, the Group recognized right-of-use asset of HK$140,142,000 and lease liabilities of HK$135,142,000 on 1 January 2019.

There was no addition to the right-of-use assets during the year ended 31 December 2020 and 2019.

17 LEASES (continued)

(b) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2020 HK$'000	2019 HK$'000
Depreciation of right-of-use asset Office	**23,357**	23,357
Interest expenses (included in finance cost) (note 9)	**5,328**	6,082

The total cash outflow for leases in 2020 was HK$29,670,000 (2019: HK$22,824,000).

(c) The Group's leasing activities and how these are accounted for

In 2020, the Group leases one office (2019: various offices) and office rental contracts are typically made for fixed periods of 3 to 6 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

18 GOODWILL

	HK$'000
Cost	
At 1 January 2019, 31 December 2019 and 31 December 2020	551,445
Impairment	
At 1 January 2019, 31 December 2019 and 31 December 2020	535,054
Carrying values	
At 31 December 2019 and 31 December 2020	16,391

18 GOODWILL (continued)

For the purposes of impairment testing, the management considered there are two CGUs in relation to goodwill allocation, including the first CGU from "Securities segment" and the second CGU from "Asset management, corporate finance and advisory segment". After considering the scale of operation of these CGUs, all goodwill is allocated to the first CGU.

The basis of the recoverable amount of the CGU and its major underlying assumptions are summarised below.

The recoverable amount of the CGU has been determined by the value-in-use in respect of the above entities comprising the CGU. The value-in-use was assessed by the management based on a business valuation performed by an independent professional qualified valuer using the income approach which uses cash flow projections covering a 5-year period and discount rate of 6.73% (2019: 8.62%).

The cash flow projections at 31 December 2020 has taken into account the expansion of business. The cash flows beyond the 5-year period are extrapolated assuming 2% growth rate (2019: 2%). This growth rate is based on the expectation of long-term inflation in Hong Kong. Other key assumptions for the cash flow projections relate to the estimation of cash inflows/outflows which include estimated income generated from the CGU, such estimation is based on the past performance of the CGU and the expectation on the market development.

For the purpose of impairment assessment, the value-in-use of the CGU amounting to HK$1,435,914,000 (2019: HK$1,443,488,000). By comparing the aforesaid aggregate carrying amount of the CGU with the value-in-use of the CGU, the management determined that the recoverable amount of the CGU is estimated to be more than the aggregate carrying amounts of net assets directly attributable to the CGU, goodwill, trading rights and customers' relationship and no impairment losses in respect of goodwill (2019: Nil) is recognised in profit or loss during the year ended 31 December 2020.

19 INTANGIBLE ASSETS

	Trading rights HK$'000	Customers' relationship HK$'000	Total HK$'000
Cost			
At 1 January 2019, 31 December 2019 and 31 December 2020	960	144,799	145,759
Amortisation and impairment			
At 1 January 2019	–	140,914	140,914
Charge for the year	–	1,371	1,371
At 31 December 2019	–	142,285	142,285
Charge for the year	–	1,371	1,371
At 31 December 2020	–	143,656	143,656
Carrying values			
At 31 December 2020	960	1,143	2,103
At 31 December 2019	960	2,514	3,474

Trading rights represents rights that confer eligibility of the Group to trade on the Stock Exchange and the Hong Kong Futures Exchange Limited ("**HKFE**"). The trading rights have no foreseeable limit to period that the Group can use to generate net cash flows, accordingly, the trading rights are considered as having indefinite useful lives.

Customers' relationship represents the customers' networks of brokerage and related business. Amortisation for customers' relationship with finite useful lives is recognised on a straight-line basis over its estimated useful lives of 6 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

19 INTANGIBLE ASSETS (continued)

No impairment of customers' relationship was identified based on the valuation performed by an independent professional qualified valuer using the income approach at a discount rate of 6.73% at 31 December 2020 (2019: 8.62%).

The trading rights and customers' relationship also formed part of the assets included in the CGU for which goodwill impairment is assessed and details are set out in note 18.

20 LOANS AND ADVANCES

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Loans and advances	**1,492,193**	2,217,812
Less: Allowance for expected credit losses	**(6,976)**	(7,101)
	1,485,217	2,210,711
Less: Amount due within one year presented under current assets	**(1,485,217)**	(1,852,889)
Amount presented under non-current assets	**–**	357,822
Loans and advances (non-current)	**–**	359,384
Less: Allowance for expected credit losses	**–**	(1,562)
	–	357,822
Loans and advances (current)	**1,492,193**	1,858,428
Less: Allowance for expected credit losses	**(6,976)**	(5,539)
	1,485,217	1,852,889

At 31 December 2020, loans and advances included loans to independent third parties with effective interest rates ranging from 5% to 13% (2019: 5% to 14%) per annum.

During the year, reversal of expected credit losses of HK$125,000 (2019: allowance for expected credit losses of HK$10,203,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

20 LOANS AND ADVANCES (continued)

As at 31 December 2019, one of the borrowers has been assessed by management to be credit impaired and an allowance for expected credit losses of approximately HK$31,291,000 had been provided. Management considered the loan to the individually impaired borrower was irrecoverable and the loan amount was fully provided and subsequently written off at 31 December 2019.

Movement in expected credit losses is as follows:

	2020 Expected credit losses				2019 Expected credit losses			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
At 1 January 2020/2019	7,101	–	–	7,101	4,002	–	24,187	28,189
Impairment losses (released)/ charged to profit or loss (note 8)	(125)	–	–	(125)	3,099	–	7,104	10,203
Write-off	–	–	–	–	–	–	(31,291)	(31,291)
At 31 December 2020/2019	6,976	–	–	6,976	7,101	–	–	7,101

Analysis of the gross carrying amount for which an expected credit loss allowance is recognised according to the stage of expected credit losses is as follows:

	Stage of assets			
	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL (Credit-impaired) HK$'000	Total HK$'000
As at 31 December 2020	1,492,193	–	–	1,492,193
As at 31 December 2019	2,217,812	–	–	2,217,812

21 FINANCIAL ASSETS AT AMORTISED COST

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Listed debt investments	77,536	194,800
Less: Allowance for expected credit losses	(264)	(23,722)
	77,272	171,078
Less: Amount due within one year presented under current assets	–	(93,504)
Amount presented under non-current assets	77,272	77,574
Analysed as:		
Financial assets at amortised cost (non-current)	77,536	77,920
Less: Allowance for expected credit losses	(264)	(346)
	77,272	77,574
Financial assets at amortised cost (current)	–	116,880
Less: Allowance for expected credit losses	–	(23,376)
	–	93,504

21 FINANCIAL ASSETS AT AMORTISED COST (continued)

Movement in expected credit losses is as follows:

	2020 Expected credit losses				2019 Expected credit losses			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
At 1 January 2020/2019	346	23,376	–	23,722	–	–	–	–
Transfers between stages	–	(23,376)	23,376	–	–	–	–	–
Impairment losses (released)/ charged to profit or loss (note 8)	(82)	–	34,753	34,671	346	23,376	–	23,722
Derecognition	–	–	(58,129)	(58,129)	–	–	–	–
At 31 December 2020/2019	264	–	–	264	346	23,376	–	23,722

Analysis of the gross carrying amount for which an expected credit loss allowance is recognised according to the stage of expected credit losses is as follows:

	Stage of assets			
	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL (Credit-impaired) HK$'000	Total HK$'000
As at 31 December 2020	77,536	–	–	77,536
As at 31 December 2019	77,920	116,880	–	194,800

22 ACCOUNTS RECEIVABLE

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Accounts receivable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Clearing houses	2,828	770
– Cash clients	2	5
– Margin clients	480,286	584,642
	483,116	585,417
Accounts receivable arising from the ordinary course of business of securities underwriting	12,639	11,988
Accounts receivable arising from the ordinary course of business of advisory services	9,675	5,000
	505,430	602,405
Less: Allowance for expected credit losses	(2,614)	(1,162)
	502,816	601,243

Movement in expected credit losses is as follows:

	2020 Expected credit losses				2019 Expected credit losses			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
At 1 January 2020/2019	74	–	1,088	1,162	37	–	2,008	2,045
Transfers between stages	–	–	–	–	(1)	–	1	–
Impairment losses charged to profit or loss (note 8)	834	–	618	1,452	38	–	1,478	1,516
Write-off	–	–	–	–	–	–	(2,399)	(2,399)
At 31 December 2020/2019	908	–	1,706	2,614	74	–	1,088	1,162

22 ACCOUNTS RECEIVABLE (continued)

Analysis of the gross carrying amount for which an expected credit loss allowance is recognised according to the stage of expected credit losses is as follows:

	Stage of assets			
	Stage 1	Stage 2	Stage 3	
	12-month ECL HK$'000	Lifetime ECL HK$'000	Lifetime ECL (Credit-impaired) HK$'000	Total HK$'000
As at 31 December 2020	**503,724**	**–**	**1,706**	**505,430**
As at 31 December 2019	601,317	–	1,088	602,405

Accounts receivable arising from the business of dealing in securities

The Group seeks to maintain tight control over its outstanding accounts receivable and has procedures and policies to assess its clients' credit quality and defines credit limits for each client. All client acceptances and credit limit are approved by designated approvers according to the clients' credit worthiness.

The normal settlement terms of accounts receivable from clients and clearing house, except for accounts receivable due from margin clients, arising from the ordinary course of business of securities brokerage services are two trading days after the trade date.

Accounts receivable due from margin clients

Accounts receivable due from margin clients are repayable on demand and carry interest at 5.25% to 18% per annum during the year ended 31 December 2020 (2019: 5.25% to 18% per annum). The fair values of the pledged securities as at 31 December 2020 approximate HK$797,944,000 (2019: HK$936,840,000). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited.

As at 31 December 2020, approximately 99% (2019: 99%) of the balance were secured by sufficient collateral on an individual basis. The corresponding collaterals held could be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients. The Group did not repledge collaterals held for financing as at 31 December 2019 and 2020.

22 ACCOUNTS RECEIVABLE (continued)

Accounts receivable arising from the business of dealing in securities (continued)

Accounts receivable due from margin clients (continued)

No ageing analysis in respect of accounts receivable from margin clients is disclosed as, in the opinion of directors of the Company, an ageing analysis does not give additional value in view of the nature of this business.

Accounts receivable are assessed for ECLs in accordance with the policy set out in note 2(s). During the year, allowance for expected credit losses of HK$1,452,000 was recognised (2019: HK$1,516,000) in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2019, one of the margin clients who had collateral value fallen significantly below the required margin ratio. Management considered the loan to the margin client was irrecoverable and the loan amount was fully provided and subsequently written off at 31 December 2019.

Movement in the allowances for expected credit losses on accounts receivable are as follows:

	Cash clients HK$'000	Margin clients HK$'000	Total HK$'000
Balance at 1 January 2019	–	2,045	2,045
Impairment loss recognised during the year (note 8)	–	1,516	1,516
Write-off	–	(2,399)	(2,399)
Balance at 31 December 2019	–	1,162	1,162
Impairment loss recognised during the year (note 8)	–	1,452	1,452
Balance at 31 December 2020	–	2,614	2,614

The Group is allowed to offset certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances, and intends to settle on a net basis or to realise the balances simultaneously. Details are set out in note 40.

22 ACCOUNTS RECEIVABLE (continued)

Accounts receivable arising from the businesses of securities underwriting and advisory services

Ageing of accounts receivable arising from the ordinary course of businesses of securities underwriting and advisory services, based on the due date, is as follows:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Neither past due nor impaired	**11,458**	11,471
Less than 31 days past due	**–**	117
31–60 days past due	**8,126**	2,077
61–90 days past due	**2,559**	1,403
Over 90 days past due	**171**	1,920
	22,314	16,988
Allowance for expected credit losses	**–**	–
Total	**22,314**	16,988

The Group applies HKFRS 9 simplified approach to measure the expected credit losses for accounts receivable arising from the business of securities underwriting and advisory services. The management assessed the loss allowance was insignificant.

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Prepayments and deposits	**4,191**	4,598
Other receivables	**560**	29,832
Contract assets	**30,588**	21,343
	35,339	55,773

24 AMOUNT DUE FROM/(TO) AN INTERMEDIATE HOLDING COMPANY

Amount due from/(to) an intermediate holding company is unsecured, interest-free and repayable on demand.

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Listed debt investments, at fair value	5,173,757	5,814,815
Listed equity instruments, at fair value	1,661,753	1,074,091
	6,835,510	6,888,906

Movement in expected credit losses is as follows:

	2020 Expected credit losses					2019 Expected credit losses				
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Purchased or Originated Credit Impaired HK$'000	Total HK$'000	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Purchased or Originated Credit Impaired HK$'000	Total HK$'000
At 1 January 2020/2019	35,744	41,720	28,627	–	106,091	25,521	–	–	–	25,521
Transfers between stages	(2,042)	(34,068)	36,110	–	–	(3,721)	3,061	660	–	–
Impairment losses charged to profit or loss (note 8)	2,931	7,372	67,313	–	77,616	13,944	38,659	27,967	–	80,570
Derecognition	(21,054)	(3,705)	(64,351)	–	(89,110)	–	–	–	–	–
At 31 December 2020/2019	15,579	11,319	67,699	–	94,597	35,744	41,720	28,627	–	106,091

Note: As at 31 December 2020, allowance for expected credit losses amounted HK$94,597,000 (2019: HK$106,091,000) has been included in fair value reserve (recycling).

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Analysis of the carrying amount for which an expected credit loss allowance is recognised according to the stage of expected credit losses is as follows:

	Stage of assets				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	or Originated Credit Impaired	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2020	**4,917,013**	**189,124**	**55,203**	**12,417**	**5,173,757**
As at 31 December 2019	5,577,576	218,575	18,664	–	5,814,815

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Listed equity investments	**–**	25,454
Unlisted equity investments	**230,715**	290,790
Listed debt investments	**241,417**	94,071
Unlisted investment funds	**700,113**	299,212
Unlisted convertible debt investments	**–**	242,526
Derivative financial instrument – credit derivative	**68,563**	–
	1,240,808	952,053

The fair values of the listed equity investments and listed debt investments were determined based on the quoted market prices.

The credit derivative is a non-qualified hedging derivative which comprises a total return swap held by the Group with notional value amounted to approximately HK$187.3 million (2019: Nil) as at 31 December 2020.

27 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash held on behalf of customers

From the Group's ordinary business in provision of brokerage and related services, the Group receives and holds money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in segregated bank accounts at market interest rates. The Group has recognised the corresponding accounts payable to respective clients. As at 31 December 2020, the segregated accounts with authorised institutions in relation to its brokerage business totaling HK$357,370,000 (2019: HK$35,279,000).

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and bank deposits at variable interest rates with original maturity of three months or less. As at 31 December 2020, cash and cash equivalents with authorised institutions totaling HK$378,170,000 (2019: HK$400,708,000).

27 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of profit for the year to cash from operations:

	2020 HK$'000	2019 HK$'000
Operating activities		
Profit for the year	**393,220**	356,863
Adjustments for:		
Income tax expense recognised in profit or loss	**91,960**	68,377
Finance costs	**318,478**	323,011
Bank interest income	**(1,290)**	(1,970)
Interest income from provision of finance and securities margin financing	**(216,945)**	(334,602)
Dividend income and other investment income	**(97,021)**	(44,029)
Interest income from debt securities investments	**(460,699)**	(335,532)
Interest income from FVTPL investments	**(20,934)**	(45,250)
Impairment loss recognised in respect of accounts receivable	**1,452**	1,516
(Reversal)/provision of impairment loss recognised in respect of loans and advances	**(125)**	10,203
Impairment loss recognised in respect of financial assets at FVOCI	**77,616**	80,570
Impairment loss recognised in respect of financial assets at amortised cost	**34,671**	23,722
Net gains on financial assets/liabilities at FVTPL	**(150,975)**	(123,760)
Net losses on financial assets at FVOCI	**84,204**	32,632
Net losses on financial assets at amortised cost	**18,972**	–
Depreciation of property, plant and equipment	**2,990**	4,976
Depreciation of right-of-use asset	**23,357**	23,357
Loss on disposal of property, plant and equipment	**–**	134
Amortisation of intangible asset	**1,371**	1,371
Operating cash flows before movements in working capital	**100,302**	41,589

27 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of profit for the year to cash from operations: (continued)

	2020 HK$'000	2019 HK$'000
Operating activities (continued)		
Decrease in accounts receivable	**145,907**	689,492
Decrease/(Increase) in prepayments, deposits and other receivables	**20,434**	(25,390)
Decrease in loans and advances	**970,201**	1,944,169
Decrease/(Increase) in interests receivable	**69,874**	(11,562)
Decrease/(Increase) in other assets	**46**	(1)
Increase in amount due from an intermediate holding company	**–**	(3,866)
(Increase)/Decrease in cash held on behalf of customers	**(322,091)**	98,768
Increase/(Decrease) in accounts payable	**320,483**	(330,735)
(Decrease)/Increase in other payables and accruals	**(34,193)**	53,428
Increase in amount due to an intermediate holding company	**10,036**	–
Decrease/(Increase) in financial assets at amortised cost	**39,157**	(195,824)
Decrease/(Increase) in financial assets at fair value through other comprehensive income	**15,374**	(3,907,336)
Increase in financial assets at fair value through profit or loss	**(407,292)**	(34,069)
Increase in financial assets sold under repurchase agreements	**227,711**	2,027,789
Increase in financial liabilities at FVTPL	**93,801**	–
Cash from operations	**1,249,750**	346,452

27 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(d) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings HK$'000 (Note 30)	Notes payable HK$'000 (Note 31)	Lease Liabilities HK$'000	Total HK$'000
At 1 January 2020	5,748,468	50,000	118,400	5,916,868
Changes from financing cash flows:				
Proceeds from loans from an intermediate holding company	4,102,377	–	–	4,102,377
Proceeds from bank loans	937,176	–	–	937,176
Repayment of bank loans	(937,168)	–	–	(937,168)
Repayment of loans from an intermediate holding company	(5,391,412)	–	–	(5,391,412)
Principal and interest elements of lease payments	–	–	(29,670)	(29,670)
Repayment of notes	–	(50,000)	–	(50,000)
Total changes from financing cash flows	(1,289,027)	(50,000)	(29,670)	(1,368,697)
Exchange adjustments	(23,942)	–	–	(23,942)
Other changes	10,944	–	5,328	16,272
At 31 December 2020	4,446,443	–	94,058	4,540,501

27 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(d) Reconciliation of liabilities arising from financing activities (continued)

	Bank and other borrowings HK$'000 (Note 30)	Notes payable HK$'000 (Note 31)	Lease Liabilities HK$'000	Total HK$'000
At 31 December 2018	6,653,340	149,216	–	6,802,556
Recognition of lease liabilities on 1 January 2019	–	–	135,142	135,142
At 1 January 2019	6,653,340	149,216	135,142	6,937,698
Changes from financing cash flows:				
Proceeds from loans from an intermediate holding company	2,550,462	–	–	2,550,462
Repayment of bank loans	(235,497)	–	–	(235,497)
Repayment of loans from an intermediate holding company	(3,187,111)	–	–	(3,187,111)
Principal and interest elements of lease payments	–	–	(22,824)	(22,824)
Repayment of notes	–	(100,000)	–	(100,000)
Total changes from financing cash flows	(872,146)	(100,000)	(22,824)	(994,970)
Exchange adjustments	(21,360)	–	–	(21,360)
Other changes	(11,366)	784	6,082	(4,500)
At 31 December 2019	5,748,468	50,000	118,400	5,916,868

28 ACCOUNTS PAYABLE

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Accounts payable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Cash clients	**221,936**	29,805
– Margin clients	**54,537**	7,084
– Clearing house	**82,968**	2,069
	359,441	38,958

Accounts payable arising from the business of dealing in securities

The accounts payable balances arising from the ordinary course of business of securities brokerage services are normally settled in two trading days after the trade date except for the money held on behalf of clients at the segregated bank accounts which are repayable on demand. No ageing analysis is disclosed as, in the opinion of directors of the Company, an ageing analysis does not give additional value in view of the nature of this business.

29 OTHER PAYABLES AND ACCRUALS

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Other payables	**7,667**	53,401
Interest payables	**9,789**	37,778
Accruals	**55,273**	53,106
Contract liabilities	**418**	1,044
Other deposit received	**10,000**	–
	83,147	145,329

The revenue recognised in relation to carried-forward contract liabilities amounted to HK$626,000 (2019: HK$4,337,000) for the year ended 31 December 2020.

30 BANK AND OTHER BORROWINGS

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Loans from an intermediate holding company	**4,446,443**	5,748,468
The carrying amounts of the above borrowings are repayable:		
Within one year	**4,446,443**	5,748,468

The above borrowings as at 31 December 2019 and 2020 are repayable within one year.

As at 31 December 2020, the Group had loans amounting to approximately HK$4,344,207,000 (2019: HK$5,656,678,000) from CMBC International Holdings Limited, an intermediate holding company and interest payable amounting to approximately HK$102,236,000 (2019: HK$91,790,000). The loans bear interest at rate of 4% per annum (2019: variable rates of 4% to 4.24% per annum) and are repayable within one year. The Group's undrawn amount of the loan facilities is approximately HK$3,655,793,000 (2019: HK$ 2,343,322,000).

31 NOTES PAYABLE

In 2012, the Company had issued placing notes in the aggregate principal amount of HK$100,000,000. The placing notes carry interest at 5% per annum and are to be redeemed on the seventh anniversary from the respective issue dates of the placing notes. During the year ended 31 December 2019, the note principal of HK$100,000,000 was fully repaid.

In 2013, the Company further issued notes in the aggregate principal amount of HK$50,000,000 to independent third parties. The notes carry interest at 5% per annum and are to be redeemed on the seventh anniversary from the respective issue dates of the notes. During the year, the note principal of HK$50,000,000 was fully repaid.

As at 31 December 2020, there was no outstanding principal amount of the notes payable (2019: HK$50,000,000).

The movement of the notes payable for the year ended 31 December 2020 and 2019 are set out below:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
At the beginning of the year	**50,000**	149,216
Interest charged at effective interest rate from 5% (2019: 5% to 5.91%) per annum (note 9)	**2,781**	7,904
Repayment of note principal	**(50,000)**	(100,000)
Interest payable	**(2,781)**	(7,120)
At the end of the year	**–**	50,000
Less: Amount due within one year presented under current liabilities	**–**	(50,000)
Amount presented under non-current liabilities	**–**	–

32 DEFERRED TAX

The followings are the major deferred tax (assets)/liabilities recognised and movements thereon during the current and prior years:

	Deferred tax assets			Deferred tax liabilities		
	Decelerated tax depreciation HK$'000	Impairment provision HK$'000	Total HK$'000	Unrealised gain on financial assets at FVTPL HK$'000	Notes payable HK$'000	Total HK$'000
At 1 January 2019	(21)	(901)	(922)	7,824	129	7,953
Debited/(credited) to profit or loss (note 13)	21	(12,619)	(12,598)	17,626	(68)	17,558
At 31 December 2019	–	(13,520)	(13,520)	25,450	61	25,511
Debited/(credited) to profit or loss (note 13)	–	12,137	12,137	45,265	(61)	45,204
At 31 December 2020	–	(1,383)	(1,383)	70,715	–	70,715

At the end of the reporting period, the Group has unused tax losses of approximately HK$203 million (2019: HK$12 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

33 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Bonds	**3,390,747**	3,180,420

As at 31 December 2020, the Group entered into repurchase agreements with financial institutions to sell bonds recognised as financial assets at fair value through other comprehensive income and financial assets at amortised cost with carrying amount of approximately HK$4,535,946,000 (2019: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost with carrying amount of approximately HK$5,590,071,000), which are subject to the simultaneous agreements to repurchase these investments at the agreed dates and prices.

Sales and repurchase agreements are transactions in which the Group sells bonds and simultaneously agrees to repurchase them (or assets that are substantially the same) at the agreed dates and prices. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those bonds sold. The bonds are not derecognised from the financial statements but regarded as "collaterals" for the liabilities because the Group retains substantially all the risks and rewards of the bonds.

34 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Payables to interest holders of unlisted consolidated investment funds, designated at FVTPL	**–**	27,977
Derivative financial instrument – credit derivative	**93,922**	–
	93,922	27,977

34 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

As at 31 December 2020, the Company held 60% (31 December 2019: 60%) interest of CMBCC Co-High Medical Investment Fund SP (the "**Medical Fund**"). As the Group has control over the Medical Fund, it is accounted for as a subsidiary. Accordingly, the interests of the non-controlling shareholder are classified as financial liabilities designated as at fair value through profit or loss of Nil as at 31 December 2020 (31 December 2019: HK$27,977,000).

The credit derivative is a non-qualified hedging derivative which comprises a total return swap held by the Group with notional value amounted to approximately HK$187.7 million (2019: Nil) as at 31 December 2020.

35 SHARE CAPITAL

		Number of shares		Amount	
	Note	**As at 31 December 2020 '000**	As at 31 December 2019 '000	**As at 31 December 2020 HK$'000**	As at 31 December 2019 HK$'000
Authorised:					
Ordinary shares at HK$0.01 each		**100,000,000**	100,000,000	**1,000,000**	1,000,000
Issued and fully paid:					
At the beginning of the year		**47,679,218**	47,705,978	**476,792**	477,059
Cancellation for shares repurchased	(i)	**(51,290)**	(26,760)	**(513)**	(267)
At the end of the year		**47,627,928**	47,679,218	**476,279**	476,792

Note:

(i) During the year ended 31 December 2020, the Company repurchased an aggregate of 52,530,000 ordinary shares of the Company on market at prices ranging from HK$0.112 to HK$0.17 per share at a total consideration of approximately HK$7,012,000 (before transaction costs). Of these repurchased shares, 49,350,000 shares were cancelled prior to year ended 31 December 2020. The premium of approximately HK$6,393,000 paid on the repurchase of such shares was debited to share premium account. Subsequent to end of the reporting period, the remaining 3,180,000 repurchased shares were cancelled on 29 January 2021.

During the year ended 31 December 2019, the Company repurchased an aggregate of 28,700,000 ordinary shares of the Company on market at prices ranging from HK$0.116 to HK$0.217 per share at a total consideration of approximately HK$3,990,000 (before transaction costs). Of these repurchased shares, 26,760,000 shares were cancelled prior to year ended 31 December 2019. The premium of approximately HK$3,441,000 paid on the repurchase of such shares was debited to share premium account. Subsequent to end of the reporting period, the remaining 1,940,000 repurchased shares were cancelled on 7 January 2020.

36 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the returns to shareholders through the optimisation of debt and equity balance.

The capital structure of the Group consists of debts, which include bank and other borrowings, financial assets sold under repurchase agreements and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and other sources of funds other than issuance of shares, including bank and other borrowings and financial assets sold under repurchase agreements. Based on the recommendation of the directors of the Company, the Group will balance its overall capital structure through raising or repayment of borrowings.

CMBC Securities Company Limited, CMBC International Futures Company Limited, CMBC Asset Management Company Limited and CMBCIC are registered by the Hong Kong Securities and Futures Commission (the "**SFC**") and are subject to the liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "**SF(FR)R**") adopted by the SFC. For the licensed subsidiaries, the Group ensures each of them maintains a liquid capital level adequate to support the level of activities with sufficient buffer to accommodate for increases in liquidity requirements arising from potential increase in the level of business activities.

36 CAPITAL RISK MANAGEMENT (continued)

The Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total debt divided by capital and total debt. During the year ended 31 December 2020 and 2019, the Group's strategy was to maintain a reasonable gearing ratio. During the year ended 31 December 2020 and 2019, the Group's strategy was to maintain a balance between higher shareholder returns with higher levels of borrowings and solid capital position, and make adjustment to capital structure in light of changes in economic conditions. The gearing ratio at 31 December 2020 and 31 December 2019 were as follows:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Notes payable	**–**	50,000
Loans from an intermediate holding company	**4,344,207**	5,656,678
Financial assets sold under repurchase agreements	**3,390,747**	3,180,420
Total debt	**7,734,954**	8,887,098
Equity attributable to owners of the Company	**2,599,968**	2,222,243
Capital and total debt	**10,334,922**	11,109,341
Gearing ratio	**0.75**	0.80

Gearing ratio of the Group remained at a similar level and it was 0.75 as at 31 December 2020 (31 December 2019: 0.80) as the Group has maintained its funding sources in developing its business segments.

37 FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**1,240,808**	952,053
Loans and advances	**1,485,217**	2,210,711
Financial assets at amortised cost	**77,272**	171,078
Accounts receivable	**502,816**	601,243
Deposits and other receivables	**31,171**	51,215
Interests receivable	**119,836**	147,676
Amount due from an intermediate holding company	**–**	4,109
Cash held on behalf of customers	**357,370**	35,279
Cash and cash equivalents	**378,170**	400,708
Financial assets at amortised cost	**2,951,852**	3,622,019
Financial assets at fair value through other comprehensive income	**6,835,510**	6,888,906
Financial Liabilities		
At amortised cost	**8,314,072**	9,227,425
At fair value through profit or loss	**93,922**	27,977

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through other comprehensive income, financial assets at amortised cost, accounts receivable, deposits and other receivables, loans and advances, financial assets at fair value through profit or loss, bank balances, accounts payable, other payables, bank and other borrowings, financial assets sold under repurchase agreements and financial liabilities at fair value through profit or loss. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The Group's credit risk is primarily attributable to accounts receivable, other receivables, interests receivable, financial assets at fair value through profit or loss, financial assets at amortised cost, financial assets at fair value through other comprehensive income, loans and advances and bank balances as at 31 December 2020 and 31 December 2019.

The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at 31 December 2020 and 31 December 2019 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. For details relating to credit losses and impairment of financial assets, please refer to Note 2(s).

The Group assessed the impact of COVID-19 and incorporated adjustments in ECLs through adjusting the weighting of scenarios, particularly addressing the "bad scenario", to reflect the effects of the economic changes of the severity and speed brought about by the COVID-19.

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

In order to manage the credit risk in the accounts receivable due from clients arising from businesses of dealing in securities, individual credit evaluation are performed on all clients including cash and margin clients. Accounts receivable from cash clients generally settled in two days after trade date, credit risk arising from the accounts receivable due from cash clients is considered minimal. For margin clients, the Group normally obtains liquid securities as collateral based on the margin requirements. The Group has not granted any committed facility amount to each of the margin clients and the margin loan is granted by the Group depending on the assessment of the quality of the collateral and credit risk of the respective client. The margin requirement is closely monitored on a daily basis by the designated team. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In this regard, the directors of the Company consider that the credit risk is significantly reduced. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

In respect of accounts receivable from clearing houses arising from businesses of dealing in securities and futures and options contracts, credit risks are considered low as the Group normally enters into transactions with clearing houses or agents which are registered with regulatory bodies. The Group's concentration of credit risk by geographical locations is mainly in Hong Kong. As at 31 December 2020, the Group has concentration risk on its accounts receivable as the balance with the largest client represent 41% (2019: 35%) of the total accounts receivable from cash and margin clients and the three largest clients represent 41%, 19% and 11% (2019: 35%, 18% and 15%) respectively, of the accounts receivable from cash and margin clients. The Group has no other significant concentration risk.

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

The Company manages credit risk of loans and advances by obtaining collaterals, guarantees or keepwell and liquidity deed from the borrowers. For loans and advances, the management, the risk control department and relevant business units will review the financial strength, purpose of the borrowing, repayment ability of the borrower to ensure that the borrower has sound financial repayment ability prior to entering into a transaction. The Group assesses the credit profile of each individual debtor by analysing many factors that influence the default probability, including (but not limited to) the counterparty's financial profile, business prospects and management, macroeconomic development, industrial and sovereign risk, and historical performance. In the post-investment stage, the financial conditions of the borrower or the guarantors will be reviewed on a regular basis.

For the Group's investments in listed bonds investments, the management, the risk control department and respective business units of the Group assess the financial performance and relevant business environment of the issuers to ensure that the issuers can satisfy the repayment of the principal and interest as they fall due. The Group has set portfolio size and single issuer limits to control the Group's exposure to the credit risk. The Group also monitors the credit ratings and market news of the issuers of respective bond investments for any indication of potential credit deterioration.

The Group was exposed to the counterparty default risk on certain total return swaps. The risk exposure is determined by the change in the fair value of the derivatives. The Group assesses the financial strength and repayment ability of the counterparty before entering into a transaction and monitors its credit risk on a regular basis, keeps track of the credit risk of the Group's business products and its transaction counterparties.

For the other financial assets, the management has closely monitored their status and it believes that the Group's credit risk exposure on them is minimal.

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(b) Liquidity risk

The Group manages liquidity risk by maintaining sufficient bank balances and cash and the availability of funding through an adequate amount of committed credit facilities. The Group also aims at maintaining flexibility in funding by arranging and keeping committed facilities and other external financing available.

The Group's primary cash requirements have been driven by operations, investments and repayment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations and cash reserve.

The following tables detail the Group's liquidity analysis for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted contractual cash outflows on the financial liabilities. To the extent that interest flows are floating rate, the undiscounted amount is derived from the prevailing market rate at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 December 2020							
Accounts payable	–	359,441	–	–	–	359,441	359,441
Other payables	–	2,667	–	–	5,000	7,667	7,667
Interest payables	–	9,789	–	–	–	9,789	9,789
Amount due to an intermediate holding company	–	5,927	–	–	–	5,927	5,927
Bank and other borrowings	4%	–	–	4,550,721	–	4,550,721	4,446,443
Financial assets sold under repurchase agreements	0.4%–1.85%	3,331,915	58,832	–	–	3,390,747	3,390,747
Lease liabilities	4.5%	–	4,565	20,541	79,881	104,987	94,058
		3,709,739	63,397	4,571,262	84,881	8,429,279	8,314,072

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 December 2019							
Accounts payable	–	38,958	–	–	–	38,958	38,958
Other payables	–	46,321	–	2,080	5,000	53,401	53,401
Interest payables	–	37,778	–	–	–	37,778	37,778
Bank and other borrowings	4%–4.24%	–	–	5,884,541	–	5,884,541	5,748,468
Notes payable	5%	–	–	52,500	–	52,500	50,000
Financial assets sold under repurchase agreements	1.9%–3.0%	3,180,420	–	–	–	3,180,420	3,180,420
Financial liabilities at fair value through profit or loss	–	27,977	–	–	–	27,977	27,977
Lease liabilities	4.5%	2,282	4,565	20,541	107,269	134,657	118,400
		3,333,736	4,565	5,959,662	112,269	9,410,232	9,255,402

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(c) Interest rate risk

(i) Cash flow interest rate risk

The Group's cash flow interest rate risk arises primarily from variable rate financial assets and liabilities including accounts receivable from margin clients and financial assets sold under repurchase agreements.

The Group's exposure to changes in interest rates primarily relates to its certain variable rate accounts receivable arising from the business dealing in securities, bank balances and financial assets sold under repurchase agreements. The management monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank saving balances and bank deposits where necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for certain variable rate accounts receivable arising from the business dealing in securities, bank balances and financial assets sold under repurchase agreements at the end of the reporting period. The analysis is prepared assuming these balances outstanding at the end of the reporting period were held/outstanding for the whole year. A 50 basis points (2019: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would decrease by HK$11,318,000 or increase by HK$12,151,000 (2019: decrease by HK$10,657,000 or increase by HK$10,837,000).

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(c) Interest rate risk (continued)

(ii) Fair value interest rate risk

The Group's fair value interest rate risk arises primarily from financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss at the end of the reporting period. The analysis is prepared assuming these balances outstanding at the end of the reporting period were held/outstanding for the whole year. A 50 basis points (2019: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would decrease or increase by HK$1,789,000 (2019: decrease or increase by HK$2,492,000), and the Group's other comprehensive income for the year ended 31 December 2020 would decrease or increase by HK$49,657,000 (2019: decrease or increase by HK$56,487,000).

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(d) Other price risk

The Group is exposed to other price risk through its investment in financial assets at fair value through profit or loss. The management manages its exposure by maintaining a portfolio of investments with different risk profiles.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to other price risk arising from investment in financial assets at fair value through profit or loss at the end of the reporting period.

	As at 31 December 2020		
	Increase/ (decrease) in prices of underlying instrument	Carrying amount HK$'000	Increase/ (decrease) in profit after tax HK$'000
Financial assets at fair value through profit or loss:			
– Unlisted equity investments	5%/(5%)	230,715	2,557/(1,981)
– Unlisted investment funds	5%/(5%)	700,113	16,365/(17,013)
– Derivative financial instrument–credit derivative	5%/(5%)	68,563	2,862/(2,862)
Financial liabilities at fair value through profit or loss:			
– Derivative financial instrument–credit derivative	5%/(5%)	93,922	3,921/(3,921)

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(d) Other price risk (continued)

Sensitivity analysis (continued)

	As at 31 December 2019		
	Increase/ (decrease) in prices of underlying instrument	Carrying amount HK$'000	Increase/ (decrease) in profit after tax HK$'000
Financial assets at fair value through profit or loss:			
– Listed equity investments	5%/(5%)	25,454	1,063/(1,063)
– Unlisted equity investments	5%/(5%)	290,790	5,021/(5,000)
– Unlisted investment funds	5%/(5%)	299,212	5,714/(6,499)

(e) Fair value measurement

Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement (continued)

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The fair value has been determined using appropriate valuation techniques and inputs for fair value measurements. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

	Fair value		Fair value hierarchy	Valuation techniques	Significant unobservable input
	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000			
Financial assets					
Financial assets at fair value through profit or loss					
– Listed equity investments	**–**	25,454	Level 1	Quoted market closing prices in an active market	N/A
– Listed debt investments	**241,417**	94,071	Level 2	Quoted price from broker/financial institution	N/A
– Unlisted equity investments	**230,715**	290,790	Level 3	Recent transaction price/Binomial model	Discount rate for lack of marketability/Forward Price-to-Earnings ratio
– Unlisted investment funds	**700,113**	299,212	Level 3	Recent transaction price/Trending on stock price movement/Equity allocation model	Stock price movement/ Scenario probability
– Unlisted convertible debt investments	**–**	242,526	Level 3	Discounted cash flow	Discount rate
– Derivative financial instrument–credit derivative	**68,563**	–	Level 2	Quoted price from broker/financial institution	N/A

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	Fair value		Fair value hierarchy	Valuation techniques	Significant unobservable input
	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000			
Financial assets					
Financial assets at fair value through other comprehensive income					
– Listed debt investments	**5,173,757**	5,814,815	Level 2	Quoted price from broker/financial institution	N/A
– Listed equity instruments	**1,661,753**	1,074,091	Level 2	Quoted price from broker/financial institution	N/A
Financial liabilities					
Financial liabilities at fair value through profit or loss					
– Payables to interest holders of unlisted consolidated investment funds, designated at FVTPL	**–**	27,977	Level 3	Net asset value	N/A
– Derivative financial instrument–credit derivative	**93,922**	–	Level 2	Quoted price from broker/financial institution	N/A

During the year ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2.

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) *Fair value measurement (continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2020 HK$'000	2019 HK$'000
Financial assets at fair value through profit or loss		
Unlisted equity investments:		
At 1 January	290,790	224,601
Payment for purchase	–	7,820
Changes in fair value recognised in profit or loss during the year	(63,118)	60,924
Exchange gain/(loss) recognised in profit or loss during the year	3,043	(2,555)
At 31 December	230,715	290,790
Unlisted investment funds:		
At 1 January	299,212	193,135
Payment for purchase	244,553	54,861
Repayment	(55,452)	–
Changes in fair value recognised in profit or loss during the year	213,133	52,786
Exchange loss recognised in profit or loss during the year	(1,333)	(1,570)
At 31 December	700,113	299,212
Unlisted convertible promissory note:		
At 1 January	–	23,495
Conversion to listed security	–	(23,540)
Exchange gain recognised in profit or loss during the year	–	45
At 31 December	–	–

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	2020 HK$'000	2019 HK$'000
Unlisted convertible debt investments:		
At 1 January	**242,526**	482,039
Repayment	**(241,678)**	(240,073)
Changes in fair value recognised in profit or loss during the year	**242**	1,730
Exchange loss recognised in profit or loss during the year	**(1,090)**	(1,170)
At 31 December	**–**	242,526
Total unrealised gains for the year included in profit or loss for assets held at the end of the reporting period	**150,257**	115,440
Financial liabilities at fair value through profit or loss		
Payables to interest holders of unlisted consolidated investment funds, designated at FVTPL:		
At 1 January	**27,977**	22,930
Changes in fair value recognised in profit or loss during the year	**(28,828)**	5,047
Exchange loss recognised in profit or loss during the year	**851**	–
At 31 December	**–**	27,977
Total unrealised (gains)/loss for the year included in profit or loss for liabilities held at the end of the reporting period	**(28,828)**	5,047

37 FINANCIAL INSTRUMENTS (continued)

Fair value of financial assets and liabilities that are not measured at fair value

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised at amortised cost approximate their fair values, which were determined in accordance with generally accepted pricing models based on undiscounted cash flow analysis, as at 31 December 2020 and 31 December 2019.

38 SHARE OPTION SCHEME

The share option scheme of the Company (the "**Share Option Scheme**") was adopted by the Company at the annual general meeting of the Company held on 24 September 2012. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Share Option Scheme shall provide incentive to encourage participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions. Eligible participants of the Share Option Scheme include any individual being an employee, officer, agent, consultant or representatives of any member of the Group (including any executive or non-executive director of any member of the Group) who, as the Board of Directors may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his/her performance and/or years of service, or is regarded to be a valuable human resource of the Group based on his/her working experience, knowledge in the industry and other relevant factors. The offer of a grant of share options may be accepted within thirty days from the date of grant. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00.

The subscription price for the shares on the exercise of options under the Share Option Scheme shall be a price determined by the Board of Directors and notified to the relevant participant at the time of grant of the options (subject to any adjustments made pursuant to the Share Option Scheme and the relevant provisions of the Rules Governing the Listing of securities on the Stock Exchange) is made to (subject to acceptance by) the participant and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is granted, which date must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the option is granted; and (iii) the nominal value of the share. The exercise period of the share options granted is determinable by the directors but in any event, not longer than ten years from the date of grant.

38 SHARE OPTION SCHEME (continued)

The total number of shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the shares in issue as at the proposed date of grant. Any further grant of options to a participant in excess of the 1% limit shall be subject to the shareholders' approval of the Company with such participant and his/her associates abstaining from voting.

The limit on the total number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company (excluding lapsed and cancelled options) must not exceed 30% of the total number of the shares in issue from time to time. In addition, the total number of the shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), must not represent more than 10% of the total number of the shares in issue as at the date of approval of the Share Option Scheme (the "**Scheme Mandate Limit**") or as at the date of approval of the refreshed Scheme Mandate Limit as the case maybe.

As at 31 December 2020, there was no outstanding share options (31 December 2019: Nil).

39 RETIREMENT BENEFITS SCHEMES

The Group participates in a Mandatory Provident Fund Scheme (the "**MPF Scheme**") established under the Hong Kong Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group independently in administered funds under the control of the trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by the employee. The Group follows the minimum contribution requirement of 5% of eligible employees' relevant aggregated income with a cap of HK$1,500 per employee per month since 1 June 2014.

The contributions made by the Group to the MPF Scheme are charged to the consolidated statement of profit or loss and other comprehensive income when employees have rendered service to the Group.

40 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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 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 obligations receivable and payable with HKSCC on the same settlement date.

Except for above, amounts due from/to HKSCC that are not to be settled on the same date, accounts receivable and payable from clients and brokers not intends to settle on a net basis, financial collateral including cash and securities received by the Group, deposit placed with HKSCC do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

40 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(a) Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

	At 31 December 2020				
Type of financial assets	**Gross amounts of recognised financial assets after impairment HK$'000**	**Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK$'000**	**Net amounts of financial assets presented in the consolidated statement of financial position HK$'000**	**Related amounts not set off in the consolidated statement of financial position HK$'000**	**Net amount HK$'000**
Accounts receivable arising from the business of dealing in securities brokerage, futures and options dealing services	**480,502**	**–**	**480,502**	**(2,717)**	**477,785**

	At 31 December 2019				
Type of financial assets	Gross amounts of recognised financial assets after impairment HK$'000	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
Accounts receivable arising from the business of dealing in securities brokerage, futures and options dealing services	592,987	(8,732)	584,255	(770)	583,485

40 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

	At 31 December 2020				
Type of financial liabilities	**Gross amounts of recognised financial liabilities HK$'000**	**Gross amounts of recognised financial assets offset in the consolidated statement of financial position HK$'000**	**Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000**	**Related amounts not set off in the consolidated statement of financial position HK$'000**	**Net amount HK$'000**
Accounts payable arising from the business of dealing in securities brokerage, futures and options dealing services	**359,441**	**–**	**359,441**	**(2,717)**	**356,724**

	At 31 December 2019				
Type of financial liabilities	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets offset in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position HK$'000	Net amount HK$'000
Accounts payable arising from the business of dealing in securities brokerage, futures and options dealing services	44,066	(5,108)	38,958	(770)	38,188

41 RELATED PARTY TRANSACTIONS

Compensation to key management personnel of the Group which represents directors of the Company is set out in note 11.

Except for disclosed elsewhere in the financial statements, the Group entered into the following material transactions and balances with related parties:

(a) Transactions with related parties:

	2020 HK$'000	2019 HK$'000
Interest expense to an intermediate holding company (Note (i))	**242,629**	242,650
Interest income from a branch of the ultimate holding company	**2**	13
Interest expense to a branch of the ultimate holding company	**102**	2,027
Distribution fee to a subsidiary of an intermediate holding company (Note (ii))	**4,500**	–
Distribution fee to a branch of the ultimate holding company (Note (ii))	**118**	–
Asset management fee incomes from an intermediate holding company and segregated portfolios invested by an intermediate holding company (Note (iii))	**96,425**	76,981
Performance fee income from a segregated portfolio invested by an intermediate holding company (Note (iii))	**40,381**	–
Office sharing fee income from an intermediate holding company	**8,880**	5,180

Notes:

(i) During the year, an intermediate holding company provided loans in aggregate amount of approximately HK$4,344,207,000 (2019: HK$5,656,678,000) to the Group. The loans bear annual interest rate of 4% (2019: 4.0% to 4.24%) and repayable within one year (2019: within one year) from the drawdown date. Interest payables of approximately HK$102,236,000 (2019: HK$91,790,000) are accrued from these loans during the year.

(ii) During the year ended 31 December 2020, the Company incurred distribution fee for the distribution services provided by a subsidiary of an intermediate holding company and a branch of the ultimate holding company.

(iii) During the year, the Group earned asset management fee income for the asset management services provided to an intermediate holding company and segregated portfolios invested by an intermediate holding company, and earned performance fee income for the asset management services provided to a segregated portfolio invested by an intermediate holding company.

41 RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Amount due from an intermediate holding company	–	4,109
Amount due to an intermediate holding company	5,927	–
Loans from an intermediate holding company	4,446,443	5,748,468
Bank balances at a branch of the ultimate holding company		
– House accounts	19,686	26,322
– Segregated accounts	171,207	238
Accounts payable to the immediate holding company	3	605

(c) Service agreement with related party

On 4 April 2019 and 29 May 2019, the Company entered into the service agreement and the supplemental agreement to the service agreement with CMBCI respectively, pursuant to which (i) the Group agreed to provide asset management services to CMBCI, its subsidiaries (other than the members of the Group) and its associates; (ii) CMBCI and its subsidiaries (other than the members of the Group) agreed to provide the distribution services and the underwriting referral services to the Group; and (iii) the Group agreed to provide underwriting and sub-underwriting services to CMBCI, its subsidiaries (other than the members of the Group) and its associates.

On 31 May 2019, the Company entered into the office sharing agreement with CMBCI, pursuant to which the Company agreed to grant CMBCI the non-exclusive right to use certain area of the office space in consideration of the sharing fees payable by CMBCI. On 31 December 2019, the Company entered into the renewed office sharing agreement with CMBCI to renew the existing office sharing agreement and also entered into the renewed deposit services agreement with CMBC HK Branch to renew the existing deposit services agreement.

41 RELATED PARTY TRANSACTIONS (continued)

(c) Service agreement with related party (continued)

On 23 July 2019, the Company (for itself and on behalf of other members of the Group) entered into a service agreement (the "**Service Agreement**") with China Minsheng Banking Corp., Ltd. ("**China Minsheng**") (for itself and on behalf of other members of China Minsheng and its subsidiaries, excluding the members of the Group ("**China Minsheng Group**"), pursuant to which, (i) the Group agreed to provide the asset management services, investment advisory services and ancillary services to China Minsheng Group, its associates or any third parties who are deemed to be connected with the Company under Rule 14A.20 of the Listing Rules; (ii) China Minsheng Group agreed to provide the distribution services to the Group; (iii) China Minsheng Group agreed to provide the underwriting referral services to the Group pursuant to the Service Agreement; and (iv) the Group agreed to provide the underwriting services for securities (including but not limited to securities issued by China Minsheng Group) to China Minsheng Group. The Service Agreement and the transactions contemplated thereunder, and the Proposed Annual Caps were approved at the special general meeting on 23 September 2019.

On 27 July 2020, the Company proposed to revise the annual caps of the asset management services, investment advisory services and ancillary services provided by the Group to the China Minsheng Group, and the distribution services to be provided by China Minsheng Group to the Group pursuant to the service agreement dated 23 July 2019 for the years ending 31 December 2020 and 2021. The proposed revised annual caps were approved by the independent shareholders of the Company at the special general meeting held on 26 August 2020.

During the year ended 31 December 2020, transactions relating to provision of asset management services, provision of distribution services, provision of deposit services and office sharing (2019: transactions relating to provision of asset management services, provision of deposit services and office sharing) were listed in note 41(a).

42 DETAILS OF SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are set out below:

Name	Place of incorporation and operations	Paid-up registered capital	Proportion of ownership interest held by the Company				Principal activities
			Direct		Indirect		
			As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019	
CMBC Securities Company Limited	Hong Kong	Ordinary HK$1,050,000,000	100%	100%	-	-	Provision of brokerage services and securities margin financing services
CMBC International Futures Company Limited	Hong Kong	Ordinary HK$10,000,000	100%	100%	-	-	Provision of futures and options dealing services
CMBC Asset Management Company Limited	Hong Kong	Ordinary HK$12,000,000	100%	100%	-	-	Provision of asset management services
CMBC International Capital Limited	Hong Kong	Ordinary HK$20,000,000	100%	100%	-	-	Advisory and corporate financing
CMBC Capital Finance Limited	Hong Kong	Ordinary HK$1	100%	100%	-	-	Provision of loan financing services
CMBC Investment (HK) Limited	Hong Kong	Ordinary HK$10,000,000	100%	100%	-	-	Investment holding
Cap Port Holding Limited	British Virgin Islands	Ordinary US$100	-	-	100%	100%	Investment holding
Cap FH Holding Limited	British Virgin Islands	Ordinary US$1	-	-	100%	100%	Investment holding
YBX Company Limited	Hong Kong	Ordinary HK$1	-	-	100%	100%	Investment holding
Cap Success Holding Limited	British Virgin Islands	Ordinary US$1	-	-	100%	100%	Investment holding
CMBCC Co-High Medical Investment Fund SP	Cayman Islands	N/A	60%	60%	-	-	Investment holding
CMBCC Investment Fund SPC-CMBCC Special Opportunities Fund SP8	Cayman Islands	N/A	-	-	100%	-	Investment holding

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

43 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Unlisted investment funds	**700,113**	299,212

The Group has concluded that the unlisted investment funds in which it invests, but that it does not consolidate meets the definition of structured entities because:

– the voting rights in the funds are not dominant rights in deciding who controls them as they relate to administrative tasks only;

– each fund's activities are restricted by its articles of associations; and/or

– the funds have narrow and well defined objectives to provide investment opportunities to investors.

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest:

Type of structured entity	Nature and purpose	Interest held by the Group
Unlisted investment funds	To manage assets on behalf of third party investors	Acting as limited partner

43 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (continued)

The table below sets out interests held by the Group in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

	31 December 2020	
	Number of investment funds	**Carrying amount included in financial assets at fair value through profit or loss HK$'000**
Unlisted investment funds	**5**	**700,113**

	31 December 2019	
	Number of investment funds	Carrying amount included in financial assets at fair value through profit or loss HK$'000
Unlisted investment funds	3	299,212

During the year ended 31 December 2020 and 2019, the Group did not provide financial support to the unconsolidated structured entities and has no intention of providing financial or other support.

44 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Non-current assets		
Property, plant and equipment	**9,388**	11,853
Right-of-use asset	**93,428**	116,785
Investment in subsidiaries	**1,195,966**	1,185,966
Loans and advances	**–**	241,752
Rental deposit	**7,649**	7,648
Deferred tax assets	**549**	692
	1,306,980	1,564,696
Current assets		
Prepayments, deposits and other receivables	**2,521**	2,220
Loans and advances	**673,033**	685,324
Financial assets at fair value through profit or loss	**12,397**	54,808
Amount due from an intermediate holding company	**–**	4,109
Amounts due from subsidiaries	**5,116,055**	6,091,048
Cash and cash equivalents	**89,553**	136,041
	5,893,559	6,973,550
Current liabilities		
Other payables and accruals	**68,388**	56,138
Notes payable	**–**	50,000
Bank and other borrowings	**4,446,443**	5,748,468
Amounts due to subsidiaries	**947,928**	768,605
Amounts due to an intermediate holding company	**5,927**	–
Tax payable	**–**	1,886
Lease liabilities	**27,388**	27,388
	5,496,074	6,652,485
Net current assets	**397,485**	321,065
Total assets less current liabilities	**1,704,465**	1,885,761

44 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Non-current liabilities		
Lease liabilities	**66,670**	91,012
Deferred tax liabilities	**188**	3,393
	66,858	94,405
Net assets	**1,637,607**	1,791,356
Capital and reserves		
Share capital	**476,279**	476,792
Reserves	**1,161,328**	1,314,564
Total equity	**1,637,607**	1,791,356

44 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

	Share premium HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 December 2018	1,765,505	2,318,758	–	(2,661,268)	1,422,995
Loss for the year and total comprehensive loss for the year	–	–	–	(9,301)	(9,301)
Shares repurchased and cancelled	(3,441)	–	–	–	(3,441)
Shares repurchased but not yet cancelled	–	–	(282)	–	(282)
Dividend approved in respect of the previous year	–	(95,407)	–	–	(95,407)
At 31 December 2019	**1,762,064**	**2,223,351**	**(282)**	**(2,670,569)**	**1,314,564**
Profit for the year and total comprehensive income for the year	**–**	**–**	**–**	**10,533**	**10,533**
Shares repurchased and cancelled	**(6,393)**	**–**	**281**	**–**	**(6,112)**
Shares repurchased but not yet cancelled	**–**	**–**	**(387)**	**–**	**(387)**
Dividend approved in respect of the previous year	**–**	**(157,270)**	**–**	**–**	**(157,270)**
At 31 December 2020	**1,755,671**	**2,066,081**	**(388)**	**(2,660,036)**	**1,161,328**

Financial Summary

	Notes	For the year ended 31 December **2020** **HK$'000**	2019 HK$'000	2018 HK$'000	For the period from 1 April 2017 to 31 December 2017 HK$'000	For the year ended 31 March 2017 HK$'000
RESULT						
Continuing operations						
Revenue	1	**1,019,185**	978,683	791,190	165,180	83,705
Profit/(loss) before taxation	1	**485,180**	425,240	284,737	129,903	(1,042,695)
Taxation	1,2	**(91,960)**	(68,377)	(39,541)	(11,540)	(5,342)
Profit/(loss) for the year/period from continuing operations		**393,220**	356,863	245,196	118,363	(1,048,037)
Discontinued operations						
(Loss)/profit for the year/period from discontinued operations		**–**	–	–	(95)	5,939
Profit/(loss) for the year/period		**393,220**	356,863	245,196	118,268	(1,042,098)
Profit attributable to owners of the Company		**393,220**	356,863	245,196	118,268	(1,042,098)

Financial Summary

	Notes	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	As at 31 March 2017 HK$'000
		As at 31 December				
ASSETS AND LIABILITIES						
Total assets	1,2	**11,165,199**	11,639,816	10,441,715	5,314,847	1,735,276
Total liabilities	1,2	**(8,565,231)**	(9,417,573)	(8,565,639)	(4,034,661)	(586,427)
		2,599,968	2,222,243	1,876,076	1,280,186	1,148,849
Equity attributable to owners of the Company		**2,599,968**	2,222,243	1,876,076	1,280,186	1,148,849

Notes to the five year summary:

1. As a result of the adoption of HKFRS 15, Revenue from contracts with customers, with effect from 1 January 2018, the Group has changed its accounting policies in respect of revenue recognition. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to equity as at 1 January 2018. Figures in years earlier than 2018 are stated in accordance with the policies applicable in those years.

2. The Group adopted HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation, from 1 January 2018. As a result, the Group has changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group has not restated information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognised in retained earnings and reserves at 1 January 2018. There was no difference in the carrying amounts of the financial liabilities. Prior to 1 January 2018, figures were stated in accordance with the policies applicable in those years.