民銀資本
CMBC CAPITAL HOLDINGS LIMITED

Incorporated in Bermuda with limited liability
Stock Code: 1141

ANNUAL REPORT
2021

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
"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
"Development Strategy Committee"	the development strategy committee of the Board

Abbreviations

"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" or "China"	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 2020
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Year"	the financial year ended 31 December 2021
"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$0.4 each in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	The United States of America
"US$"	United States Dollars, the lawful currency of the United States
"%"	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[1][2][3][4]

Mr. Yang Kunpeng[1]
Mr. Li Wenshi[2]

Independent Non-executive Director

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[2][3]

Mr. Wu Bin *(Chairman)*
Mr. Li Wenshi
Mr. Wang Lihua

NOMINATION COMMITTEE[2][3]

Mr. Wu Bin *(Chairman)*
Mr. Li Wenshi
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

Notes:

(1) Mr. Yang Kunpeng was appointed as a non-executive Director and the chairman of the Risk Management and Internal Control Committee, with effect from 29 June 2021.

(2) Mr. Li Wenshi was appointed as a non-executive Director and a member of the Nomination Committee, Remuneration Committee and Development Strategy Committee, with effect from 29 June 2021.

(3) Mr. Ren Hailong has retired as a non-executive Director and a member of the Nomination Committee, Remuneration Committee and Development Strategy Committee, with effect from 29 June 2021.

(4) Mr. Liao Zhaohui has retired as a non-executive Director and the chairman of the Risk Management and Internal Control Committee, with effect from 29 June 2021.

Chairman's Statement

ECONOMIC AND MARKET REVIEW

In 2021, with the progress of the global vaccination program for the COVID-19 pandemic, the production side gradually returned to the pre-pandemic level. Balance sheets of major central banks continued to expand, market interest rates remained low, active fiscal policy added more impetus to the demand pick-up, consumer demand improved and the economies of major countries and regions such as China and the US gradually began to recover. China's GDP grew by 8.1% in 2021 as compared to 2020, the highest economic growth rate among the world's major economies. On the other hand, following a 6.5% year-on-year decline in 2020, Hong Kong's economy returned to a 6.4% growth in 2021. However, the emergence of new variants of COVID-19 during the year and the need for certain countries to cope with the extremely severe outbreaks, as well as the various restrictive measures imposed from time to time inflicted a heavy impact on many countries around the world. Despite the improvement in overall economic activities and global trade trends, some sectors continued to face difficulties due to the economic volatility brought about by the resurgence of the global outbreaks. The pandemic has also created an imbalance between supply and demand, leading to increased operational and cost challenges. This, coupled with the complexity of the international situation, result in a highly volatile market environment in 2021. The global recovery in 2021 was not an easy one.

Hong Kong's stock market expected a post-vaccination economic recovery and a resumption of the US and European economies in early 2021, with the Hang Seng Index rising to a full-year high of 31,183 points in February. However, due to a subsequent series of regulatory and economic events such as the uncertainty in the relationship between China and the US, blow-up of large hedge funds, the tightening of regulatory policies in the internet sector and the successive debt crises of the Chinese's real estate companies, Hong Kong's stock market performed weakly in the second half of 2021. On the other hand, commodities continued to rise unprecedentedly, driven by multiple factors such as global fiscal and monetary policies, supply shortages, the depreciation of the US dollar and economic recovery, triggering rising market concerns over inflation and expectations of an early turnaround in the Federal Reserve's monetary policy. The Hang Seng Index fell to a year low of 22,665 points in December, with the difference in spread between the peak and the trough of the index amounting to approximately 8,518 points for the year. In 2021, the Hang Seng Index closed at 23,397 points, representing a cumulative decline of 3,833 points or 14.1% and underperformed other major indices.

In respect of IPOs, the IPO market on the Stock Exchange remained relatively active in 2021, although the number of new IPOs listed on the Main Board dropped to 98 representing a 36% year-on-year decline. With a number of secondary listings of Chinese stocks and large IPOs with weighted voting rights, as well as a large number of new economy companies and healthcare and biotechnology companies, the total capital raised in 2021 amounted to approximately HK$328.9 billion representing a decline of approximately 17.8% from those in 2020. The total capital raised in the Hong Kong capital market, including placements, rights issues and initial public offerings, was approximately HK$770.7 billion, representing an increase of 3.2% from approximately HK$747 billion in 2020.

ECONOMIC AND MARKET REVIEW (CONTINUED)

With respect to the US dollar bond market, as the inflation indicators continued to rise due to the increasing fiscal stimulus in the US and the frequent occurrence of corporate credit events in China, the risk appetite of the investors in the secondary market became cautious and the performance of the trading indices was volatile, but the issuance size in the primary market remained stable. The bonds issued in G3 currencies (US dollar, the euro, and Japanese yen) in Asia (excluding Japan) in 2021 amounted to approximately US$350 billion.

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 enormous network and 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 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.

During the Reporting Year, the bond underwriting business has improved as compared with the Previous Year. The Group completed 163 overseas bond issuances for 129 issuers. With respect to the corporate finance business, the Group continued to develop its listing sponsor and stock underwriting business steadily. During the Reporting Year, the number of Stock Exchange Main Board listing applications submitted to the Stock Exchange was 5 and the number of sponsor projects successfully listed thereon was 4 (one of which was offered at the end of December 2021 and listed in early January 2022). With respect to the stock underwriting, the Group participated in 18 stock underwriting projects as a joint bookrunner or higher capacity. The asset management business saw a stable development. The asset management team endeavored to study the fundamentals of the investment targets, focused on enhancing the quality of portfolio assets, increased the proportion of investment-grade bonds significantly and avoided credit risk events effectively, so as to preserve the clients' assets. In relation to the investment and financing business, the Group continued to pursue a prudent and steady investment strategy and participated in diversified investment markets, including but not limited to listed bonds, listed equities, unlisted equities, unlisted funds, quoted investment fund and loans in accordance with the regulatory trends in Hong Kong and global market dynamics. The investment and financing business achieved growth in its overall scale during the Reporting Year by strengthening the investment and trading capabilities and refined management to enhance the standardised investment business.

Chairman's Statement

BUSINESS REVIEW (CONTINUED)

Under 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$815.0 million, representing a decrease of approximately 23.6% from approximately HK$1,067.0 million in the Previous Year, the net profit for the Reporting Year decreased from approximately HK$393.2 million in the Previous Year to approximately HK$291.2 million, representing a decrease of approximately 26.0%. The Group adhered to the principle of stable and steady operation amidst the COVID-19 pandemic, and achieved a total asset of approximately HK$14.54 billion as at 31 December 2021, representing an increase of approximately 30.2% from approximately HK$11.17 billion as at 31 December 2020. With respect to dividend, the Board will recommend a final dividend of HK7.48 cents per share for the year 2021 at the forthcoming general meeting.

FUTURE OUTLOOK AND STRATEGY

With the further promotion of vaccines, the global economy continues to recover. However, the current round of global economic activity has rebounded unevenly. Vaccines are the key to the reopening of the world. As the developed countries have a large vaccine coverage rate, they have expanded economic activity more rapidly, but most developing countries still have relatively low vaccine coverage rate and are lagging behind in the economic recovery, especially those that are highly dependent on contact-intensive services, and it may take longer for them to get back on track. On the other hand, the emergence of virus variants posed a major challenge to the global resilience in the COVID-19 pandemic, which has worsened again in many countries and hampered the global economic recovery. It cannot be ruled out that a new wave of outbreaks will be triggered, affecting the economic recovery process in various countries and regions and causing volatility in global capital markets.

As China's economic fundamentals remained solid, the GDP is expected to record a reasonable growth. Meanwhile, with a relatively stable monetary policy, the liquidity in China is expected to remain relatively loose. On the other hand, although the recovery of global economic activity is beneficial to the recovery of Hong Kong's economy, the ability to resume normal traveller clearance is still crucial to the full recovery of Hong Kong's economy.

Driven by the economic recovery and the return of unexpected inflation, the Federal Reserve has signalled the possibility of exiting from the quantitative easing. Concerns about a policy shift due to the return of inflation will divide global financial markets and may cause a certain degree of impact on the price performance of the asset with high valuation, and may also lead to increased risk in emerging markets and greater volatility in equity and bond markets.

In addition, the war conflict between Russia and Ukraine, the sanctions imposed on Russia by the western countries and Russia's counter-sanctions will drive up the energy and commodity prices and increase the market volatility, further dragging on the global economic recovery.

FUTURE OUTLOOK AND STRATEGY (CONTINUED)

Although there are many uncertainties over the market, the Group will ensure a stable and healthy performance through strict risk control measures.

The Group will maintain the overall keynote of steady development and continuous innovation, focus closely on the overall strategic objectives of China Minsheng Bank, seriously implement the basic strategy of China Minsheng Bank (a non-stated-own enterprises, an agile and open bank, and a bank with considerate services), and continue to broaden and deepen the business structure and scope of the Group in order to ensure the continuous growth of the Group's overall performance. The Group will further improve its FinTech platform and actively explore the development of a networked and data-driven business system in order to provide better services to its clients.

As a fully licensed investment bank in Hong Kong and a key member of China Minsheng Bank Group, the Group will continue to capitalise its advantages and adhere to the principle of "Standardisation, Efficiency, Innovation and Excellence" to provide a full range of financial services to its clients in the Greater China region, especially to the emerging private enterprises in China. At the same time, the Group will continue to actively seek merger and acquisition opportunities that are beneficial to the long-term development of the Company and strive to become a platform for the supply of international investment banking products and services for China Minsheng Bank, a financial services platform for cross-border business of key clientele and an equity investment platform for small and medium-sized technology and innovation businesses in China, so as 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$291.2 million (Previous Year: approximately HK$393.2 million), representing a decrease of 26.0% compared to the Previous Year. The Group's basic and diluted earnings per share was HK24.55 cents for the Reporting Year (2020: HK33.00 cents (Restated)).

The Group's revenue (including net gains or losses from investment) decreased by 23.6% to approximately HK$815.0 million during the Reporting Year, compared to approximately HK$1,067.0 million in the Previous Year. It was mainly due to the loss on securities investments and decrease in interest income from debt securities investments as a result of the significant volatility in the equity and bond markets in the second half of 2021.

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 2021 HK$'000	For the year ended 31 December 2020 HK$'000	**For the year ended 31 December 2021 HK$'000**	For the year ended 31 December 2020 HK$'000
Securities	**104,654**	87,194	**58,517**	60,020
Fixed-income direct investment	**274,895**	435,028	**(10,300)**	70,938
Other investment and financing	**242,713**	359,438	**113,444**	264,459
Asset management	**128,594**	137,432	**96,510**	103,249
Corporate finance and advisory	**64,109**	47,892	**34,171**	19,464
Others	**–**	–	**1,423**	(32,950)
Total	**814,965**	1,066,984	**293,765**	485,180

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

Securities

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

During the Reporting Year, the revenue and profit contributed by the securities segment were approximately HK$104.7 million and HK$58.5 million, respectively, compared to the revenue and profit of approximately HK$87.2 million and HK$60.0 million, respectively in the Previous Year. The increase of the segment revenue was mainly due to the increase in income from the bond underwriting business while the decrease in segment profit was mainly due to increase in finance cost and operating expenses.

During the Reporting Year, the Group completed 163 bond underwriting transactions for 129 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. From the perspective of the issuer's qualification, during the Reporting Year, the investment-grade bonds underwritten by the Group accounted for approximately 76.77% of the total underwriting volume, representing a significant increase as compared to approximately 62.21% in the Previous Year.

As one of the flagship business segment of the Group, 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. The underwriting of financial institutions, central government-owned enterprises and local state-owned enterprises accounted for approximately 80.2% of the total underwriting volume in the Reporting Year, and further enhanced the Group's reputation and image in Hong Kong's 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.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

Investment and Financing

During the Reporting Year, in the face of the economic volatility brought about by the resurgence of the global COVID-19 pandemic and the unfavorable environment in various industries, the Group continued to assess the situation, make timely and reasonable adjustments to its investment and financing strategies, and proactively adjust its strategies to adapt to changes in the market and risk environment, thus maintaining a healthy growth trend of its investment and financing portfolio as a whole.

With respect to investment, the Group is globally oriented with focus on the Greater China region. It actively seeks to invest in companies with outstanding core technology, strong growth potential and profitability and the business in an upward cycle. The Group pays attention to technology innovation companies and medical and healthcare companies with high growth potential. The Group also focuses on strategic cooperation with enterprises to provide them with value-added services to facilitate their development.

In terms of financing, the Group is committed to providing integrated financing solutions in different structural forms according to customers' needs, providing transaction structure design, financing distribution and other services. Specific products include, but are not limited to, asset-backed loans, merger and acquisition loans, convertible bond financing, equity pledge financing, bridge financing, etc.

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$274.9 million as compared to approximately HK$435.0 million in the Previous Year. The segment recorded a loss of approximately HK$10.3 million in the Reporting Year as compared to profit of approximately HK$70.9 million in the Previous Year. The segment loss was mainly attributable to the decrease in interest income from debt securities investments as a result of change in risk preference towards investments with higher credit rating and the loss from disposing certain bonds.

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, quoted investment fund and unlisted funds, as well as interest income from loans, amounted to an aggregate of approximately HK$242.7 million as compared to approximately HK$359.4 million in the Previous Year. The segment profit decreased from approximately HK$264.5 million in the Previous Year to approximately HK$113.4 million in the Reporting Year. The decrease in segment profit was mainly attributable to the decrease in interest income from provision of finance as a result of the decrease of the scale of financing, the decrease in investment gains and the increase in allowance for expected credit losses on loans and advances.

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

	31 December 2021 HK$'000	31 December 2020 HK$'000
Investment		
Listed equities	152,101	–
Unlisted equity interests	413,105	230,715
Listed bonds (measured at FVOCI)	9,610,682	6,835,510
Listed bonds (measured at FVTPL)	353,510	241,417
Listed bonds (measured at amortised cost)	62,172	77,272
Unlisted funds	852,198	700,113
Quoted investment fund	11,527	–
Derivative financial instrument – credit derivative	–	68,563
Total	11,455,295	8,153,590
Financing		
Loans and advances	841,160	1,485,217

BUSINESS REVIEW (CONTINUED)

Investment and Financing (Continued)

Other investment and financing (Continued)

As at 31 December 2021, 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 2021, the assets of the proprietary investment of the Group amounted to approximately HK$11.5 billion (2020: approximately HK$8.2 billion), including bonds investment of approximately HK$10.0 billion (2020: approximately HK$7.2 billion). The future performance of such portfolio will depend on many factors, including the performance of 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 total revenue of an aggregate of approximately HK$513.7 million (Previous Year: HK$578.7 million), including interest income of approximately HK$305.1 million (Previous Year: HK$460.7 million) from debt securities investments, interest income of approximately HK$40.8 million (Previous Year: HK$20.9 million) from FVTPL investments and dividend income and other investment income of approximately HK$167.8 million (Previous Year: HK$97.0 million).

For investments classified as financial assets measured at FVOCI and FVTPL, the Group recorded a net loss during the Reporting Year which mainly comprised: (i) net losses from disposal 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 Group 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 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 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 covers public funds, private funds, discretionary accounts and investment advisory services, and is committed to providing clients with a one-stop, multi-level asset management solution.

During the Reporting Year, facing the resurgence of the global COVID-19 pandemic, the volatility of the capital market, frequent occurrence of credit risk in the Chinese real estate US dollar-denominated bonds, the Group's asset management team, by following the principle of being "sensitive to market, loyal to trends, skilled at trading, ready to assume responsibility and strictly self-disciplined", made every effort to study the fundamentals of the investment targets, focused on enhancing the quality of portfolio assets, significantly increased the proportion of investment-grade bonds and strengthened the control mechanism, reasonably controlled the portfolio duration, effectively avoided credit events, and survived safely through the credit events of Chinese real estate US dollar-denominated bonds in the fourth quarter of 2021, so as to preserve the value of clients' assets.

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)

The investment advisory service capability of the Group's asset management team continued to be recognised by clients, providing investment advisory services for the Qualified Domestic Institutional Investment (QDII) specialised accounts of two securities firms backed by central government-owned enterprises and the private equity funds managed by a Hong Kong subsidiary of a bank backed by central government-owned enterprises. During the Reporting Year, the Group's scale of new investment advisory business exceeded US$400 million. Meanwhile, the fund managed by the Group, CMBCC Stable Investment Fund SP2, was well received by investors, with a new subscription size of over US$40 million during the Reporting Year, and its performance was not affected by the severe circumstances in the fourth quarter of 2021. In addition, the Group's specialised account business also made progress, with product diversification gradually gaining market recognition.

During the Reporting Year, revenue and profit of approximately HK$128.6 million and HK$96.5 million, respectively, were recorded for the Group's asset management segment, as compared to approximately HK$137.4 million and HK$103.2 million, respectively, in the Previous Year. The revenue and profit of this segment decreased mainly due to the decrease in performance fee income.

BUSINESS REVIEW (CONTINUED)

Corporate Finance and Advisory

During the Reporting Year, China's economy was facing uncertainties in various aspects due to the recurring outbreak of the COVID-19 pandemic around the world, the complex international situation and the strengthening of industrial regulations. Despite the unstable market condition, the Group was able to cope with the adverse situation and maintain a substantial growth for its corporate finance and advisory business. During the Reporting Year, the number of applications for listing on the Main Board of the Stock Exchange submitted by the Group to the Stock Exchange was 5 and the number of sponsor projects successfully listed on the Main Board of the Stock Exchange was 4 (one of which the public offering was made at the end of December 2021 and was listed in early January 2022). In comparison with the performance in the Previous Year where the number of sponsor projects that were successfully listed was 2, the growth was significant. Although the market was relatively volatile throughout the Reporting Year, the Group's performance has demonstrated its stability and high growth, resulting in a steady rise in the ranking of its IPO sponsor business in the industry. The projects that were successfully listed and the projects that the Group had submitted listing applications covered the industries including artificial intelligence data analysis, digital marketing, papermaking felts manufacturing, social new retail, e-commerce and marketing services. The Group expects that the stock market may remain to be volatile in 2022, however, the Group will continue to make solid preparations and take proactive measures. In addition to sponsor projects, the Group also acted as the financial advisor to listed companies in asset disposal projects, as well as the financial advisor to listed companies in spinoff projects during the Reporting Year. With respect to stock underwriting, despite the uncertain market condition, the Group, with its excellent underwriting ability, completed a total of 18 stock underwriting projects during the Reporting Year, and these projects covered the industries that have attracted investors' attention in recent years, such as Internet financing, 5G communication products, property management and big health. 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, the Group's corporate finance and advisory segment recorded revenue of approximately HK$64.1 million, as compared to approximately HK$47.9 million in the Previous Year, and recorded profit of approximately HK$34.2 million, as compared to approximately HK$19.5 million in the Previous Year. The segment revenue and profit increased due to the increase in the number of sponsored projects as compared to the Previous Year.

Management Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

Administrative Expenses and Finance Costs

Administrative expenses and finance costs for the Reporting Year amounted to an aggregate of approximately HK$349.7 million (Previous Year: HK$487.3 million). The analysis is set out below:

	For the year ended 31 December 2021 HK$'000	For the year ended 31 December 2020 HK$'000
Staff costs	**93,715**	89,126
Depreciation and amortisation	**26,118**	27,718
Other administrative expenses	**55,425**	51,998
Finance costs	**174,428**	318,478
Total	**349,686**	487,320

The increase in the staff costs was mainly due to the increase in headcount.

The decrease in finance costs was mainly due to the decrease in the borrowing interest rate.

FINANCIAL REVIEW

Share Consolidation

On 3 December 2021, the Company proposed and announced that every forty issued and unissued shares of HK$0.01 each be consolidated into one share of HK$0.4 each (the "**Share Consolidation**"), which was approved by the Shareholders at the special general meeting held on 24 December 2021 by way of poll and became effective on 29 December 2021. Upon the Share Consolidation, the authorised share capital of the Company was HK$1,000,000,000 divided into 2,500,000,000 shares of HK$0.4 each, of which 1,174,466,693 shares (being fully paid) were in issue.

For further details, please refer to the announcement of the Company dated 3 December 2021, the circular dated 9 December 2021, and the announcement dated 24 December 2021 in relation to the poll results of the special general meeting.

FINANCIAL REVIEW (CONTINUED)

Capital Structure

Details of the changes in equity for the year ended 31 December 2021 are set out in the Consolidated Statement of Changes in Equity.

As at 31 December 2021, the total number of the issued share capital with the par value of HK$0.4 each was 1,174,466,693 and the total equity attributable to Shareholders was approximately HK$2,755.7 million (2020: HK$2,600.0 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.

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 2021, the Group had current assets of approximately HK$14,405.4 million (2020: HK$10,955.1 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$10,886.2 million (2020: HK$7,455.1 million).

The Group's current ratio, calculated based on current assets of approximately HK$14,405.4 million (2020: HK$10,955.1 million) over current liabilities of approximately HK$11,667.2 million (2020: HK$8,427.8 million), was approximately 1.2 (2020: 1.3).

The Group's finance costs for the Reporting Year mainly represented the interest on notes payable of approximately HK$11.5 million (Previous Year: HK$2.8 million), interest on bank borrowings of approximately HK$0.6 million (Previous Year: HK$0.4 million), interest on loans from an intermediate holding company of approximately HK$119.0 million (Previous Year: HK$242.6 million), interest on repurchase agreements of approximately HK$38.6 million (Previous Year: HK$67.1 million), and interest on lease liabilities of approximately HK$4.0 million (Previous Year: HK$5.3 million).

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Liquidity and Financial Resources (Continued)

As at 31 December 2021, the Group's indebtedness mainly comprised loans from an intermediate holding company, notes payable and financial assets sold under repurchase agreements of approximately HK$10,772.8 million (2020: HK$7,735.0 million). The loans principal from an intermediate holding company of approximately HK$3,654.7 million (2020: HK$4,344.2 million) were denominated in Hong Kong dollars and United States dollars and borne interests at rates of 2.5% to 3.5% per annum (2020: 4% per annum) and were repayable within one year. The notes payable in the aggregate principal amount of US$145 million (2020: Nil) was denominated in United States dollars, due within one year, and borne interest at 1% to 1.8% per annum. As at 31 December 2021, 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$7,820.5 million (2020: HK$4,535.9 million), which are subject to the simultaneous agreements to repurchase these investments at the agreed dates and prices.

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 79.6% (2020: approximately 74.8%).

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.

Pledge of asset

Except as otherwise disclosed, as at 31 December 2021, the Group did not have other pledge or charge on asset (31 December 2020: Nil).

Contingent liability

Except as otherwise disclosed, as at 31 December 2021, the Group did not have other significant contingent liability (31 December 2020: Nil).

Capital commitment

As at 31 December 2021, the Group did not have any significant capital commitment (31 December 2020: 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 2021, the Group had no material acquisitions or disposals of subsidiaries and associates.

Management Discussion and Analysis

FINAL DIVIDEND

The Board has recommended a final dividend of HK7.48 cents per share to the Shareholders on or before Friday, 29 July 2022, for the year ended 31 December 2021 (Previous Year: HK0.33 cents per share (before Share Consolidation)/equivalent to HK13.2 cents (after Share Consolidation)), 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 2021, the register of members of the Company will be closed from Friday, 8 July 2022 to Tuesday, 12 July 2022, 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 Thursday, 7 July 2022.

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 2021, the Group had 79 (2020: about 73) employees including the Directors. For the Reporting Year, the total staff costs, including the Directors' remuneration, was approximately HK$93.7 million (Previous Year: approximately HK$89.1 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, subsidised training program, share option scheme, share award scheme and discretionary bonuses.

Management Discussion and Analysis

OUTLOOK

Prospects

Although the Group has overcome the impact of the global economic fluctuations brought about by the COVID-19 pandemic 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 2022 for the further development of its business. For these reasons, the Group will adopt the following development strategies.

Development Strategy

In particular, the Group will adopt the following measures:

(1) Strengthen the complementary and integrated synergy of domestic and overseas resources. The Group will promote joint marketing at the headquarter level of China Minsheng Bank, enhance the dominant position of investment banking project sales, continue to strengthen business synergy in customer acquisition channels, optimize and improve the institutional mechanism for business synergy, and, leverage the large domestic customer base of China Minsheng Bank, actively connect with various branches and subsidiaries to assist target customers to open up investment banking channels in Hong Kong, expand customer resources and explore cooperation opportunities for potential projects;

(2) Solidly promote the development of licensed businesses and enhance core competitiveness. The Group will strengthen the market influence and reputation of the investment banking segment including IPO sponsor, equity underwriting and M&A advisory businesses, and enhance the Group's ability to generate revenue and increase income through participation in investment banking projects with market influence. The Group will continue to strengthen the bond issuance and underwriting business, maintaining the Group's leading position in overseas bond business and further strengthening the underwriting of high-quality corporate bond business;

(3) Enhance the overall management capability of equity assets. The Group will continue to strengthen the close cooperation with the headquarter of China Minsheng Bank and continue to implement the domestic science and innovation fund. The Group will strengthen the effect of the investment and loan linkage by incorporating China Minsheng Bank's quality projects in its Sparks Plan, and promote fund investment in a standardized and efficient manner, with a view to gradually realising investment returns and standing out in the private equity investment market;

OUTLOOK (CONTINUED)

Development Strategy (Continued)

(4) Further consolidate investment banking infrastructure, integrated service quality and capacity building. The Group will recruit and retain a group of investment and trading professionals with an international vision, experienced investment banking professionals, risk management experts, and professional analysts, in order to satisfy the needs of China Minsheng Bank Group and its broad customer base;

(5) Pursue the digitalisation of product services and build the network capacity for online sales services in tandem. The Group will promote online product sales, strengthen the support and security of auxiliary technology services, and ensure that all core products can operate online and offline simultaneously; on the basis that it is fully complied with the relevant laws and regulations, the Group will utilise China Minsheng Bank's existing Internet sales platform to provide sales support for the Group's investment banking products and services; and

(6) Further focus on and cultivate key quality clientele. The Group will continuously deepen the operation with its high-quality institutional customers and high net worth individual customer groups, and treat account opening, account development and customer activation as a long-term, strategic and fundamental task.

In addition, the Group will fully leverage the advantages of the "merchant bank + investment bank" linkage, adhere to the core values of standardisation, efficiency, innovation and excellence, clearly position its core competitiveness and business characteristics, strengthen the infrastructure required for an all-rounded investment bank, and strive to become the preferred investment bank for China Minsheng Bank's clients if they decide to "go global" and achieve the advanced level of its international counterparts. 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, 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, in order to comprehensively improve the sustainability and market image of the Company.

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 52, 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. 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 reorganisation 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 56, 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. 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.

EXECUTIVE DIRECTORS (CONTINUED)

Mr. Ng Hoi Kam ("Mr. Ng"), aged 48, 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. 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. Li Wenshi ("Mr. Li Wenshi"), aged 44, was appointed as a non-executive Director of the Company on 29 June 2021. Mr. Li Wenshi is also a member of each of the Nomination Committee, Remuneration Committee and Development Strategy Committee. Mr. Li Wenshi is the general manager of the strategic client department of China Minsheng Bank. Mr. Li Wenshi has 18 years of experience in the banking industry. Since 1998, Mr. Li Wenshi has held various positions in the energy finance division, the group finance division, the asset preservation division, the Taiyuan Branch and the Tianjin Branch of China Minsheng Bank. Mr. Li Wenshi was honored by China Minsheng Bank as a "Person Making Great Contribution to the Development of China Minsheng Bank" and a "Person Touching China Minsheng Bank with Great Spirit". In 2011, he was awarded with the title of "Expert in Financial Services" by the National Committee of Chinese Financial Workers' Union. Mr. Li Wenshi holds a master's degree in EMBA from Tsinghua University.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. Yang Kunpeng ("Mr. Yang"), aged 44, was appointed as a non-executive Director of the Company on 29 June 2021. Mr. Yang is also the chairman of the Risk Management and Internal Control Committee. Mr. Yang joined the Communist Party of China in January 2007. Mr. Yang has extensive experience in the banking industry and has been the general manager of the Investment Banking Department of the head office of China Minsheng Bank since March 2021. In 2003, Mr. Yang worked as the senior manager of credit series in the credit management department of ICBC. From June 2011 to March 2019, he held various positions in China Minsheng Bank, including director of product risk management center of risk management department of the head office, member of party committee, secretary of discipline inspection commission, assistant to president and vice president of the Tianjin Branch. From April 2019 to February 2021, he served as deputy party secretary, director and general manager of Minsheng Royal Asset Management Co., Ltd. Mr. Yang holds a bachelor's degree in business administration from the Business School of Renmin University of China and a master's degree in business administration from the School of Management, Xi'an Jiaotong University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee, Cheuk Yin Dannis ("Mr. Lee"), aged 51, was appointed as an independent non-executive Director on 7 June 2017. Mr. Lee is also the chairman of the Audit Committee 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 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. Mr. Lee was an executive director of both AMCO United Holding Limited (Stock Code: 630)(resigned in 2011) and AMVIG Holdings Limited (Stock Code:2300) (resigned in 2010), a non-executive director of Kam Hing International Holdings Limited (Stock Code: 2307) (resigned in 2011), an independent non-executive director of Meilleure Health International Industry Group Limited (Stock Code: 2327)(resigned in 2015) and Southern Energy Holdings Group Limited (formerly known as China Unienergy Group Limited) (Stock Code: 1537)(resigned in 2019), and an independent non-executive director of Beijing Gridsum Technology Co., Ltd. (a company listed on NASDAQ (Symbol: GSUM)) (resigned in 2021).

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. Wu Bin ("Mr. Wu"), aged 49, 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 and a member of each of the Development Strategy Committee and the Audit 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 59, was appointed as an independent non-executive Director on 7 June 2017. Mr. Wang is also a member of each of the Nomination Committee, the Remuneration Committee and the Audit Committee. 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 40, 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 16-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 46, 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 12-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.

EVENTS AFTER THE REPORTING YEAR

There were no significant events after the Reporting Year and up to the date of this annual report.

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 utilising 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 95 to 206 of this annual report.

The Board has recommended a payment of final dividend of HK7.48 cents per share, with a total of approximately HK$87.3 million for the Reporting Year (Previous Year: HK0.33 cents per share (before Share Consolidation)/equivalent to HK13.2 cents (after Share Consolidation)).

DIVIDEND POLICY

Any declaration of dividends will depend upon a number of factors including the earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of the Shareholders.

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 9 to 23 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 207 to 208 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.

Report of the Directors

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 2021, the Board recognised that the repurchase of Shares could increase the net asset value and/or earnings per share, so the Company repurchased a total of 747,680,000 Shares (before Share Consolidation) and 160,500 Shares (after Share Consolidation) on the Stock Exchange, with a total consideration (before transaction costs) of approximately HK$70.9 million. As at the date of this annual report, all repurchased Shares have been cancelled.

Details of repurchase are as follows:

Month of repurchase	Total shares repurchased (before Share Consolidation)	Total shares repurchased (after Share Consolidation)	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Total consideration paid (HK$'000)
January	8,540,000	–	0.129	0.112	1,008
February	16,160,000	–	0.116	0.108	1,782
March	940,000	–	0.107	0.107	101
April	9,730,000	–	0.108	0.103	1,031
May	18,130,000	–	0.104	0.099	1,837
June	26,430,000	–	0.101	0.095	2,583
July	234,480,000	–	0.11	0.092	23,759
August	40,500,000	–	0.107	0.105	4,297
September	51,070,000	–	0.102	0.096	5,052
October	140,400,000	–	0.096	0.087	12,846
November	117,700,000	–	0.086	0.082	9,857
December	83,600,000	–	0.078	0.072	6,193
December	–	160,500	3.25	3.18	520
Total:	747,680,000	160,500	–	–	70,866

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

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 2021.

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 100 and 101, respectively.

DISTRIBUTABLE RESERVES

As of 31 December 2021, the Company's distributable reserves to the Shareholders included a contributed surplus of approximately HK$1,909.2 million (2020: HK$2,066.1 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 15.7% of the Group's total revenue (Previous Year: approximately 19.8%) and the revenue attributable to the largest customer included therein amounted to approximately 6.7% (Previous Year: approximately 10.3%).

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 86 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 recognises 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 organises 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 86 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(1)(2)(3)(4)

Mr. Yang Kunpeng(1)
Mr. Li Wenshi(2)

Independent Non-executive Directors

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

Notes:

(1) Mr. Yang Kunpeng was appointed as a non-executive Director and the chairman of the Risk Management and Internal Control Committee, with effect from 29 June 2021.

(2) Mr. Li Wenshi was appointed as a non-executive Director and a member of the Nomination Committee, Remuneration Committee and Development Strategy Committee, with effect from 29 June 2021.

(3) Mr. Ren Hailong has retired as a non-executive Director and a member of the Nomination Committee, Remuneration Committee and Development Strategy Committee, with effect from 29 June 2021.

(4) Mr. Liao Zhaohui has retired as a non-executive Director and the chairman of the Risk Management and Internal Control Committee, with effect from 29 June 2021.

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.

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 summarised 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, 27 July 2020 and 16 December 2021, the circulars dated 30 August 2019, 3 August 2020 and 22 December 2021, and the announcements in relation to the poll results of the special general meeting dated 23 September 2019, 26 August 2020 and 12 January 2022.

(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

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(I) Deposit Services (Continued)

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.

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.

On 16 December 2021, the Company (for itself and on behalf of other members of the Group) entered into a service agreement (the "**2021 Services Agreement**") with China Minsheng Bank (for itself and on behalf of other members of China Minsheng Bank Group), pursuant to which, among other things, China Minsheng Bank Group agreed to provide the Group with (among other things) the deposit services according to the terms and conditions as set out in the 2021 Services Agreement. The 2021 Services Agreement shall take effect from 1 January 2022 to 31 December 2024 and is automatically renewable for successive periods of three years thereafter, subject to the compliance with the then applicable requirements of the Listing Rules. The 2021 Services Agreement will amend and replace the Renewed Deposit Services Agreement.

Pursuant to the 2021 Services Agreement, the annual cap for the daily balance of the Group's deposits with China Minsheng Bank Group for the three years ending 31 December 2024 are as follows:

	For the year ending 31 December		
	2022 (HK$ million)	2023 (HK$ million)	2024 (HK$ million)
Daily deposit balance	1,000	1,000	1,000

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(I) Deposit Services (Continued)

China Minsheng Bank is an indirect controlling Shareholder and a connected person of the Company. Accordingly, the deposit services contemplated under the 2021 Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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 2021 Services Agreement exceed 5%, the deposit services to be provided under the 2021 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 16 December 2021, the circular dated 22 December 2021 and the announcement in relation to the poll results of the special general meeting dated 12 January 2022.

(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:

- 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;

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

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

- 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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

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 on 23 September 2019 to 31 December 2021 (both days inclusive). On 27 July 2020, the Company proposed to revise the annual caps for the China Minsheng AM Services for the two years ending 31 December 2020 and 2021 ("**Revised Annual Caps**") to accommodate the unanticipated demand. The Revised Annual Caps was approved by the independent Shareholders at the special general meeting held on 26 August 2020.

The annual caps (including the Revised Annual Caps) under the China Minsheng Services Agreement for the three years ended 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 Services, China Minsheng Distribution Services, China Minsheng Underwriting Referral Services and China Minsheng Underwriting 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 (including 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 announcements dated 23 July 2019 and 27 July 2020, the circulars dated 30 August 2019 and 3 August 2020 and the announcements in relation to the poll results of the special general meeting dated 23 September 2019 and 26 August 2020.

On 16 December 2021, the Company (for itself and on behalf of other members of the Group) entered into the 2021 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:

- China Minsheng Bank Group agreed to provide China Minsheng Underwriting Referral Services to the Group;
- the Group agreed to provide subscription referral services ("**China Minsheng Subscription Referral Services**", which together with China Minsheng Underwriting Referral Services are referred to as "**China Minsheng Referral Services**") to China Minsheng Bank Group;
- the Group agreed to provide the 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;
- China Minsheng Bank Group agreed to provide the China Minsheng Distribution Services to the Group;
- the Group agreed to provide China Minsheng Underwriting Services to China Minsheng Bank Group.

The 2021 Services Agreement shall take effect from 1 January 2022 to 31 December 2024 and is automatically renewable for successive periods of three years thereafter, subject to the compliance with the then applicable requirements of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

Pursuant to the 2021 Services Agreement, the annual caps for the China Minsheng Referral Services, China Minsheng AM Services and China Minsheng Underwriting Services for the three years ending 31 December 2024 are as follows:

	For the year ending 31 December		
	2022 (HK$ million)	2023 (HK$ million)	2024 (HK$ million)
China Minsheng Referral Services			
China Minsheng Underwriting Referral Services*	12	12	12
China Minsheng Subscription Referral Services	12	12	12
China Minsheng AM Services			
– Distribution fees*	62	68.2	75.02
– Management fees and advisory fees	148.8	178.56	214.27
– Performance fees	74.4	89.28	107.14
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 and a connected person of the Company. Accordingly, each of the China Minsheng Referral Services, China Minsheng AM Services, China Minsheng Distribution Services, and China Minsheng Underwriting Services contemplated under the 2021 Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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 2021 Services Agreement exceed 5%, the China Minsheng Referral Services, China Minsheng AM Services, China Minsheng Distribution Services, and China Minsheng Underwriting Services to be provided under the 2021 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 16 December 2021, the circular dated 22 December 2021 and the announcement in relation to the poll results of the special general meeting dated 12 January 2022.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(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.

The annual caps under 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.

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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(IV) Custodian Services

On 16 December 2021, the Company (for itself and on behalf of other members of the Group) entered into the 2021 Services Agreement with China Minsheng Bank (for itself and on behalf of other members of China Minsheng Bank Group), pursuant to which, China Minsheng Bank Group agreed to provide the Group with (among other things) the custodian services according to the terms and conditions as set out in the 2021 Services Agreement. The 2021 Services Agreement shall take effect from 1 January 2022 to 31 December 2024 and is automatically renewable for successive periods of three years thereafter, subject to the compliance with the then applicable requirements of the Listing Rules.

Pursuant to the 2021 Services Agreement, the annual cap for the fees payable to China Minsheng Bank Group by the Group in relation to the custodian services for the three years ending 31 December 2024 are as follows:

	For the year ending 31 December		
	2022 (HK$ million)	2023 (HK$ million)	2024 (HK$ million)
Custodian service fees	9.42	11.30	13.56

China Minsheng Bank is an indirect controlling Shareholder and a connected person of the Company. Accordingly, the custodian services contemplated under the 2021 Services Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

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 of the custodian services under the 2021 Services Agreement exceed 0.1% but below 5%, the custodian services to be provided under the 2021 Services Agreement are only subject to the reporting, announcement and annual review requirements, and are exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details, please refer to the Company's announcement dated 16 December 2021, the circular dated 22 December 2021 and the announcement in relation to the poll results of the special general meeting dated 12 January 2022.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Annual Actual Amount

Set out below are the actual amount received/paid for the year ended 31 December 2021 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 2021 (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	0.1
– Management fees and advisory fees	China Minsheng Bank Group	The Group	108.6
– Performance fees	China Minsheng Bank Group	The Group	18.7
China Minsheng Underwriting Services	China Minsheng Bank Group	The Group	1.7
Office Sharing	CMBCI	The Group	8.88

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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Annual Review (Continued)

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.

The related party transactions as set out in note 41(a) to the consolidated financial statements constitute the connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the requirements under Chapter 14A during the year ended 31 December 2021.

Save as disclosed herein, there was no contract of significance between the Company or any of its subsidiaries and the Company's controlling Shareholder or any of its subsidiaries and there was no contract of significance in relation to the provision by the controlling Shareholder or any of its subsidiaries to Group during the Reporting Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed herein, no transactions, arrangements or contracts of significance, to which the Company or its subsidiaries, was a party and 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

Save as disclosed herein, 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 2021, 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 2021, 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 (Note 1)	Approximate percentage of the issued share capital of the Company	Long position/ Short position
China Minsheng Bank	Interest of controlled corporation	758,113,477 (Note 2)	64.55%	Long position
CMBCI	Interest of controlled corporation	758,113,477 (Note 2)	64.55%	Long position
CMBC International Investment (HK)	Interest of controlled corporation	758,113,477 (Note 2)	64.55%	Long position
CMBC International Investment	Beneficial Owner	758,113,477 (Note 2)	64.55%	Long position

Note:

1. The number of Shares represents the number of Shares after the Share Consolidation.

2. 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.

Report of the Directors

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.

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 2021 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 consolidated financial statements for the Reporting Year have been audited by PricewaterhouseCoopers.

On behalf of the Board

Li Jinze
Chairman

29 March 2022, 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 F.2.2

Code Provision F.2.2 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 29 June 2021 (the "**2021 AGM**") due to their other business engagement. However, the chairman of the Board had chaired the 2021 AGM and answered questions from the Shareholders. The 2021 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. Matters such as approval of financial statements, declaration of dividend, capital restructure and issuance of securities, merger and acquisitions, major investments, connected transactions, appointment and removal of directors and auditors, remuneration policies, etc. are specifically reserved to the Board.

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.

THE BOARD (CONTINUED)

Board and General Meetings (Continued)

Pursuant to the Code Provision C.5.1, 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 four 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	Audit Committee	Remuneration Committee	Nomination Committee	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*	2/2	N/A	2/2	2/2	N/A	1/1	N/A
Mr. Liao Zhaohui*	2/2	N/A	N/A	N/A	1/1	N/A	N/A
Mr. Yang Kunpeng^	2/2	N/A	N/A	N/A	1/1	N/A	N/A
Mr. Li Wenshi^	1/2	N/A	0/0	0/0	N/A	0/1	N/A
Independent Non-executive Directors							
Mr. Lee, Cheuk Yin Dannis	4/4	4/4	N/A	N/A	2/2	N/A	N/A
Mr. Wu Bin	4/4	4/4	2/2	2/2	N/A	1/1	N/A
Mr. Wang Lihua	4/4	4/4	2/2	2/2	N/A	N/A	N/A

* Mr. Ren Hailong and Mr. Liao Zhaohui retired as non-executive Directors on 29 June 2021.

^ Mr. Yang Kunpeng and Mr. Li Wenshi were appointed as non-executive Directors on 29 June 2021.

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)

During the Reporting Year, according to the professional development training records maintained by the Company, the training received by each Director during the year ended 31 December 2021 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*	✔
Mr. Yang Kunpeng^	✔
Mr. Li Wenshi^	✔
Independent Non-executive Directors	
Mr. Lee, Cheuk Yin Dannis	✔
Mr. Wu Bin	✔
Mr. Wang Lihua	✔

* Mr. Ren Hailong and Mr. Liao Zhaohui retired as non-executive Directors on 29 June 2021.

^ Mr. Yang Kunpeng and Mr. Li Wenshi were appointed as non-executive Directors on 29 June 2021.

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 four 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 Company adopted the model whereby the Remuneration Committee is responsible for determining, with delegated responsibility, the remuneration package of individual executive Directors and senior management according to its terms of reference. 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 and Mr. Li Wenshi. Mr. Ren Hailong retired as a non-executive Director and a member of the Remuneration Committee on 29 June 2021, and Mr. Li Wenshi was appointed as a non-executive Director and a member of the Remuneration Committee on 29 June 2021.

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 and determine, inter alia, the performance and policy for the remuneration package of the Directors; and

(ii) to review and determine 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 two meetings, with all members present.

According to Code Provision E.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 2,000,000	–
2,000,001 to up to 3,000,000	1
3,000,001 to 4,000,000	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 Director, namely Mr. Ren Hailong and Mr. Li Wenshi. Mr. Ren Hailong retired as a non-executive Director and a member of the Nomination Committee on 29 June 2021, and Mr. Li Wenshi was appointed as a non-executive Director and a member of the Nomination Committee on 29 June 2021.

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.

In addition, during the Reporting Year, the Nomination Committee made recommendations to the Board on the appointment of Mr. Yang Kunpeng and Mr. Li Wenshi as non-executive Directors. The Nomination Committee had taken into account a number of factors including the size and composition of the Board, a balance of skills and experience of the Board as well as its diversity in setting its appointment criteria.

During the Reporting Year, the Nomination Committee held two meetings, 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. Yang Kunpeng, Mr. Liao Zhaohui, Mr. Ding Zhisuo, and Mr. Lee, Cheuk Yin Dannis and is chaired by Mr. Liao Zhaohui and Mr. Yang Kunpeng. Mr. Liao Zhaohui retired as a non-executive Director and the chairman of the Risk Management and Internal Control Committee on 29 June 2021, and Mr. Yang Kunpeng was appointed as a non-executive Director and the chairman of the Risk Management and Internal Control Committee on 29 June 2021.

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, Mr. Ren Hailong and Mr. Li Wenshi and is chaired by the chairman of the Board. Mr. Ren Hailong retired as a non-executive Director and a member of the Development Strategy Committee on 29 June 2021, and Mr.Li Wenshi was appointed as a non-executive Director and a member of the Development Strategy Committee on 29 June 2021.

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 Company adopted a board diversity policy (the "**Policy**") on 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.

The Company will appoint at least one Director of different gender on or before 31 December 2024. Further, the Board will review the implementation and effectiveness of the Policy on an annual basis in accordance with the Code Provision B.1.3 of the CG Code.

The Board will consider setting measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

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 year. 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 also 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 2021 have been audited by PricewaterhouseCoopers.

ACCOUNTABILITY AND AUDIT (CONTINUED)

External Auditor (Continued)

For the Reporting Year, the total fee charged by PricewaterhouseCoopers for audit services was HK$3,655,000 and non-audit services was HK$600,000 for the review of the interim financial statements and other services.

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 multilevel 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 optimising 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 analysing market risk management indicators. In addition, the Group established a normalised 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 standardised 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, emphasised 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 standardised 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 centralised 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 put to the Board through the following channels to the Company Secretary:

(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.

The Board has reviewed the implementation of the shareholders' communications policy and is satisfied that given the number of available channels, it is effective for the Board to understand the views and opinion of the Shareholders.

WHISTLEBLOWING POLICY

The Company has established a whistleblowing policy (including the handling procedure) for its employees and those who deal with the Company (such as customers and suppliers) to raise concerns or to report any improprieties in any matter related to the Group, in confidence and anonymity. The policy is available on the website of the Company (http://www.cmbccap.com).

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 memorandum of association and 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 of the Company 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 Rule 3.29 of the Listing Rules, Mr. Ho has taken no less than 15 hours of relevant professional training for the Reporting Year.

Environmental, Social and Governance Report

ABOUT THIS REPORT

CMBC Capital Holdings Limited is a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange.

The Group is principally engaged 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. The Group acknowledges the importance of environmental, social and governance ("**ESG**") policies. By implementing ESG strategies into its business operations, the Group can operate in a responsible and sustainable manner.

This report is to highlight the Group's approaches and strategies in pursuit of sustainable development during the Reporting Year and provides its stakeholders with an overview of the Group's efforts regarding ESG impacts arising from its daily operations. The Group primarily adopts the principles and basis of Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") set out in Appendix 27 of the Listing Rules.

The preparation, presentation and contents of this report follow the principles of "Materiality", "Quantitativeness", "Consistency" and "Balance" set out in the ESG Guide.

Materiality: Materiality assessment was conducted and reviewed annually to assess the relative importance of the ESG topics identified.

Quantitativeness: If the key performance indicators (KPIs) have been established, they must be measurable and applicable to valid comparisons under appropriate conditions.

Consistency: ESG data presented in this report are prepared using consistent methodologies over time.

Balance: The Group appoints an external sustainability consultant in the preparation of the report to present an unbiased picture of its achievements and performances.

This report is available on the websites of the Company (http://www.cmbccap.com) and the Stock Exchange (http://www.hkexnews.hk). For information on the Group's corporate governance, please refer to the Corporate Governance Report included in the annual report.

Environmental, Social and Governance Report

Board Statement

The Board has the overall responsibility for the Group's ESG strategies and performance, including formulating strategies, managing the Group's ESG related risks and opportunities and approving the ESG Report with an aim that the Group can operate its businesses in a responsible and sustainable manner.

To assist the Board to discharge the above responsibility, the Board has resolved to authorise the Executive Committee to handle all the matters that are related to ESG, including but not limited to:

- identifying ESG topics/issues/risks;
- formulating strategies and management approach;
- implementing the strategies and management approach;
- reviewing and monitoring the implementation process and the effectiveness;
- evaluating the results and adjusting the strategies accordingly;
- preparing the ESG report; and
- making recommendations to the Board in relation to the goals, strategies and management.

To carry out the above duties, the Executive Committee will be assisted by various departments of the Group including operations, legal, compliance, internal control, risk, human resources and general management.

The Executive Committee will report at least once per year to the Board on the implementation progress, the results and any recommendations.

1. STAKEHOLDER ENGAGEMENT

1.1 Major Communication Channels

The Group values and appreciates the importance of the views of its stakeholders and has maintained various communication channels with them. Through these channels, the Group can actively engage with its stakeholders and collects their feedback to understand and address their concerns so as to improve the Group's operation. The communication channels include:

- Meetings;
- Corporate communications;
- Websites;
- Social media;
- Emails;
- Daily communications;
- Interview;
- Surveys; and
- Activities.

The Group has identified shareholders, employees, suppliers, customers, government and regulatory authorities and the community at large as its key stakeholders.

1.2 Materiality Assessment

The Group has adopted the principle of materiality in the ESG reporting by identifying the key ESG issues. The Company undertook its annual materiality assessment exercise. The objective of materiality assessment is to identify the ESG topics that are material and relevant to the Group's operation.

Based on the stakeholders' feedback, the material issues were identified as follows. The Group's performance regarding these issues are discussed in this report.

Material Topics	
Environment	• Energy conservations • Waste management
Workplace	• Employment and labour practices • Health and safety • Development and training • Diversity and equal opportunities
Operating Practices	• Compliance with laws and regulations • Protection of customer privacy • Anti-corruption/Anti-money laundering • Supplier management • Services quality
Community	• Community investment

2. ENVIRONMENTAL PROTECTION

2.1 Environmental Policies

The Group appreciates the importance of striking a balance between economic development and environmental protection.

During the Reporting Year, the Group complied with the laws and regulations in relation to the environmental protection that had a significant impact on the Group, including but not limited to:

- Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong);
- Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611 of the Laws of Hong Kong); and
- Building Energy Efficiency Ordinance (Cap. 610 of the Laws of Hong Kong).

Environmental, Social and Governance Report

The Group has made continuous efforts on leading its staff to pursue a low carbon lifestyle. It actively responds 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, water consumption 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.

A. *Greenhouse gas emissions*

The following table highlights the estimated emissions of the Group for the year ended 31 December 2021:

	2021 (metric tonne)
Vehicle emissions (Scope 1 emissions)	**4.50**
Electricity consumption emissions (Scope 2 emissions)	**92.11**
Total volume of greenhouse gas emissions	**96.61**

The total intensity of greenhouse gas emissions for the year ended 31 December 2021 is approximately 0.007 metric tonne/ft^2 office area.

B. *Air pollutants from vehicle emission*

The following table highlights the estimated air pollutants from the vehicle emission of the Group for the year ended 31 December 2021:

	2021 (kg)
CO	9.15
NO_x	0.53
SO_x	0.02
$PM_{2.5}$	0.04

C. *Water*

The Group primarily sourced water from the water supply system of the office 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.

D. *Packaging material*

The Group does not use any packaging materials. Hence, it is not applicable to the business of the Group.

E. *Electricity*

The following table shows the amount of electricity consumption in the head office in Hong Kong for the year ended 31 December 2021:

	2021
Electricity consumption	113,722 Kwh
Electricity consumption intensity	7.873 Kwh/ft^2

F. *Green buildings*

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 minimise the consumption of energy and resources and reduce negative impacts to the environment while maximising 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[1] 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. The property management company has provided facilities for separating different types of wastes such as used plastic bottles, aluminium, and glasses.

In addition, the Group has initiated a number of internal environmental measures, 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; and
- Equip energy saving switches with lighting timers.

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

G. *Waste Management*

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.

H. *Paper*

Paper is one of the major wastes produced in the Group's operations. The Group plays an active role in promoting paper-free operation by introducing measures to reduce the use of paper in the office with an ultimate goal to establish a paperless working environment. During the Reporting Year, the Group has implemented the following measures:

- introducing a paperless system whereby documents are to be reviewed and approved electronically. Currently, the paperless system is mainly used for the documents that need internal approval, but it is expected that the paperless system will be developed gradually to cover other documents at different levels such as office administration, human resources, accounting etc; and

- utilizing laptops in office meetings to avoid printing of the meeting materials.

The printers in the office have implemented a smart printing function whereby printing will only commence when a staff logs in to the printer and confirms printing. This smart printing function not only can enhance data protection particularly confidential documents but can also avoid unnecessary or unclaimed printing.

With regard to used papers, the Group has engaged waste paper collection and recycling services companies to recycle the used papers. The Group encourages all the staff to do so whenever possible. Paper usage data from printers in the office are collected and assessed on a regular basis in order to monitor the effectiveness of the paperless system.

With respect to the business operation, the Group has minimised the use of papers in the securities account opening process (which usually involve a considerable amount of papers) by utilising technology. Specifically, the Group introduced an online trading system that allows its customers to open accounts electronically. Additionally, the Group offers free electronic billing to its customers with an attempt to further reduce paper consumption.

In relation to the communication with the Shareholders, the Company strongly encourages its Shareholders to access its corporate communications, including financial reports and circulars, through the websites of the Stock Exchange and the Company, instead of receiving printed copies. In doing so, the quantity of printed materials can be considerably reduced.

With the different measures introduced by the Group, it is hoped that the Group can substantially reduce the use of papers in the office and ultimately achieve a paperless office in the future. The Group will continue to monitor the use of papers in the office and will introduce further measures to reduce its use when appropriate.

The following table shows the amount of paper consumption and the papers that have been consumed and recycled for the year ended 31 December 2021:

	2021
Paper consumption	**1,746kg**
Paper consumption intensity	**0.12kg/ft^2**
Paper recycled	**1,490kg**
Paper recycled intensity	**0.10kg/ft^2**

I. *Domestic waste*

The domestic waste of the Group is handled by the property management of the office building, hence, such statistics are not available. However, the Group encourages its staff to reduce the production of domestic waste such as plastics and disposable products.

2.2. Impact of Climate Change

With the world's climate changing significantly in the recent years where the temperature has increased notably and extreme weather has become increasingly frequent, it has been one of the major environmental concerns in the world.

The Group is engaged in financial services business which does not involve any manufacturing or production. Climate change does not cause any direct significant impact on the Group's business, but it may still affect the Group in some ways, for example, the increase in temperature may lead to an increase in the energy consumption which would in turn increase the operating cost; severe weather such as typhoons and heavy rains may cause disruptions to the business operations which would affect the productivity, and the Group is required to formulate and implement relevant measures and make necessary arrangements to ensure the safety of the employees under the severe weather conditions.

The Group will monitor and assess the potential risks of climate change and its impacts on the Group's operations from time to time. More particularly, the Group will continue to monitor the carbon footprint, emissions and energy consumption intensity across its operations with a view to identifying opportunities for increasing efficiency and reducing emissions.

The Group will continue to reduce emissions and waste on an ongoing basis in order to minimise the Group's impacts of activities on the environment and natural resources.

3. EMPLOYMENT

3.1 Employment and Labour Practices

The Group regards employees as the most valuable assets of the Group. Employees are crucial for the continuous growth and development of the business. To attract and retain talents, the Group aims to establish a respectful and fair working environment by adopting an equal opportunities policy and maintaining a sound system of human resources management covering various aspects, such as recruitment, promotion and remuneration.

A. Recruitment and Promotion

The recruitment and promotion of the Group are fair and open for all employees. The selection processes for both recruitment and promotion are not affected by age, sex, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation, sexual orientation and other factors.

B. *Remuneration*

The Group offers competitive remuneration to its employees which 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.

C. *Diversity*

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.

As at 31 December 2021, the Group had a total of 79 employees, including the directors of the Company.

Human resources overview as at 31 December 2021 is as follows:

Number of Employee by Gender	
• Male	52
• Female	27
Number of Employee by Age Group	
• Over 50 years old	4
• 31-50 years old	52
• Under 30 years old	23
Number of Employee by Geographical Regions	
• Hong Kong	79
• Other region	0
Number of Employee by Type	
• Part-time	0
• Full-time	79

The Group believes that employees are important assets of the Group, and is committed to retaining talent and maintaining a stable turnover rate. The turnover rates of the Group's workforce for the year ended 31 December 2021 are as below:

By Gender		By Age		By Region	
Male	28.8%	<30	16.4%	Hong Kong	41.1%
		31-50	24.7%		
Female	12.3%	>50	0%	Other region	0%

3.2 Labour Standard

During the Reporting Year, the Group has complied with relevant rules and regulations, such as the Employment Ordinance (Cap. 57, Laws of Hong Kong) and other statutory requirements regarding employment and labour practices.

The Group endeavors to establish a fair, active and highly efficient work environment, provide all employees with equal opportunities with respect to recruitment, remuneration and promotion, and ensure the workplace is free from discrimination.

The Group has in place an employee handbook which sets out the cultural, mission and values of the Group, an overview of the Group's business along with other key procedures, guidelines, prohibited behavior and employees' basic rights and obligations. The handbook serves to facilitate the employees to understand their rights and obligations. The legal department of the Group will keep abreast of the legal developments of the employment law in Hong Kong and will assist the Group to issue any policies to ensure that the Group complies with the latest statutory requirements.

The Group has also established designated channels to receive complaints from the employees. All complaints received will be forwarded to the general management department for handling. The general management department will look into the complaint in a timely manner and may consult the legal department (if necessary). The general management department will report the investigation results to the senior management who will decide the appropriate actions.

The Group conducts performance appraisals for its employees each year. The results will be released to the employees, and the employees will be given an opportunity to respond/appeal if they are not satisfied with the results.

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 background check, age and identity verification during the recruitment process) to prevent the employment of child labour and forced labour.

3.3. Health and safety

The Group is committed to maintaining a safe working environment for the health and well-being of its employees. The Group has formulated policies regarding employees' working 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 encouraged 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.

For each of the past three years (including the Reporting Year), the Group has complied with the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) and there were no work-related casualties or loss of working days arising therefrom.

In addition, in response to the COVID-19 pandemic, the Group has implemented the following additional precautionary measures:

- closely monitoring the pandemic situations;
- informing the employees whenever the office building has new confirmed cases;
- encouraging the employees to be vaccinated;
- encouraging the employees to stay at home if feeling unwell;
- making arrangements for the employees to work from home;

- encouraging the employees to conduct meetings or interviews online instead of face-to-face;
- requiring employees to have testing when necessary to prevent the spread of any virus in the office;
- body temperature screening for all employees and visitors before entering the office premises;
- suspending the use of the office canteen to avoid social gathering;
- providing surgical masks and sanitizers to the employees for their daily use on a regular basis; and
- engaging cleaning companies to provide disinfection services at the office premises on a regular basis.

The management of the Group has been closely monitoring the situation and will adopt any further measures as and when necessary.

3.4 Development and Training

The Group believes that professional skills and knowledge are crucial for the employees' career development as well as for 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. Therefore, the Group provides its employees with trainings.

During the Reporting Year, the Group provided a variety of in-house seminars and training programs to the employees to enhance their knowledge, skills and work capability which include, but are not limited to, the Company's policies on anti-money laundering, anti-money laundering training provided by the SFC, SFC enforcement cases summary for the period between July and December 2020, taxation in Hong Kong, legal and compliance, the Company's culture, management and disclosure of environmental risks for fund managers, Listing Rules' amendments related to corporate governance, connected transactions, SPAC in Hong Kong and due diligence requirements, etc. The trainings were conducted by our staff, other financial institutions professional firms (such as accounting firms and law firms) and regulatory authorities. During the Reporting Year, the Group has organized over 45 training sessions for its employees. Some of these seminars and training were required by the SFC, enabling licensed employees to satisfy the Continuous Professional Training requirements.

Depending on the importance of the training, for example, trainings related to laws and regulations or internal procedure, the staffs will be required to complete a test after the training to ensure that the attendees have acquired the knowledge.

For the year ended 31 December 2021, the percentage of employees trained by gender and by employee category are as follows:

i. Percentage of employees trained by gender

Gender	(%)	Average training hours
• Male	94.23	8.42
• Female	62.96	8.09

ii. Percentage of employees trained by employee category

Employee category	(%)	Average training hours
• Executive Directors	100	11
• Senior management	100	5.25
• Other staff	89.19	8

Other than the in-house training, the Group also encourages employees to pursue external educational or training opportunities.

3.5 Work-life Balance

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 to strengthen the relationships between employees, to boost their morale, to promote a harmonious working environment and to help them relieve stress. However, during the Reporting Year, in light of the current COVID-19 pandemic, the Group suspended these activities.

3.6 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 encourages staff to participate in charity events. For example, in 2020, to assist the community in the fight against the COVID-19 pandemic, the Group raised HK$400,000 for Hubei Province in China for acquiring medical equipments. In addition, the employees also participated in external fund-raising activities making donations to the hospitals in Hubel Province.

4. OPERATING PRACTICE

4.1 Compliance with Laws and Regulations

The Group recognizes the importance of business ethics and strictly abides by laws, regulations and regulatory requirements which have significant impact on the Group, including but not limited to:

- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615, Laws of Hong Kong);
- Companies Ordinance (Cap. 622, Laws of Hong Kong);
- Competition Ordinance (Cap. 619, Laws of Hong Kong);
- Employment Ordinance (Cap. 57, Laws of Hong Kong);
- Money Lenders Ordinance (Cap. 163, Laws of Hong Kong);
- Personal Data (Privacy) Ordinance (Cap. 486, Laws of Hong Kong);
- Prevention of Bribery Ordinance (Cap. 201, Laws of Hong Kong);
- Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong); and
- Trade Descriptions Ordinance (Cap. 362, Laws of Hong Kong).

The legal department together with the compliance department are required to review and monitor the business operations of the Group to ensure compliance with the above mentioned laws and regulations and arrange internal trainings for the employees from time to time in order to ensure the relevant employees are kept abreast of the development of the relevant laws, regulations and rules. When there is any development of the relevant laws and regulations, the legal department and/or the compliance department will inform the management who will decide on the appropriate action (e.g., formulating/updating policies, arranging training to the employees etc).

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

The management of the Group ensures that the business of the Group is conducted in accordance with the relevant laws and regulations.

4.2 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, anti-money laundering and counter-terrorist financing which 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 on the current terrorist or sanction list, and to check whether the customer is a Politically Exposed Person. 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 of the HKSAR Government in due course.

In relation to anti-corruption, the Group has put in place a policy prohibiting bribery, extortion, corruption and related acts. Specifically, the Group prohibits its employees to give and receive gifts or benefits in whenever forms. It aims to ensure every employee adheres to the highest professional conduct and ethical standard in the course of business operation and must not involve in any form of corrupt practices.

In addition, 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.

4.3 Supplier Management

The Group is committed to maintaining mutually beneficial long term cooperation with its suppliers. Major suppliers of the Group include law firms, accounting firms, professional consulting companies, financial advisors, trading platform services companies, data centre, printing service companies etc.

The Group sets out various evaluation standards, such as pricing, stability, response time, capability, experience, feedback, size and reputation, to enable the Group to carry out selection and assessment of suppliers effectively. In addition, the Group takes into account whether the suppliers share the same value as the Group and are committed to environmental protection. When practicable, the Group gives priority to the ones who have adopted environmental protection measures.

The Group has put in place a policy for selecting services providers which requires that contracts with a value of HK$50,000 or above need to be reviewed and approved by the Group's procurement committee. The committee comprises staffs from various departments including legal, compliance, business, finance and general management departments. The committee convenes meetings, reviews the materials and discusses about the engagements. The practice is to ensure that the selection process is fair, open and transparent.

For the year ended 31 December 2021, the number of suppliers by geographical region are as follows:

Number of suppliers by geographical region	
Hong Kong	112
Other regions	27

4.4 Product Responsibility and Customer Services

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

The Group comprises teams of professionals with diversified backgrounds including major investment banks, regulatory authorities, financial 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 2021, approximately 64 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.

4.5 Smooth Communication

Understanding the needs of the 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 has set up procedures to ensure that the clients' feedback, advice and recommendations can be 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 the appropriate action (e.g., strengthening internal control and procedures).

During the Reporting Year, the Group did not receive any complaints from the customers.

4.6 Protection of Personal Data

The Group is committed to protecting the privacy and confidentiality of the personal data of its customers. In relation to the customers' personal data, the Group has strictly complied with the relevant laws and regulations including the Personal Data (Privacy) Ordinance (Cap. 486, Laws of Hong Kong).

The Group has put in place a policy to govern the use of confidential information by the employees. Specifically, the employees are instructed to use confidential information in a responsible manner and are prohibited from leaking clients' data or any unauthorised use. The Group has adopted a series of technical and management measures to safeguard clients' privacy. In addition, the Group reminds its clients, from time to time, 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.

4.7 Protection of Intellectual Property

The Group protects its intellectual property rights by registration of domain names in Hong Kong. Such domain name is renewed upon its expiration. During the Reporting Year, there was no material infringement of the intellectual property rights of the Group by any third parties.

5. ESG REPORTING CONTENT INDEX

Aspect	HKEx KPI	Description	Page Number/ Remarks
A. Environmental			
A1: Emissions	A1	General Disclosure	65-66
	A1.1	The types of emissions and respective emissions data	66-67
	A1.2	Greenhouse gas in total and intensity	66
	A1.3	Total hazardous waste produced and intensity	The Group did not produce any hazardous waste during the Reporting Year.
	A1.4	Total non-hazardous waste produced and intensity	69-70
	A1.5	Emissions target(s) set and steps taken to achieve them	71
	A1.6	How hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	The Group did not produce any hazardous waste during the Reporting Year.
A2: Use of Resources	A2	General Disclosure	65-66
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	67
	A2.2	Water consumption in total and intensity	No data was collected due to low water consumption and no individual water meter.
	A2.3	Energy use efficiency target(s) set and steps taken to achieve them	71
	A2.4	Whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	67
	A2.5	Total packaging material used for finished products	Packaging material is not applicable to the Group's business.

Aspect	HKEx KPI	Description	Page Number/ Remarks
A3: The Environment and Natural Resources	A3	General Disclosure	65-66
	A3.1	Significant impacts of activities on the environment and natural resources and actions taken to manage them	65-71
A4: Climate Change	A4	General Disclosure	71
	A4.1	Significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	71
B. Social			
Employment and Labour Practices			
B1: Employment	B1	General Disclosure	71-73
	B1.1	Total workforce by gender, employment type, age group and geographical region	73
	B1.2	Employee turnover rate by gender, age group and geographical region	73
B2: Health and Safety	B2	General Disclosure	75
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the Reporting Year	75
	B2.2	Lost days due to work injury	75
	B2.3	Occupational health and safety measures adopted, and how they are implemented and monitored	75-76
B3: Development and Training	B3	General Disclosure	77
	B3.1	Percentage of employees trained by gender and employee category	77
	B3.2	Average training hours completed per employee by gender and employee category	77

Aspect	HKEx KPI	Description	Page Number/ Remarks
B4: Labour Standards	B4	General Disclosure	74
	B4.1	Measures to review employment practices to avoid child and forced labour	74
	B4.2	Steps taken to eliminate such practices when discovered	74
Operating Practices			
B5: Supply Chain Management	B5	General Disclosure	80-81
	B5.1	Number of suppliers by geographical region	81
	B5.2	Practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	80
	B5.3	Practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	80
	B5.4	Practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	80
B6: Product Responsibility	B6	General Disclosure	81
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Due to the business nature of the Group, this KPI is considered not material
	B6.2	Number of products and services related complaints received and how they are dealt with	82
	B6.3	Practices relating to observing and protecting intellectual property rights	82
	B6.4	Quality assurance process and recall procedures	80-81
	B6.5	Consumer data protection and privacy policies, and how they are implemented and monitored	82

Aspect	HKEx KPI	Description	Page Number/ Remarks
B7: Anti-corruption	B7	General Disclosure	79-80
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Year and the outcomes of the cases	80
	B7.2	Preventive measures and whistle-blowing procedures, and how they are implemented and monitored	80
	B7.3	Anti-corruption training provided to directors and staff	76, 79
Community			
B8: Community Investment	B8	General Disclosure	78
	B8.1	Focus areas of contribution	78
	B8.2	Resources contributed to the focus area	78

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**"), which are set out on pages 95 to 206, comprise:

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

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 2021, 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 2021, the Group's financial assets arising from financing businesses which included loans and advances and accounts receivable from margin clients ("**Financing Assets**"), totalled HK$1,086.1 million with an allowance for ECL of HK$56.2 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 management judgements and assumptions applied in developing the ECL estimate; • We evaluated and tested the following key controls over: o the approval and application of ECL models, including ongoing model monitoring and ECL calculation and review; o the accuracy and completeness of key data inputs adopted by the ECL models; and

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$5,576.0 million with an allowance for ECL of HK$123.2 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.	o 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. • We assessed the competency, capabilities and objectivity of the external valuation specialists engaged by management for estimating the ECL of certain credit-impaired assets classified at Stage 3 and the recoverable amounts of the underlying collaterals (if any); • 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 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;

Key Audit Matter	How our audit addressed the Key Audit Matter
The macro-economic environment was volatile in 2021 with progression of the COVID-19 and other current macroeconomic conditions, 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 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 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. With the assistance of our internal valuation specialists, 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. 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Level 3 Financial Assets	
Refer to notes 26 and 37(e) to the consolidated financial statements. As at 31 December 2021, the Group held unlisted financial assets amounting to HK$1,265.3 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 8.7% 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 their judgements. 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 management judgements and assumptions involved in developing the estimate.	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 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, • 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 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, 29 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	4	895,376	1,019,185
Net gains on financial assets/liabilities at fair value through profit or loss ("**FVTPL**")		99,583	150,975
Net losses on financial assets at fair value through other comprehensive income ("**FVOCI**")		(180,070)	(84,204)
Net gains/(losses) on financial assets at amortised cost		76	(18,972)
Other income	6	12,951	16,515
Other gains and losses	7	(211)	2,615
Impairment losses	8	(184,254)	(113,614)
Staff costs		(93,715)	(89,126)
Depreciation and amortisation		(26,118)	(27,718)
Other operating expenses		(55,425)	(51,998)
Finance costs	9	(174,428)	(318,478)
Profit before taxation	10	293,765	485,180
Taxation	13	(2,609)	(91,960)
Profit for the year attributable to owners of the Company		291,156	393,220

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Profit for the year attributable to owners of the Company		**291,156**	393,220
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)		**(5,189)**	34,517
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)		**97,526**	114,270
Other comprehensive income for the year, net of tax		**92,337**	148,787
Total comprehensive income for the year attributable to owners of the Company		**383,493**	542,007
		HK cents	(Restated) HK cents
Earnings per share attributable to owners of the Company	15		
– Basic		**24.55**	33.00
– Diluted		**24.55**	33.00

The notes on pages 104 to 206 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Non-current assets			
Property, plant and equipment	16	**7,386**	9,418
Right-of-use asset	17(a)	**94,435**	93,428
Goodwill	18	**16,391**	16,391
Intangible assets	19	**960**	2,103
Financial assets at amortised cost	21	**–**	77,272
Deferred tax assets	32	**2,035**	1,383
Other assets		**8,732**	10,138
		129,939	210,133
Current assets			
Accounts receivable	22	**214,017**	502,816
Prepayments, deposits and other receivables	23	**390,560**	35,339
Interests receivable		**140,625**	119,836
Amount due from an intermediate holding company	24	**13,752**	–
Loans and advances	20	**841,160**	1,485,217
Financial assets at fair value through other comprehensive income	25	**9,610,682**	6,835,510
Financial assets at amortised cost	21	**62,172**	–
Financial assets at fair value through profit or loss	26	**1,782,441**	1,240,808
Cash held on behalf of customers	27(a)	**580,088**	357,370
Cash and cash equivalents	27(b)	**769,875**	378,170
		14,405,372	10,955,066

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Current liabilities			
Accounts payable	28	**640,528**	359,441
Other payables and accruals	29	**171,106**	83,147
Amount due to an intermediate holding company	24	**–**	5,927
Loans from an intermediate holding company	30	**3,697,591**	4,446,443
Notes payable	31	**1,139,938**	–
Tax payable		**18,751**	20,831
Financial assets sold under repurchase agreements	33	**5,978,218**	3,390,747
Financial liabilities at fair value through profit or loss	34	**244**	93,922
Lease liabilities	17(a)	**20,801**	27,388
		11,667,177	8,427,846
Net current assets		**2,738,195**	2,527,220
Total assets less current liabilities		**2,868,134**	2,737,353
Non-current liabilities			
Lease liabilities	17(a)	**75,725**	66,670
Deferred tax liabilities	32	**36,712**	70,715
		112,437	137,385
NET ASSETS		**2,755,697**	2,599,968

Consolidated Statement of Financial Position

At 31 December 2021

	Note	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
CAPITAL AND RESERVES			
Share capital	35	**469,786**	476,279
Reserves		**2,285,911**	2,123,689
TOTAL EQUITY		**2,755,697**	2,599,968

Approved and authorised for issue by the board of directors on 29 March 2022.

Li Jinze	**Ding Zhisuo**
DIRECTOR	DIRECTOR

The notes on pages 104 to 206 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

		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 2021		476,279	1,759,825	2,066,081	(115,278)	19,826	373	(1,607,138)	2,599,968
Changes in equity for 2021:									
Profit for the year		–	–	–	–	–	–	291,156	291,156
Other comprehensive income		–	–	–	97,526	(5,189)	–	–	92,337
Total comprehensive income		–	–	–	97,526	(5,189)	–	291,156	383,493
Disposal of equity investments at fair value through other comprehensive income		–	–	–	–	(7,442)*	–	7,442*	–
Shares repurchased and cancelled	35(i)	(6,493)	(56,536)	–	–	–	388	–	(62,641)
Shares repurchased but not yet cancelled		–	–	–	–	–	(8,225)	–	(8,225)
Dividend approved in respect of the previous year		–	–	(156,898)	–	–	–	–	(156,898)
Balance at 31 December 2021		469,786	1,703,289	1,909,183	(17,752)	7,195	(7,464)	(1,308,540)	2,755,697

* 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 2021

	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
		Attributable to owners of the Company							
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.

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 2021 and 2020.

The notes on pages 104 to 206 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	**2021** **HK$'000**	2020 HK$'000
Operating activities			
Cash (used in)/from operations	27(c)	**(78,632)**	1,249,750
Hong Kong Profits Tax paid		**(39,344)**	(96,298)
Interest received		**521,623**	687,177
Dividend received		**29,776**	8,518
Interest paid		**(212,678)**	(330,546)
Net cash generated from operating activities		**220,745**	1,518,601
Investing activity			
Purchases of property, plant and equipment		**(970)**	(482)
Net cash used in investing activity		**(970)**	(482)
Financing activities			
Repurchase of shares		**(70,866)**	(7,012)
New loans raised		**16,571,386**	5,039,553
Repayment of loans		**(17,272,521)**	(6,328,580)
Issuance of notes		**1,512,828**	–
Repayment of notes		**(388,639)**	(50,000)
Dividend paid		**(156,898)**	(157,270)
Principal and interest elements of lease payments	17(b)	**(24,555)**	(29,670)
Net cash from/(used in) financing activities		**170,735**	(1,532,979)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Net increase/(decrease) in cash and cash equivalents		**390,510**	(14,860)
Cash and cash equivalents at the beginning of year		**378,170**	400,708
Effect of foreign exchange rate changes, net		**1,195**	(7,678)
Cash and cash equivalents at the end of year		**769,875**	378,170
Analyses of cash and cash equivalents at end of year:			
Bank balances – house accounts	27(b)	**769,875**	378,170

The notes on pages 104 to 206 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 2021, 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 2021 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 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16
- Covid-19-Related Rent Concessions beyond 30 June 2021

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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;

- 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;

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Revenue recognition (continued)

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

- 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 expected credit 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 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.

A liability is recognized for discretionary bonus when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

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) Borrowing 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Taxation (continued)

The Group is subject to income taxes predominantly in Hong Kong and judgement is required in determining the provision for income taxes. There could be transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the estimated amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

(ii) Financial liabilities and equity instruments (continued)

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, loans from an intermediate holding company, 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.

Derecognition

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Measurement of ECLs (continued)

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.

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 original 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 expected credit 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 statement of cash flows. 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 cause 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).

Taxation

Policies on current and deferred tax are set out in note 2(n).

4 REVENUE

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

	2021 HK$'000	2020 HK$'000
Commission income from brokerage and related services	780	699
Commission income from underwriting, sub-underwriting, placing and sub-placing	74,503	54,167
Interest income from debt securities investments	305,121	460,699
Interest income from FVTPL investments	40,753	20,934
Interest income from provision of finance and securities margin financing	123,943	216,945
Dividend income and other investment income	167,825	97,021
Financial advisory, sponsorship, arrangement fee and other service income	53,857	31,288
Asset management fee, investment advisory services fee and performance fee income	128,594	137,432
	895,376	1,019,185

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.

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:

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Commission income from brokerage and related services	**780**	699
– Commission income from underwriting, sub-underwriting, placing and sub-placing	**74,503**	54,167
– Financial advisory, sponsorship, arrangement fee and other service income	**53,857**	31,288
– Asset management fee, investment advisory services fee and performance fee income	**128,594**	137,432
	257,734	223,586
Revenue from other sources		
Loan and financing		
– Interest income from provision of finance and securities margin financing	**123,943**	216,945
Financial investments		
– Interest income from debt securities investments	**305,121**	460,699
– Interest income from FVTPL investments	**40,753**	20,934
– Dividend income and other investment income	**167,825**	97,021
	513,699	578,654
	895,376	1,019,185

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	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15	**65,031**	38,262	**–**	–	**–**	–	**128,594**	137,432	**64,109**	47,892	**257,734**	223,586
Revenue from other sources												
Loan and financing												
– Interest income from provision of finance and securities margin financing	**39,623**	48,932	**–**	–	**84,320**	168,013	**–**	–	**–**	–	**123,943**	216,945
Financial investments												
– Interest income from debt securities investments	**–**	–	**305,121**	460,699	**–**	–	**–**	–	**–**	–	**305,121**	460,699
– Interest income from FVTPL investments	**–**	–	**22**	6,694	**40,731**	14,240	**–**	–	**–**	–	**40,753**	20,934
– Dividend income and other investment income	**–**	–	**138,049**	88,504	**29,776**	8,517	**–**	–	**–**	–	**167,825**	97,021
	–	–	**443,192**	555,897	**70,507**	22,757	**–**	–	**–**	–	**513,699**	578,654
Reportable segment revenue	**104,654**	87,194	**443,192**	555,897	**154,827**	190,770	**128,594**	137,432	**64,109**	47,892	**895,376**	1,019,185

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 2021						
	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	104,654	443,192	154,827	128,594	64,109	–	895,376
– Net gains on financial assets/liabilities at fair value through profit or loss	–	11,697	87,886	–	–	–	99,583
– Net losses on financial assets at fair value through other comprehensive income	–	(180,070)	–	–	–	–	(180,070)
– Net gains on financial assets at amortised cost	–	76	–	–	–	–	76
	104,654	274,895	242,713	128,594	64,109	–	814,965
Other income	2,898	42	4	48	1,052	8,907	12,951
Other gains and losses	2,616	(19,739)	4,384	293	10	12,225	(211)
Segment expenses	(51,651)	(265,498)	(133,657)	(32,425)	(31,000)	(19,709)	(533,940)
Segment results	58,517	(10,300)	113,444	96,510	34,171	1,423	293,765

5 SEGMENT INFORMATION (continued)

(ii) Segment revenue and results (continued)

	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)

(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 2021						
	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	1,013,538	10,371,510	2,866,398	42,447	26,556	214,862	14,535,311
Liabilities							
Segment liabilities	862,432	9,593,856	1,180,380	2,948	120	139,878	11,779,614

	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

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 2021						
	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	28	–	–	–	–	2,974	3,002
Depreciation of right-of-use asset	–	–	–	–	–	21,973	21,973
Addition of property,plant and equipment	–	–	–	–	–	970	970
Amortisation of intangible asset	1,143	–	–	–	–	–	1,143
Impairment loss in respect of loans and advances	–	–	63,236	–	–	–	63,236
Impairment loss in respect of accounts receivable	290	–	–	–	–	–	290
Impairment loss in respect of financial assets at fair value through other comprehensive income	–	120,738	–	–	–	–	120,738
Reversal of impairment loss in respect of financial assets at amortised cost	–	(10)	–	–	–	–	(10)
Finance costs	9,396	130,118	30,871	–	–	4,043	174,428

5 SEGMENT INFORMATION (continued)

(iv) Other segment information (continued)

	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

(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

No customer contributed over 10% of the total revenue of the Group for the year ended 31 December 2021.

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.

6 OTHER INCOME

	2021 HK$'000	2020 HK$'000
Bank interest income	60	1,290
Office sharing fee income	8,880	8,880
Other income	4,011	6,345
	12,951	16,515

7 OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Net exchange loss/(gain)	211	(2,615)

8 IMPAIRMENT LOSSES

	2021 HK$'000	2020 HK$'000
Provision/(reversal) of impairment losses		
– Loans and advances (note 20)	63,236	(125)
– Accounts receivable (note 22)	290	1,452
– Financial assets at fair value through other comprehensive income (note 25)	120,738	77,616
– Financial assets at amortised cost (note 21)	(10)	34,671
	184,254	113,614

9 FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest expense on:		
Margin loans	–	217
Notes payable (note 31)	11,472	2,781
Bank borrowings	556	401
Repurchase agreements	38,622	67,122
Loans from an intermediate holding company	119,018	242,629
Lease liabilities (note 17(b))	4,043	5,328
Others	717	–
	174,428	318,478

10 PROFIT BEFORE TAXATION

	2021 HK$'000	2020 HK$'000
Profit before taxation is arrived at after charging:		
Staff costs (including directors' remuneration):		
Wages and salaries	92,283	87,928
Retirement benefits contributions	1,432	1,198
Total staff costs	93,715	89,126
Auditor's remuneration	4,135	3,755
Depreciation of property, plant and equipment (note 16)	3,002	2,990
Depreciation of right-of-use asset (note 17(b))	21,973	23,357
Amortisation of intangible assets (note 19)	1,143	1,371

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 2021										
	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$'000	Mr. Yang Kunpeng HK$'000	Mr. Li Wenshi HK$'000	Mr. Lee, Cheuk Yin Dannis HK$'000	Mr. Wu Bin HK$'000	Mr. Wang Lihua HK$'000	Total HK$'000
Fees	-	-	-	75	75	-	-	300	300	300	1,050
Other emoluments:											
Salaries and other allowances	4,800	3,900	3,360	-	-	-	-	-	-	-	12,060
Discretionary bonuses	2,022	2,228	3,860	-	-	-	-	-	-	-	8,110
Retirement benefits contribution	18	18	18	-	-	-	-	-	-	-	54
	6,840	6,146	7,238	75	75	-	-	300	300	300	21,274

	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

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 (2020: three) were directors of the Company whose remuneration are set out in note 11 above. Details of the remuneration of the remaining two (2020: two) non-director, highest paid employees for the year are as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other allowances	**3,788**	3,637
Discretionary bonuses	**6,000**	2,475
Retirement benefits contributions	**36**	36
	9,824	6,148

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

	Number of individuals	
	2021	2020
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	**–**	–
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	**–**	–
HK$4,000,001 to HK$4,500,000	**1**	1
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,000,001 to HK$5,500,000	**–**	1
HK$5,500,001 to HK$6,000,000	**1**	–
HK$6,000,001 to HK$6,500,000	**1**	–
HK$6,500,001 to HK$7,000,000	**1**	–
HK$7,000,001 to HK$7,500,000	**1**	–
	5	5

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS (continued)

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 2021 and 2020.

13 TAXATION

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

	2021 HK$'000	2020 HK$'000
Current tax:		
Hong Kong Profits Tax	**37,370**	36,874
Over-provision in prior years	**(106)**	(2,255)
	37,264	34,619
Deferred tax (note 32):		
Origination and reversal of temporary differences	**(34,655)**	57,341
	2,609	91,960

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both the year ended 31 December 2021 and 2020.

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

	2021 HK$'000	2020 HK$'000
Profit before taxation	**293,765**	485,180
Notional tax at the profit tax rate of Hong Kong of 16.5% (2020: 16.5%)	**48,471**	80,055
Tax effect of income not taxable for tax purpose	**(37,251)**	(19,957)
Tax effect of expenses not deductible for tax purpose	**19,844**	6,872
Tax effect of tax losses not recognised	**15,325**	31,871
Tax losses utilised from previous periods	**(1,759)**	(4,626)
Over-provision in prior years	**(106)**	(2,255)
Reversal of deferred tax recognised	**(41,915)**	–
Income tax expense	**2,609**	91,960

14 DIVIDENDS

	2021 HK$'000	2020 HK$'000
Proposed: Final – HK 7.48 cents (2020: HK0.33 cents (before share consolidation)/equivalent to HK13.2 cents (after share consolidation)) per ordinary share	**87,307**	157,080

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 (before share consolidation)/ equivalent to HK13.2 cents (after share consolidation) for the year ended 31 December 2020 had been approved by the shareholders of the Company on 29 June 2021 and was paid on 30 July 2021 in an aggregated amount of approximately HK$156,898,000.

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:

	2021 HK$'000	2020 HK$'000
Earnings		
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	**291,156**	393,220

	2021 '000	2020 (Restated) '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,186,087**	1,191,517

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

The weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation for the year ended 31 December 2021 has been adjusted to reflect the effect of share consolidation as set out in note 35 to the consolidated financial statements. Comparative figures have also been adjusted on the assumption that the share consolidation had been effective in prior year.

There was no dilutive items during the years ended 31 December 2021 and 2020.

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost			
At 1 January 2020	9,486	5,453	14,939
Additions	–	482	482
Disposal	–	(85)	(85)
At 31 December 2020	9,486	5,850	15,336
Additions	668	302	970
At 31 December 2021	10,154	6,152	16,306
Accumulated depreciation and impairment			
At 1 January 2020	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
Charged for the year	1,948	1,054	3,002
At 31 December 2021	5,109	3,811	8,920
Carrying values			
At 31 December 2021	5,045	2,341	7,386
At 31 December 2020	6,325	3,093	9,418

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 2021 HK$'000	As at 31 December 2020 HK$'000
Right-of-use asset		
Office	94,435	93,428
Lease liabilities		
Current	20,801	27,388
Non-current	75,725	66,670
	96,526	94,058

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.

During the year ended 31 December 2021, addition to the right-of-use assets amounted to HK$22,980,000. There was no addition to the right-of-use assets during the year ended 31 December 2020.

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:

	2021 HK$'000	2020 HK$'000
Depreciation of right-of-use asset		
Office	**21,973**	23,357
Interest expenses		
(included in finance cost) (note 9)	**4,043**	5,328

The total cash outflow for leases in 2021 was HK$24,555,000 (2020: HK$29,670,000).

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

In 2021, the Group leases one office (2020: one office) and office rental contracts are typically made for fixed periods of 2 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 2020, 31 December 2020 and 31 December 2021	551,445
Impairment	
At 1 January 2020, 31 December 2020 and 31 December 2021	535,054
Carrying values	
At 31 December 2020 and 31 December 2021	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". 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 6.3% (2020: 6.73%).

The cash flow projections at 31 December 2021 has taken into account the expansion of business. The cash flows beyond the 5-year period are extrapolated assuming 3% growth rate (2020: 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$1,379,619,000 (2020: HK$1,435,914,000). 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 (2020: Nil) is recognised in profit or loss during the year ended 31 December 2021.

19 INTANGIBLE ASSETS

	Trading rights HK$'000	Customers' relationship HK$'000	Total HK$'000
Cost			
At 1 January 2020, 31 December 2020 and 31 December 2021	960	144,799	145,759
Amortisation and impairment			
At 1 January 2020	–	142,285	142,285
Charge for the year	–	1,371	1,371
At 31 December 2020	–	143,656	143,656
Charge for the year	–	1,143	1,143
At 31 December 2021	–	144,799	144,799
Carrying values			
At 31 December 2021	960	–	960
At 31 December 2020	960	1,143	2,103

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 trading rights and customers' relationship was identified based on the valuation performed by an independent professional qualified valuer using the income approach at a discount rate of 6.3% at 31 December 2021 (2020: 6.73%).

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 2021 HK$'000	As at 31 December 2020 HK$'000
Loans and advances	**894,441**	1,492,193
Less: Allowance for expected credit losses	**(53,281)**	(6,976)
	841,160	1,485,217

The carrying amounts of the above loans and advances as at 31 December 2021 and 2020 are due within one year and presented under current assets.

At 31 December 2021, loans and advances included loans to independent third parties with effective interest rates ranging from 3% to 13% (2020: 5% to 13%) per annum.

During the year, allowance for expected credit losses of HK$63,236,000 (2020: reversal of expected credit losses of HK$125,000) was recognised in the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2021, the entire stage 3 loan balance represented the gross carrying amount of a loan to an independent third party which was assessed as credit-impaired with an allowance for expected credit losses of HK$40,272,000 (2020: HK$3,157,000), which represented the difference between the outstanding loan balance and an expected recoverable amount (taking into account of the underlying collaterals in the PRC) as determined by an independent professional valuer.

20 LOANS AND ADVANCES (continued)

Movement in expected credit losses is as follows:

	2021 Expected credit losses				2020 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 2021/2020	6,976	–	–	6,976	7,101	–	–	7,101
Transfer	(3,281)	(1,324)	4,605	–	–	–	–	–
Impairment losses charged/(released) to profit or loss (note 8)	13,829	13,740	35,667	63,236	(125)	–	–	(125)
Derecognition	(16,931)	–	–	(16,931)	–	–	–	–
At 31 December 2021/2020	593	12,416	40,272	53,281	6,976	–	–	6,976

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 2021	615,236	198,662	80,543	894,441
As at 31 December 2020	1,492,193	–	–	1,492,193

21 FINANCIAL ASSETS AT AMORTISED COST

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Listed debt investments	62,373	77,536
Less: Allowance for expected credit losses	(201)	(264)
	62,172	77,272
Less: Amount due within one year presented under current assets	(62,172)	–
Amount presented under non-current assets	–	77,272
Analysed as:		
Financial assets at amortised cost (non-current)	–	77,536
Less: Allowance for expected credit losses	–	(264)
	–	77,272
Financial assets at amortised cost (current)	62,373	–
Less: Allowance for expected credit losses	(201)	–
	62,172	–

21 FINANCIAL ASSETS AT AMORTISED COST (continued)

Movement in expected credit losses is as follows:

	2021 Expected credit losses				2020 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 2021/2020	264	–	–	264	346	23,376	–	23,722
Transfers between stages	–	–	–	–	–	(23,376)	23,376	–
Impairment losses (released)/charged to profit or loss (note 8)	(10)	–	–	(10)	(82)	–	34,753	34,671
Derecognition	(53)	–	–	(53)	–	–	(58,129)	(58,129)
At 31 December 2021/2020	201	–	–	201	264	–	–	264

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 2021	62,373	–	–	62,373
As at 31 December 2020	77,536	–	–	77,536

22 ACCOUNTS RECEIVABLE

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Accounts receivable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Clearing houses	**111**	2,828
– Cash clients	**8,582**	2
– Margin clients	**191,650**	480,286
	200,343	483,116
Accounts receivable arising from the ordinary course of business of securities underwriting	**10,846**	12,639
Accounts receivable arising from the ordinary course of business of advisory services	**4,575**	9,675
Accounts receivable arising from the ordinary course of asset management services	**1,157**	–
	216,921	505,430
Less: Allowance for expected credit losses	**(2,904)**	(2,614)
	214,017	502,816

Movement in expected credit losses is as follows:

	2021 Expected credit losses				2020 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 2021/2020	**908**	**–**	**1,706**	**2,614**	74	–	1,088	1,162
Impairment losses charged to profit or loss (note 8)	**290**	**–**	**–**	**290**	834	–	618	1,452
At 31 December 2021/2020	**1,198**	**–**	**1,706**	**2,904**	908	–	1,706	2,614

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	Lifetime ECL	Lifetime ECL (Credit-impaired)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2021	**215,215**	**–**	**1,706**	**216,921**
As at 31 December 2020	503,724	–	1,706	505,430

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 3.5% to 18% per annum during the year ended 31 December 2021 (2020: 5.25% to 18% per annum). The fair values of the pledged securities as at 31 December 2021 approximate HK$688,073,000 (2020: HK$797,944,000). 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 2021, approximately 88% (2020: 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 2020 and 2021.

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$290,000 was recognised (2020: HK$1,452,000) in the consolidated statement of profit or loss and other comprehensive income.

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 2020	–	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
Impairment loss recognised during the year (note 8)	–	290	290
Balance at 31 December 2021	–	2,904	2,904

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, advisory and asset management services

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

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Neither past due nor impaired	**10,305**	11,458
Less than 31 days past due	**–**	–
31–60 days past due	**2,644**	8,126
61–90 days past due	**259**	2,559
Over 90 days past due	**3,370**	171
	16,578	22,314
Allowance for expected credit losses	**–**	–
Total	**16,578**	22,314

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

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Prepayments and deposits	**4,816**	4,191
Other receivables	**368,267***	560
Contract assets	**17,477**	30,588
	390,560	35,339

* Included in the amount of other receivables, HK$356.9 million were the receivables arising from securities trading as at 31 December 2021 (2020: Nil), which have been subsequently settled shortly after the year-end.

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 2021 HK$'000	As at 31 December 2020 HK$'000
Listed debt investments, at fair value (Note)	**5,513,589**	5,173,757
Listed equity instruments, at fair value	**4,097,093**	1,661,753
	9,610,682	6,835,510

Movement in expected credit losses is as follows:

	2021 Expected credit losses					2020 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 2021/2020	15,579	11,319	67,699	–	94,597	35,744	41,720	28,627	–	106,091
Transfers between stages	(1,733)	218	1,515	–	–	(2,042)	(34,068)	36,110	–	–
Impairment losses charged to profit or loss (note 8)	3,490	1,184	116,064	–	120,738	2,931	7,372	67,313	–	77,616
Derecognition	(8,340)	(8,728)	(75,225)	–	(92,293)	(21,054)	(3,705)	(64,351)	–	(89,110)
At 31 December 2021/2020	8,996	3,993	110,053	–	123,042	15,579	11,319	67,699	–	94,597

Note: As at 31 December 2021, allowance for expected credit losses amounted to approximately HK$123,042,000 (2020: HK$94,597,000) has been included in fair value reserve (recycling).

As at 31 December 2021, two debt securities with gross carrying amount of HK$159,219,000 were determined as credit-impaired and transferred to stage 3. An allowance of expected credit loss of HK$85,763,000 was estimated and recognised under lifetime ECL. An impairment loss of HK$85,159,000 (2020: HK$583,000) was recognized for the year ended 31 December 2021, which represented the difference between the outstanding balance and expected recoverable amount as determined by an independent professional valuer.

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 2021	**5,204,858**	**130,922**	**177,809**	**–**	**5,513,589**
As at 31 December 2020	4,917,013	189,124	55,203	12,417	5,173,757

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Listed equity investments	**152,101**	–
Unlisted equity investments	**413,105**	230,715
Listed debt investments	**353,510**	241,417
Quoted investment fund	**11,527**	–
Unlisted investment funds	**852,198**	700,113
Derivative financial instrument – credit derivative	**–**	68,563
	1,782,441	1,240,808

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

As at 31 December 2020, the credit derivative was a non-qualified hedging derivative which comprised a total return swap held by the Group with notional value amounted to approximately HK$187.3 million. During the year ended 31 December 2021, the credit derivative was unwound.

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 2021, the segregated accounts with authorised institutions in relation to its brokerage business totaling HK$580,088,000 (2020: HK$357,370,000).

(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 2021, cash and cash equivalents with authorised institutions totaling approximately HK$769,875,000 (2020: HK$378,170,000).

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

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

	2021 HK$'000	2020 HK$'000
Operating activities		
Profit for the year	291,156	393,220
Adjustments for:		
Income tax expense recognised in profit or loss	2,609	91,960
Finance costs	174,428	318,478
Bank interest income	(60)	(1,290)
Interest income from provision of finance and securities margin financing	(123,943)	(216,945)
Dividend income and other investment income	(167,825)	(97,021)
Interest income from debt securities investments	(305,121)	(460,699)
Interest income from FVTPL investments	(40,753)	(20,934)
Impairment loss recognised in respect of accounts receivable	290	1,452
Provision/(reversal) of impairment loss recognised in respect of loans and advances	63,236	(125)
Impairment loss recognised in respect of financial assets at FVOCI	120,738	77,616
(Reversal)/provision of impairment loss recognised in respect of financial assets at amortised cost	(10)	34,671
Net gains on financial assets/liabilities at FVTPL	(99,583)	(150,975)
Net losses on financial assets at FVOCI	180,070	84,204
Net (gains)/losses on financial assets at amortised cost	(76)	18,972
Depreciation of property, plant and equipment	3,002	2,990
Depreciation of right-of-use asset	21,973	23,357
Amortisation of intangible asset	1,143	1,371
Operating cash flows before movements in working capital	121,274	100,302

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

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

	2021 HK$'000	2020 HK$'000
Operating activities (continued)		
Decrease in accounts receivable	328,132	145,907
(Increase)/decrease in prepayments, deposits and other receivables	(355,221)	20,434
Decrease in loans and advances	580,548	970,201
Decrease in interests receivable	30,956	69,874
Decrease in other assets	1,406	46
Increase in amount due from an intermediate holding company	(13,752)	–
Increase in cash held on behalf of customers	(222,718)	(322,091)
Increase in accounts payable	281,087	320,483
Increase/(decrease) in other payables and accruals	78,994	(34,193)
(Decrease)/increase in amount due to an intermediate holding company	(5,927)	10,036
Decrease in financial assets at amortised cost	15,530	39,157
(Increase)/decrease in financial assets at fair value through other comprehensive income	(2,951,663)	15,374
Increase in financial assets at fair value through profit or loss	(436,148)	(407,292)
Increase in financial assets sold under repurchase agreements	2,556,453	227,711
(Decrease)/increase in financial liabilities at FVTPL	(87,583)	93,801
Cash (used in)/from operations	(78,632)	1,249,750

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

(d) Reconciliation of liabilities arising from financing activities

	Loans from an intermediate holding company HK$'000 (Note 30)	Bank Borrowings HK$'000	Notes payable HK$'000 (Note 31)	Lease Liabilities HK$'000	Total HK$'000
At 1 January 2021	4,446,443	–	–	94,058	4,540,501
Changes from financing cash flows:					
Proceeds from loans from an intermediate holding company	15,080,775	–	–	–	15,080,775
Repayment of loans from an intermediate holding company	(15,781,910)	–	–	–	(15,781,910)
Proceeds from bank loans	–	1,490,611	–	–	1,490,611
Repayment of bank loans	–	(1,490,611)	–	–	(1,490,611)
Issuance of notes	–	–	1,512,828	–	1,512,828
Repayment of notes	–	–	(388,639)	–	(388,639)
Principal and interest elements of lease payments	–	–	–	(24,555)	(24,555)
Total changes from financing cash flows	(701,135)	–	1,124,189	(24,555)	398,499
Exchange adjustments	11,809	–	6,349	–	18,158
Other changes	(59,526)	–	9,400	27,023	(23,103)
At 31 December 2021	3,697,591	–	1,139,938	96,526	4,934,055

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

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

	Loans from an intermediate holding company HK$'000 (Note 30)	Bank Borrowings HK$'000	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	(1,289,035)	8	(50,000)	(29,670)	(1,368,697)
Exchange adjustments	(23,934)	(8)	–	–	(23,942)
Other changes	10,944	–	–	5,328	16,272
At 31 December 2020	4,446,443	–	–	94,058	4,540,501

28 ACCOUNTS PAYABLE

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Accounts payable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Cash clients	459,490	221,936
– Margin clients	48,406	54,537
– Clearing house	132,632	82,968
	640,528	359,441

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 2021 HK$'000	As at 31 December 2020 HK$'000
Other payables	112,374*	7,667
Interest payables	18,754	9,789
Accruals	39,858	55,273
Contract liabilities	120	418
Other deposit received	–	10,000
	171,106	83,147

The revenue recognised in relation to carried-forward contract liabilities amounted to HK$418,000 (2020: HK$626,000) for the year ended 31 December 2021.

* Included in the amount of other payables, approximately HK$101.9 million were the payables arising from securities trading as at 31 December 2021 (2020: Nil), which have been subsequently settled shortly after the year-end.

30 LOANS FROM AN INTERMEDIATE HOLDING COMPANY

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Loans from an intermediate holding company	**3,697,591**	4,446,443
The carrying amounts of the above borrowings are repayable:		
Within one year	**3,697,591**	4,446,443

As at 31 December 2021, the Group had loans amounting to approximately HK$3,654,679,000 (2020: HK$4,344,207,000) from CMBC International Holdings Limited, an intermediate holding company and interest payable amounting to approximately HK$42,912,000 (2020: HK$102,236,000). The loans bear interest at rates of 2.5% to 3.5% per annum (2020: interest rate of 4% per annum) and are repayable within one year. The Group's undrawn amount of the loan facilities was approximately HK$4,345,321,000 (2020: HK$3,655,793,000).

31 NOTES PAYABLE

In 2013, the Company 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 ended 31 December 2020, the note principal of HK$50,000,000 was fully repaid.

During the year ended 31 December 2021, the Company's subsidiary issued notes in the aggregate principal amount of US$195,000,000 to independent third parties, of which an aggregate principal amount of US$50,000,000 was redeemed. The notes carry variable interest at 1% to 1.8% per annum and are to be redeemed within one year.

As at 31 December 2021, the aggregate principal amount of the notes payable was US$145,000,000 (2020: Nil).

The movement of the notes payable for the year ended 31 December 2021 and 2020 are set out below:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
At the beginning of the year	**–**	50,000
Issuance of notes	**1,512,828**	–
Interest charged (note 9)	**11,472**	2,781
Repayment of note principal	**(388,639)**	(50,000)
Interest paid	**(2,072)**	(2,781)
Exchange realignment	**6,349**	–
At the end of the year	**1,139,938**	–
The carrying amounts of the above notes payable are repayable:		
Within one year	**1,139,938**	–

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		
	Impairment provision HK$'000	Unrealised gain on financial assets at FVTPL HK$'000	Notes Payable HK$'000	Total HK$'000
At 1 January 2020	(13,520)	25,450	61	25,511
Debited/(credited) to profit or loss (note 13)	12,137	45,265	(61)	45,204
At 31 December 2020	**(1,383)**	**70,715**	**–**	**70,715**
Credited to profit or loss (note 13)	**(652)**	**(34,003)***	**–**	**(34,003)**
At 31 December 2021	**(2,035)**	**36,712**	**–**	**36,712**

* The credited amount to profit or loss of approximately HK$34,003,000 included a deferred tax reversal of approximately HK$42 million arising from management's reassessment of two unlisted investment funds classified as financial assets at FVTPL due to the change in facts and circumstances during the year ended 31 December 2021.

At the end of the reporting period, the Group has unused tax losses of approximately HK$252 million (2020: HK$203 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 2021 HK$'000	As at 31 December 2020 HK$'000
Bonds	**5,978,218**	3,390,747

As at 31 December 2021, 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$7,820,524,000 (2020: approximately HK$4,535,946,000), 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 2021 HK$'000	As at 31 December 2020 HK$'000
Payables to interest holders of unlisted consolidated investment funds, designated at FVTPL	**244**	–
Derivative financial instrument – credit derivative	**–**	93,922
	244	93,922

As at 31 December 2021, the Company held 60% (31 December 2020: 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 approximately HK$244,000 as at 31 December 2021 (31 December 2020: Nil).

As at 31 December 2020, the credit derivative was 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. During the year ended 31 December 2021, the credit derivative was unwound.

35 SHARE CAPITAL

	Notes	Number of shares As at 31 December 2021 '000	Number of shares As at 31 December 2020 '000	Amount As at 31 December 2021 HK$'000	Amount As at 31 December 2020 HK$'000
Authorised:					
At the beginning of the year					
Ordinary shares at HK$0.01 (2020: HK$0.01) each		100,000,000	100,000,000	1,000,000	1,000,000
Share consolidation		(97,500,000)	–	–	–
At the end of the year					
Ordinary shares at HK$0.4 (2020: HK$0.01) each		2,500,000	100,000,000	1,000,000	1,000,000
Issued and fully paid:					
At the beginning of the year		47,627,928	47,679,218	476,279	476,792
Cancellation for shares repurchased	(i)	(649,260)	(51,290)	(6,493)	(513)
Share consolidation	(ii)	(45,804,201)	–	–	–
At the end of the year		1,174,467	47,627,928	469,786	476,279

Notes:

(i) During the year ended 31 December 2021, the Company repurchased an aggregate of 747,680,000 ordinary shares (before share consolidation) and 160,500 consolidated shares of the Company on market at prices ranging from HK$0.072 to HK$0.129 and HK$3.18 to HK$3.25 per share respectively with a total consideration of approximately HK$70,866,000 (before transaction costs). Of these repurchased shares, 646,080,000 shares were cancelled during the year ended 31 December 2021. The premium of approximately HK$56,536,000 paid on the repurchase of such shares was debited to share premium account. Subsequent to end of the reporting period, the remaining 2,700,500 repurchased consolidated shares were cancelled on 31 January 2022.

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 during the 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.

(ii) With effect from 29 December 2021, every forty (40) ordinary shares in the issued and unissued share capital of the Company was consolidated into one (1) consolidated share of the Company. For further details please refer to the Company's circular dated 9 December 2021.

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 loans from an intermediate holding company, notes payable, 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 loans from an intermediate holding company, notes payable 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 CMBC International Capital Limited 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 2021 and 2020, the Group's strategy was to maintain a reasonable gearing ratio. During the year ended 31 December 2021 and 2020, 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 2021 and 31 December 2020 were as follows:

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Notes payable	**1,139,938**	–
Loans from an intermediate holding company	**3,654,679**	4,344,207
Financial assets sold under repurchase agreements	**5,978,218**	3,390,747
Total debt	**10,772,835**	7,734,954
Equity attributable to owners of the Company	**2,755,697**	2,599,968
Capital and total debt	**13,528,532**	10,334,922
Gearing ratio	**0.80**	0.75

Gearing ratio of the Group increased as the Group has raised its funding to expand its business.

37 FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	1,782,441	1,240,808
Loans and advances	841,160	1,485,217
Financial assets at amortised cost	62,172	77,272
Accounts receivable	214,017	502,816
Deposits and other receivables	385,768	31,171
Interests receivable	140,625	119,836
Amount due from an intermediate holding company	13,752	–
Cash held on behalf of customers	580,088	357,370
Cash and cash equivalents	769,875	378,170
Financial assets at amortised cost	3,007,457	2,951,852
Financial assets at fair value through other comprehensive income	9,610,682	6,835,510
Financial Liabilities		
At amortised cost	11,683,929	8,314,072
At fair value through profit or loss	244	93,922

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, loans from an intermediate holding company, 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 2021 and 31 December 2020.

The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at 31 December 2021 and 31 December 2020 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).

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.

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

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 2021, the Group has concentration risk on its accounts receivable as the balance with the largest client represent 36% (2020: 41%) of the total accounts receivable from cash and margin clients and the three largest clients represent 36%, 25% and 10% (2020: 41%, 19% and 11%) respectively, of the accounts receivable from cash and margin clients. The Group has no other significant concentration risk.

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.

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

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.

(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.

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

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 2021							
Accounts payable	–	640,528	–	–	–	640,528	640,528
Other payables	–	112,374	–	–	–	112,374	112,374
Interest payables	–	18,754	–	–	–	18,754	18,754
Loans from an intermediate holding company	2.5%-3.5%	–	–	3,750,964	–	3,750,964	3,697,591
Notes payable	1%-1.8%	1,031,588	117,294	–	–	1,148,882	1,139,938
Financial assets sold under repurchase agreements	0.25%–1.5%	5,978,218	–	–	–	5,978,218	5,978,218
Lease liabilities	3.5%	1,733	3,467	15,601	84,243	105,044	96,526
		7,783,195	120,761	3,766,565	84,243	11,754,764	11,683,929

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 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
Loans from an intermediate holding company	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)

(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, loans and advances 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, loans and advances, 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, loans and advances, 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 (2020: 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 (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2021 would decrease by approximately HK$20,660,000 or increase by HK$23,406,000 (2020: decrease by HK$11,318,000 or increase by HK$12,151,000).

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 (2020: 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 (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2021 would decrease or increase by approximately HK$1,064,000 (2020: decrease or increase by HK$1,789,000), and the Group's other comprehensive income for the year ended 31 December 2021 would decrease or increase by HK$58,185,000 (2020: decrease or increase by HK$49,657,000).

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 2021		
	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%)	152,101	6,350/(6,350)
– Unlisted equity investments	5%/(5%)	413,105	11,328/(12,707)
– Quoted investment fund	5%/(5%)	11,527	481/(481)
– Unlisted investment funds	5%/(5%)	852,198	32,360/(32,230)

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(d) Other price risk (continued)

Sensitivity analysis (continued)

	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)

(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 2021 HK$'000	As at 31 December 2020 HK$'000			
Financial assets					
Financial assets at fair value through profit or loss					
– Listed equity investments	152,101	–	Level 1	Quoted market closing prices in an active market	N/A
– Listed debt investments	353,510	241,417	Level 2	Quoted price from broker/financial institution	N/A
– Unlisted equity investments	413,105	230,715	Level 3	Recent transaction price/Trending on stock price movement/ Binomial model/ Equity allocation model	Discount rate for lack of marketability/Stock price movement/ Scenario probability/ Sales multiples
– Quoted investment fund	11,527	–	Level 1	Quoted market closing prices in an active market	N/A
– Unlisted investment funds	852,198	700,113	Level 3	Recent transaction price/Trending on stock price movement/Equity allocation model	Discount rate for lack of marketability/Stock price movement/ Scenario probability/ Sales multiples
– 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 2021 HK$'000	As at 31 December 2020 HK$'000			
Financial assets					
Financial assets at fair value through other comprehensive income					
– Listed debt investments	5,513,589	5,173,757	Level 2	Quoted price from broker/financial institution	N/A
– Listed equity instruments	4,097,093	1,661,753	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	244	–	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 2021 and 2020, 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:

	2021 HK$'000	2020 HK$'000
Financial assets at fair value through profit or loss		
Unlisted equity investments:		
At 1 January	230,715	290,790
Payment for purchase	62,039	–
Repayment	(25,633)	–
Changes in fair value recognised in profit or loss during the year	144,215	(63,118)
Exchange gain recognised in profit or loss during the year	1,769	3,043
At 31 December	413,105	230,715
Unlisted investment funds:		
At 1 January	700,113	299,212
Payment for purchase	170,995	244,553
Repayment	–	(55,452)
Changes in fair value recognised in profit or loss during the year	(23,205)	213,133
Exchange gain/(loss) recognised in profit or loss during the year	4,295	(1,333)
At 31 December	852,198	700,113

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)

	2021 HK$'000	2020 HK$'000
Unlisted convertible debt investments:		
At 1 January	–	242,526
Repayment	–	(241,678)
Changes in fair value recognised in profit or loss during the year	–	242
Exchange loss recognised in profit or loss during the year	–	(1,090)
At 31 December	–	–
Total unrealised gains for the year included in profit or loss for assets held at the end of the reporting period	121,010	150,257
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
Changes in fair value recognised in profit or loss during the year	244	(28,828)
Exchange gain recognised in profit or loss during the year	–	851
At 31 December	244	–
Total unrealised loss/(gains) for the year included in profit or loss for liabilities held at the end of the reporting period	244	(28,828)

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 2021 and 31 December 2020.

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 2021, there was no outstanding share options (31 December 2020: 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.

For the years ended 31 December 2021 and 2020, no forfeited contributions were available for utilisation by the Company to reduce the existing level of contributions.

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 2021				
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	202,486	(5,047)	197,439	–	197,439

	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

40 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

	At 31 December 2021				
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	**645,575**	**(5,047)**	**640,528**	**–**	**640,528**

	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

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

	2021 HK$'000	2020 HK$'000
Interest expense to an intermediate holding company (Note (i))	**119,018**	242,629
Interest income from a branch of the ultimate holding company	**2**	2
Interest expense to a branch of the ultimate holding company	**–**	102
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))	**145**	118
Underwriting fee income from a subsidiary of the ultimate holding company	**1,745**	–
Asset management fee and investment advisory services fee income from an intermediate holding company and segregated portfolios invested by an intermediate holding company and the ultimate holding company (Note (iii))	**108,588**	96,425
Performance fee income from an intermediate holding company and a segregated portfolio invested by an intermediate holding company and the ultimate holding company (Note (iii))	**18,727**	40,381
Office sharing fee income from an intermediate holding company	**8,880**	8,880

41 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) During the year, an intermediate holding company provided loans in aggregate amount of approximately HK$3,654,679,000 (2020: HK$4,344,207,000) to the Group. The loans bear annual interest rates of 2.5% to 3.5% (2020: 4%) and repayable within one year (2020: within one year) from the drawdown date. Interest payables of approximately HK$42,912,000 (2020: HK$102,236,000) are accrued from these loans during the year.

(ii) During the year ended 31 December 2021, the Company incurred distribution fee for the distribution services provided by a branch of the ultimate holding company. 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 to a branch of the ultimate holding company.

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

All related party transactions referred to in Note 41(a) constitute connected transactions or continuing connected transactions defined in Chapter 14A of the Listing Rules ("**Chapter 14A**"). The Company has complied with the provisions of Chapter 14A for the years ended 31 December 2021 and 2020.

(b) Balances with related parties

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Amount due from an intermediate holding company	**13,752**	–
Amount due to an intermediate holding company	**–**	5,927
Loans from an intermediate holding company	**3,697,591**	4,446,443
Bank balances at a branch of the ultimate holding company		
– House accounts	**34,582**	19,686
– Segregated accounts	**40,519**	171,207
Accounts receivable from an intermediate holding company	**8,221**	–
Accounts receivable from a segregated portfolio invested by an intermediate holding company	**1,157**	–
Accounts payable to the immediate holding company	**3,025**	3
Accounts payable to an intermediate holding company	**50,635**	–

41 RELATED PARTY TRANSACTIONS (continued)

(c) Service agreement with related party

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.

On 23 July 2019, the Company (for itself and on behalf of other members of the Group) entered into a 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.

41 RELATED PARTY TRANSACTIONS (continued)

(c) Service agreement with related party (continued)

On 16 December 2021, the Company (for itself and on behalf of other members of the Group) entered into the service agreement with China Minsheng (for itself and on behalf of other members of China Minsheng Group), pursuant to which, (i) China Minsheng Group agreed to provide China Minsheng underwriting referral services to the Group and the Group agreed to provide China Minsheng subscription referral services to China Minsheng Group; (ii) the Group agreed to provide asset management services, investment advisory service and ancillary services to the 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 and China Minsheng Group agreed to provide the distribution services to the Group; (iii) the Group agreed to provide the underwriting services to China Minsheng Group; (iv) China Minsheng Group agreed to provide the custodian services to the Group; and (v) China Minsheng Group agreed to provide the deposit services to the Group. The service agreement and the transactions contemplated thereunder, and the proposed annual caps were approved at the special general meeting on 12 January 2022.

During the year ended 31 December 2021, transactions relating to provision of distribution services, provision of underwriting services, provision of asset management and investment advisory services, provision of deposit services and office sharing (2020: transactions relating to provision of asset management and investment advisory services, provision of distribution 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: Direct As at 31 December 2021	Direct As at 31 December 2020	Indirect As at 31 December 2021	Indirect As at 31 December 2020	Principal activities
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%	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

	Note	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Unlisted investment funds	26	**852,198**	700,113
Quoted investment fund	26	**11,527**	–
		863,725	700,113

The Group has concluded that the unlisted investment funds and quoted investment fund 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
Quoted investment fund	To manage assets on behalf of third party investors and generate fees for the investment manager This vehicle is financed through the issue of units to investors	Investment in units issued by the funds

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 2021	
	Number of investment funds	Carrying amount included in financial assets at fair value through profit or loss HK$'000
Unlisted investment funds	8	852,198
Quoted investment fund	1	11,527
	9	863,725

	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

During the year ended 31 December 2021 and 2020, 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 2021 HK$'000	As at 31 December 2020 HK$'000
Non-current assets		
Property, plant and equipment	7,384	9,388
Right-of-use asset	94,435	93,428
Investment in subsidiaries	1,195,966	1,195,966
Rental deposit	6,036	7,649
Deferred tax assets	–	549
	1,303,821	1,306,980
Current assets		
Prepayments, deposits and other receivables	2,563	2,521
Loans and advances	–	673,033
Financial assets at fair value through profit or loss	89,382	12,397
Amount due from an intermediate holding company	13,752	–
Amounts due from subsidiaries	6,265,126	5,116,055
Cash and cash equivalents	90,686	89,553
	6,461,509	5,893,559
Current liabilities		
Other payables and accruals	36,735	68,388
Loans from an intermediate holding company	3,697,591	4,446,443
Amounts due to subsidiaries	2,453,680	947,928
Amounts due to an intermediate holding company	–	5,927
Tax payable	6,617	–
Lease liabilities	20,801	27,388
	6,215,424	5,496,074
Net current assets	246,085	397,485
Total assets less current liabilities	1,549,906	1,704,465

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

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
Non-current liabilities		
Lease liabilities	75,725	66,670
Deferred tax liabilities	–	188
	75,725	66,858
Net assets	1,474,181	1,637,607
Capital and reserves		
Share capital	469,786	476,279
Reserves	1,004,395	1,161,328
Total equity	1,474,181	1,637,607

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 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**
Profit for the year and total comprehensive income for the year	**–**	**–**	**–**	**64,338**	**64,338**
Shares repurchased and cancelled	**(56,536)**	**–**	**388**	**–**	**(56,148)**
Shares repurchased but not yet cancelled	**–**	**–**	**(8,225)**	**–**	**(8,225)**
Dividend approved in respect of the previous year	**–**	**(156,898)**	**–**	**–**	**(156,898)**
At 31 December 2021	**1,699,135**	**1,909,183**	**(8,225)**	**(2,595,698)**	**1,004,395**

45 NON-ADJUSTING EVENT AFTER REPORTING PERIOD

There was no non-adjusting event after the reporting period and up to the date of this report.

Financial Summary

	Notes	2021 HK$'000	For the year ended 31 December 2020 HK$'000	2019 HK$'000	2018 HK$'000	For the period from 1 April 2017 to 31 December 2017 HK$'000
RESULT						
Continuing operations						
Revenue	1	**895,376**	1,019,185	978,683	791,190	165,180
Profit before taxation	1	**293,765**	485,180	425,240	284,737	129,903
Taxation	1,2	**(2,609)**	(91,960)	(68,377)	(39,541)	(11,540)
Profit for the year/period from continuing operation		**291,156**	393,220	356,863	245,196	118,363
Discontinued operations						
Loss for the year/period from discontinued operations		**–**	–	–	–	(95)
Profit for the year/period		**291,156**	393,220	356,863	245,196	118,268
Profit attributable to owners of the Company		**291,156**	393,220	356,863	245,196	118,268

Financial Summary

	Notes	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
		As at 31 December				
ASSETS AND LIABILITIES						
Total assets	1,2	**14,535,311**	11,165,199	11,639,816	10,441,715	5,314,847
Total liabilities	1,2	**(11,779,614)**	(8,565,231)	(9,417,573)	(8,565,639)	(4,034,661)
		2,755,697	2,599,968	2,222,243	1,876,076	1,280,186
Equity attributable to owners of the Company		**2,755,697**	2,599,968	2,222,243	1,876,076	1,280,186

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 that year.

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 that year.