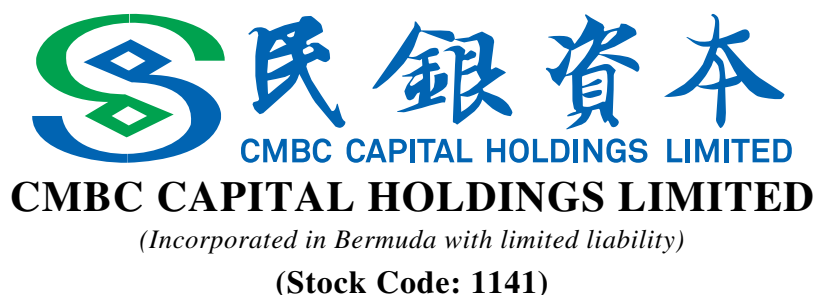


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**ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

The board (the “**Board**”) of directors (the “**Directors**”) of CMBC Capital Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2019 (the “**Reporting Year**”), together with the comparative figures for the year ended 31 December 2018 (the “**Previous Year**”), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	978,683	791,190
Net gains/(losses) on financial assets at fair value through profit or loss (“ FVTPL ”)		123,760	(57,365)
Net losses on financial assets at fair value through other comprehensive income		(32,632)	(15,799)
Other income		10,608	7,947
Other gains and losses	5	(6,315)	(389)
Impairment losses	6	(116,011)	(33,963)
Staff costs		(119,644)	(71,775)
Depreciation and amortisation		(29,704)	(6,280)
Other operating expenses		(60,494)	(66,800)
Finance costs	7	(323,011)	(262,029)
Profit before taxation	8	425,240	284,737
Taxation	9	(68,377)	(39,541)
Profit for the year attributable to owners of the Company		356,863	245,196

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000
Profit for the year attributable to owners of the Company		356,863	245,196
Other comprehensive income/(loss)			
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)		56,387	(57,555)
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)		32,314	(275,804)
Other comprehensive income/(loss) for the year, net of tax		88,701	(333,359)
Total comprehensive income/(loss) for the year attributable to owners of the Company		445,564	(88,163)
Earnings per share attributable to owners of the Company (HK cents)	<i>10</i>		
– Basic		0.75	0.53
– Diluted		0.75	0.53

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

		As at 31 December 2019 HK\$'000	As at 31 December 2018 HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		11,926	3,130
Right-of-use asset		116,785	–
Goodwill		16,391	16,391
Intangible assets		3,474	4,845
Loans and advances	12	357,822	880,260
Financial assets at amortised cost		77,574	–
Deferred tax assets		13,520	922
Other assets		10,184	10,183
		<u>607,676</u>	<u>915,731</u>
Current assets			
Accounts receivable	13	601,243	1,228,278
Prepayments, deposits and other receivables		55,773	30,383
Interests receivable		147,676	67,648
Amount due from an intermediate holding company		4,109	243
Loans and advances	12	1,852,889	3,114,777
Financial assets at fair value through other comprehensive income	14	6,888,906	3,006,050
Financial assets at amortised cost		93,504	–
Financial assets at fair value through profit or loss	15	952,053	1,056,979
Cash held on behalf of customers		35,279	134,047
Cash and cash equivalents		400,708	887,579
		<u>11,032,140</u>	<u>9,525,984</u>

		As at 31 December 2019 HK\$'000	As at 31 December 2018 HK\$'000
	Notes		
Current liabilities			
Accounts payable	16	38,958	369,693
Other payables and accruals		145,329	58,683
Bank and other borrowings	17	5,748,468	6,653,340
Notes payable		50,000	99,216
Tax payable		82,510	25,925
Financial assets sold under repurchase agreements	18	3,180,420	1,170,680
Financial liabilities at fair value through profit or loss	19	27,977	130,149
Lease liabilities		27,388	–
		<u>9,301,050</u>	<u>8,507,686</u>
Net current assets		<u>1,731,090</u>	<u>1,018,298</u>
Total assets less current liabilities		<u>2,338,766</u>	<u>1,934,029</u>
Non-current liabilities			
Notes payable		–	50,000
Lease liabilities		91,012	–
Deferred tax liabilities		25,511	7,953
		<u>116,523</u>	<u>57,953</u>
NET ASSETS		<u>2,222,243</u>	<u>1,876,076</u>
CAPITAL AND RESERVES			
Share capital	20	476,792	477,059
Reserves		1,745,451	1,399,017
TOTAL EQUITY		<u>2,222,243</u>	<u>1,876,076</u>

Notes:

1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and by the Companies Ordinance (Cap.622 of the Laws of Hong Kong). The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

2 NEW AND AMENDMENTS TO HKFRSs

(a) Overview

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2019:

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2(b) below. The other amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) HKFRS 16, Leases

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.5%.

(i) *Adjustments recognized on adoption of HKFRS 16*

The measurement of lease liabilities is as follows:

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	163,522
Discounted using the lessee's incremental borrowing rate at the date of initial application	140,925
Less: short-term leases recognised on a straight-line basis as expense	(5,783)
Lease liabilities recognised as at 1 January 2019	135,142
Of which are:	
Current lease liabilities	21,840
Non-current lease liabilities	113,302
	135,142

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- right-of-use asset – increase by HK\$140,142,000
- lease liabilities – increase by HK\$135,142,000
- other payables and accruals – increase by HK\$5,000,000

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

The Group leases various offices. Rental contracts are typically made for fixed periods of 3 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property was classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, 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. Each lease payment is allocated between the liability 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value 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 determined, the lessee's incremental borrowing rate is used, being 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.

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.

Payments associated with short-term leases 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.

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group:

HKFRS 17	Insurance Contracts ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 3	Definition of a Business ¹
Revision from HKICPA	Conceptual Framework for Financial Reporting ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹

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

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

There are no other HKFRSs or interpretations that are effective from 1 January 2019 or not yet effective that would be expected to have a material impact on the Group.

(d) Comparative figures

The presentation of 'Cash and cash equivalents – segregated accounts' in the previous year's consolidated statement of financial position is now presented as 'Cash held on behalf of customers' as at 31 December 2019. Also, 'Impairment losses', 'Staff costs' and 'Depreciation and amortisation' are separately disclosed in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019. Comparative figures have been re-presented correspondingly to conform with the current year's presentation.

3 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. In 2019, 'Others' is now presented as a separate segment to align with the Group's internal reporting information. Comparatives have been re-presented accordingly.

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 investment and financing segment representing investment and trading activities in equity securities, bonds, funds and provision of loan financing services;
- the asset management, corporate finance and advisory segment representing provision of asset management services, 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.

Disaggregation of revenue

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

	2019 HK\$'000	2018 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Commission income from brokerage and related services	1,299	2,412
– Commission income from underwriting, sub-underwriting, placing and sub-placing	73,979	58,353
– Financial advisory, sponsorship, arrangement fee and other service income	66,410	178,026
– Asset management fee income	77,582	25,156
	<u>219,270</u>	<u>263,947</u>
Revenue from other sources		
Loan and financing		
– Interest income from provision of finance and securities margin financing	334,602	279,185
Financial investments		
– Interest income from debt securities investments	335,532	178,354
– Interest income from FVTPL investments	45,250	25,460
– Dividend income and other investment income	44,029	44,244
	<u>424,811</u>	<u>248,058</u>
	<u>978,683</u>	<u>791,190</u>

Disaggregation of revenue is set out below:

	Securities		Investment and financing		Asset management, corporate finance and advisory		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15	65,039	74,025	-	-	154,231	189,922	219,270	263,947
Revenue from other sources								
Loan and financing								
– Interest income from provision of finance and securities margin financing	63,974	61,957	270,628	217,228	-	-	334,602	279,185
Financial investments								
– Interest income from debt securities investments	-	-	335,532	178,354	-	-	335,532	178,354
– Interest income from FVTPL investments	-	-	45,250	25,460	-	-	45,250	25,460
– Dividend income and other investment income	-	-	44,029	44,244	-	-	44,029	44,244
	-	-	424,811	248,058	-	-	424,811	248,058
Reportable segment revenue	129,013	135,982	695,439	465,286	154,231	189,922	978,683	791,190

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 2019				
	Securities	Investment and	Asset management, corporate finance and advisory	Others	Total
	HK\$'000	financing HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue and investment gains/(losses)					
– Reportable segment revenue	129,013	695,439	154,231	-	978,683
– Net gains on financial assets at fair value through profit or loss	-	123,760	-	-	123,760
– Net losses on financial assets at fair value through other comprehensive income	-	(32,632)	-	-	(32,632)
	129,013	786,567	154,231	-	1,069,811
Other income	2,565	1,299	978	5,766	10,608
Other gains and losses	(655)	4,218	-	(9,878)	(6,315)
Segment expenses	(41,868)	(452,842)	(54,797)	(99,357)	(648,864)
Segment results	89,055	339,242	100,412	(103,469)	425,240

For the year ended 31 December 2018					
	Securities	Investment and financing	Asset management, corporate finance and advisory	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue and investment gains/(losses)					
– Reportable segment revenue	135,982	465,286	189,922	–	791,190
– Net losses on financial assets at fair value through profit or loss	–	(57,365)	–	–	(57,365)
– Net losses on financial assets at fair value through other comprehensive income	–	(15,799)	–	–	(15,799)
	135,982	392,122	189,922	–	718,026
Other income	5,089	1,214	319	1,325	7,947
Other gains and losses	(1,611)	(1,759)	20	2,961	(389)
Segment expenses	(57,690)	(280,677)	(41,615)	(60,865)	(440,847)
Segment results	81,770	110,900	148,646	(56,579)	284,737

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 2019					
	Securities	Investment and financing	Asset management, corporate finance and advisory	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets					
Segment assets	749,591	10,553,869	57,580	278,776	11,639,816
Liabilities					
Segment liabilities	545,222	8,625,644	15,587	231,120	9,417,573

As at 31 December 2018					
	Securities	Investment and financing	Asset management, corporate finance and advisory	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets					
Segment assets	<u>1,744,932</u>	<u>8,396,156</u>	<u>62,630</u>	<u>237,997</u>	<u>10,441,715</u>
Liabilities					
Segment liabilities	861,710	7,519,121	13,971	170,837	8,565,639

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.

Information about major customers

No customer contributed over 10% of the total revenue of the Group for the year ended 31 December 2019 and 2018.

4 REVENUE

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

	2019 HK\$'000	2018 HK\$'000
Commission income from brokerage and related services	1,299	2,412
Commission income from underwriting, sub-underwriting, placing and sub-placing	73,979	58,353
Interest income from debt securities investments	335,532	178,354
Interest income from FVTPL investments	45,250	25,460
Interest income from provision of finance and securities margin financing	334,602	279,185
Dividend income and other investment income	44,029	44,244
Financial advisory, sponsorship, arrangement fee and other service income	66,410	178,026
Asset management fee income	<u>77,582</u>	<u>25,156</u>
	<u>978,683</u>	<u>791,190</u>

5 OTHER GAINS AND LOSSES

	2019 HK\$'000	2018 HK\$'000
Loss on disposal of property, plant and equipment	134	–
Net exchange loss	6,181	389
	<u>6,315</u>	<u>389</u>

6 IMPAIRMENT LOSSES

	2019 HK\$'000	2018 HK\$'000
Impairment losses		
– Loans and advances	10,203	20,735
– Accounts receivable	1,516	1,709
– Financial assets at fair value through other comprehensive income	80,570	11,519
– Financial assets at amortised cost	23,722	–
	<u>116,011</u>	<u>33,963</u>

7 FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest expense on:		
Notes payable	7,904	8,316
Bank borrowings	2,027	19,694
Financial assets sold under repurchase agreements	64,348	26,714
Loans from an intermediate holding company	242,650	207,305
Lease liabilities	6,082	–
	<u>323,011</u>	<u>262,029</u>

8 PROFIT BEFORE TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before taxation is arrived at after charging:		
Staff costs (including directors' remuneration):		
Wages and salaries	118,225	70,583
Retirement benefits contributions	<u>1,419</u>	<u>1,192</u>
Total staff costs	<u>119,644</u>	<u>71,775</u>
Auditor's remuneration	3,225	3,298
Depreciation of property, plant and equipment	4,976	4,909
Depreciation of right-of-use asset	23,357	–
Amortisation of intangible assets	1,371	1,371
Lease payments in respect of short-term leases (2018: land and buildings)	<u>6,043</u>	<u>12,087</u>

9 TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	67,990	37,270
Over-provision in prior years	<u>(4,573)</u>	<u>(5,747)</u>
	63,417	31,523
Deferred tax:		
Origination and reversal of temporary differences	<u>4,960</u>	<u>8,018</u>
	<u>68,377</u>	<u>39,541</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both the year ended 31 December 2019 and 2018.

10 EARNINGS PER SHARE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings		
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>356,863</u>	<u>245,196</u>
	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>47,704,762</u>	<u>46,322,906</u>

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

There was no dilutive items during the year ended 31 December 2019 and 2018.

11 DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Proposed:		
Final – HK0.33 cents (2018:HK0.2 cents) per ordinary share	<u>157,335</u>	<u>95,412</u>

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 HK0.2 cents per share for the year ended 31 December 2018 had been approved by the shareholders of the Company on 28 June 2019 and was paid on 26 July 2019 in an aggregated amount of approximately HK\$95,407,000.

12 LOANS AND ADVANCES

	As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Loans and advances	2,217,812	4,023,226
Less: Allowance for expected credit losses	<u>(7,101)</u>	<u>(28,189)</u>
	2,210,711	3,995,037
Less: Amount due within one year presented under current assets	<u>(1,852,889)</u>	<u>(3,114,777)</u>
Amount presented under non-current assets	<u>357,822</u>	<u>880,260</u>
Loans and advances (non-current)	359,384	883,044
Less: Allowance for expected credit losses	<u>(1,562)</u>	<u>(2,784)</u>
	<u>357,822</u>	<u>880,260</u>
Loans and advances (current)	1,858,428	3,140,182
Less: Allowance for expected credit losses	<u>(5,539)</u>	<u>(25,405)</u>
	<u>1,852,889</u>	<u>3,114,777</u>

At 31 December 2019, loans and advances included loans to independent third parties with effective interest rates ranging from 5% to 14% (2018: 5% to 13%) per annum.

During the year, allowance for expected credit losses of HK\$10,203,000 was recognised (2018: HK\$20,735,000) in the statement of profit or loss. One of the borrowers has been assessed by management to be credit impaired and an allowance for expected credit losses of approximately HK\$31,291,000 has been provided at 31 December 2019 (2018: HK\$24,187,000). Management considered the loan to the individually impaired borrower is irrecoverable and the loan amount was fully provided and subsequently written off at 31 December 2019.

Movement in expected credit losses is as follows:

	2019				2018			
	Expected credit losses				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 2019/2018	4,002	-	24,187	28,189	-	-	-	-
Additional credit loss recognised at 1 January 2018 for adoption of HKFRS 9	-	-	-	-	7,454	-	-	7,454
Impairment losses charged/(released) to profit or loss	3,099	-	7,104	10,203	(3,452)	-	24,187	20,735
Write-off	-	-	(31,291)	(31,291)	-	-	-	-
	<u>7,101</u>	<u>-</u>	<u>-</u>	<u>7,101</u>	<u>4,002</u>	<u>-</u>	<u>24,187</u>	<u>28,189</u>
At 31 December 2019/2018	<u>7,101</u>	<u>-</u>	<u>-</u>	<u>7,101</u>	<u>4,002</u>	<u>-</u>	<u>24,187</u>	<u>28,189</u>

13 ACCOUNTS RECEIVABLE

	As at 31 December 2019 HK\$'000	As at 31 December 2018 HK\$'000
Accounts receivable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Clearing houses	770	119
– Cash clients	5	235,100
– Margin clients	584,642	971,772
	<u>585,417</u>	<u>1,206,991</u>
Accounts receivable arising from the ordinary course of business of securities underwriting	11,988	20,915
Accounts receivable arising from the ordinary course of business of advisory services	5,000	2,417
	<u>602,405</u>	<u>1,230,323</u>
Less: Allowance for expected credit losses	(1,162)	(2,045)
	<u>601,243</u>	<u>1,228,278</u>

Movement in expected credit losses is as follows:

	2019				2018			
	Expected credit losses				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 2019/2018	37	-	2,008	2,045	-	-	300	300
Additional credit loss recognised at 1 January 2018 for adoption of HKFRS 9	-	-	-	-	36	-	-	36
Transfers between stages	(1)	-	1	-	-	-	-	-
Impairment losses charged to profit or loss	38	-	1,478	1,516	1	-	1,708	1,709
Write-off	-	-	(2,399)	(2,399)	-	-	-	-
At 31 December 2019/2018	<u>74</u>	<u>-</u>	<u>1,088</u>	<u>1,162</u>	<u>37</u>	<u>-</u>	<u>2,008</u>	<u>2,045</u>

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 Hong Kong Prime Rate to Hong Kong Prime Rate plus 12.75% per annum during the year ended 31 December 2019 (2018: Hong Kong Prime Rate to Hong Kong Prime Rate plus 12.75% per annum). The fair values of the pledged securities as at 31 December 2019 approximate HK\$936,840,000 (2018: HK\$3,477,924,000). 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 2019, approximately 99% (2018: 100%) 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 2018 and 2019.

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 expected credit losses. During the year, allowance for expected credit losses of HK\$ 1,516,000 was recognised (2018: HK\$1,709,000) in the statement of profit or loss and the amount was mainly attributable to one of the margin clients who had collateral value fallen significantly below the required margin ratio. Management considered the loan to the margin client is irrecoverable and the loan amount was fully provided and subsequently written off at 31 December 2019.

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

	Cash clients <i>HK\$'000</i>	Margin clients <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 January 2018	300	–	300
Additional credit loss recognised at 1 January 2018 for adoption of HKFRS 9	–	36	36
Impairment loss (reversed)/recognised during the year	<u>(300)</u>	<u>2,009</u>	<u>1,709</u>
Balance at 31 December 2018	–	2,045	2,045
Impairment loss recognised during the year	–	1,516	1,516
Write-off	<u>–</u>	<u>(2,399)</u>	<u>(2,399)</u>
Balance at 31 December 2019	<u>–</u>	<u>1,162</u>	<u>1,162</u>

The Group 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.

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

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

	As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Neither past due nor impaired	11,471	21,530
Less than 31 days past due	117	–
31 – 60 days past due	2,077	1,802
61 – 90 days past due	1,403	–
Over 90 days past due	<u>1,920</u>	<u>–</u>
	16,988	23,332
Allowance for expected credit losses	<u>–</u>	<u>–</u>
Total	<u>16,988</u>	<u>23,332</u>

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

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2019 HK\$'000	As at 31 December 2018 HK\$'000
Listed debt investments, at fair value (<i>Note</i>)	5,814,815	2,570,780
Listed equity instruments, at fair value	1,074,091	435,270
	<u>6,888,906</u>	<u>3,006,050</u>

Note: During the year ended 31 December 2019, the Group recognised expected credit losses amounted to HK\$80,570,000 in the statement of profit or loss (2018: HK\$11,519,000). As at 31 December 2019, allowance for expected credit losses amounted HK\$106,091,000 (2018: HK\$25,521,000) has been included in fair value reserve (recycling).

During the year, the gain in respect of changes in fair value of the Group's financial assets at fair value through other comprehensive income recognised in other comprehensive income amounted to approximately HK\$88,701,000 (2018: loss of HK\$333,359,000).

Movement in expected credit losses is as follows:

	2019 Expected credit losses				2018 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 2019/2018	25,521	-	-	25,521	-	-	-	-
Additional credit loss recognised at 1 January 2018 for adoption of HKFRS 9	-	-	-	-	14,002	-	-	14,002
Transfers between stages	(3,721)	3,061	660	-	-	-	-	-
Impairment losses charged to profit or loss	13,944	38,659	27,967	80,570	11,519	-	-	11,519
	<u>35,744</u>	<u>41,720</u>	<u>28,627</u>	<u>106,091</u>	<u>25,521</u>	<u>-</u>	<u>-</u>	<u>25,521</u>
At 31 December 2019/2018	35,744	41,720	28,627	106,091	25,521	-	-	25,521

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2019 HK\$'000	As at 31 December 2018 HK\$'000
Listed equity investments	25,454	4,311
Unlisted equity investments	290,790	224,601
Listed debt investments	94,071	129,398
Unlisted investment funds	299,212	193,135
Unlisted convertible promissory note	–	23,495
Unlisted convertible debt investments	242,526	482,039
	952,053	1,056,979

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

16 ACCOUNTS PAYABLE

	As at 31 December 2019 HK\$'000	As at 31 December 2018 HK\$'000
Accounts payable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Cash clients	29,805	127,446
– Margin clients	7,084	6,712
– Clearing house	2,069	578
– Broker	–	234,957
	38,958	369,693

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.

17 BANK AND OTHER BORROWINGS

	As at 31 December 2019 HK\$'000	As at 31 December 2018 HK\$'000
Unsecured bank loans	–	234,957
Loans from an intermediate holding company	<u>5,748,468</u>	<u>6,418,383</u>
	<u>5,748,468</u>	<u>6,653,340</u>
The carrying amounts of the above borrowings are repayable:		
Within one year	<u>5,748,468</u>	<u>6,653,340</u>

The above borrowings as at 31 December 2018 and 2019 are repayable within one year.

As at 31 December 2019, the Group had loans amounting to approximately HK\$5,656,678,000 (2018: HK\$6,314,421,000) from CMBC International Holdings Limited, an intermediate holding company and interest payable amounting to approximately HK\$91,790,000 (2018: HK\$103,962,000). The loans bear interest at variable rates of 4% to 4.24% per annum (2018: fixed rate of 4% per annum) and are repayable within one year. The Group's undrawn amount of the loan facilities is approximately HK\$2,343,322,000 (2018: HK\$1,685,579,000).

During the year ended 31 December 2019, all bank borrowings from China Minsheng Banking Corp., Ltd. Hong Kong Branch ("CMBC HK Branch"), a branch of the ultimate holding company, had been repaid in full and no outstanding amount as at 31 December 2019 (31 December 2018: bank borrowings of HK\$234,957,000 from CMBC HK Branch with variable interest rate carried at 4.5% per annum).

18 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December 2019 HK\$'000	As at 31 December 2018 HK\$'000
Bonds	<u>3,180,420</u>	<u>1,170,680</u>

As at 31 December 2019, the Group entered into repurchase agreements with financial institutions to sell bonds recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost with carrying amount of approximately HK\$5,590,071,000 (2018: financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income with carrying amount of approximately HK\$2,063,196,000), 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.

19 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2019 HK\$'000	As at 31 December 2018 HK\$'000
Payables to interest holders of unlisted consolidated investment funds, designated at FVTPL	<u>27,977</u>	<u>130,149</u>

As at 31 December 2019, the Company held 60% (31 December 2018: 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\$27,977,000 as at 31 December 2019 (31 December 2018: HK\$22,930,000).

As at 31 December 2018, the Company held 70% interests in New China OCT Fund 2 Segregated Portfolio (“**the Segregated Portfolio**”) as a Class A shareholder and an independent third party held 30% interests in the Segregated Portfolio as a Class B shareholder. As the Group has control over the Segregated Portfolio, it is accounted for as a subsidiary. Pursuant to the appendix of the placing memorandum of the New China OCT Fund SPC for the segregated portfolio, Class A shareholder is subject to a maximum priority expected return of up to 7.5% per annum and Class B shareholder is subject to a maximum subordinate expected return before deduction of performance fee. Any excess beyond Class B expected return after payment of other fees and expenses, shall be paid to the fund manager in the form of performance fees, where available. 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\$107,219,000 as at 31 December 2018.

During the year ended 31 December 2019, the Company had received full amount of the cash dividends distributable to itself in accordance with the placing memorandum of New China OCT Fund SPC for the Segregated Portfolio, and all Class A shares held by the Company had been redeemed. For details, please refer to the Company’s announcement dated 18 March 2019.

20 SHARE CAPITAL

	<i>Notes</i>	Number of shares		Amount	
		As at	As at	As at	As at
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
		'000	'000	HK\$'000	HK\$'000
Authorised:					
Ordinary shares at HK\$0.01 each		100,000,000	100,000,000	1,000,000	1,000,000
Issued and fully paid:					
At the beginning of the year		47,705,978	45,778,758	477,059	457,787
Issue of shares	(i)	–	1,350,000	–	13,500
Placing of shares	(ii)	–	577,220	–	5,772
Cancellation for shares repurchased	(iii)	(26,760)	–	(267)	–
At the end of the year		47,679,218	47,705,978	476,792	477,059

Notes:

- (i) Pursuant to the subscription agreement entered into on 3 July 2018, the Company has conditionally agreed to allot and issue, and CMBC International Investment Limited has conditionally agreed to subscribe for 1,350,000,000 new shares, at the price of HK\$0.363 per new share. The subscription was completed on 15 October 2018.
- (ii) Pursuant to the placing agreement entered into on 3 July 2018, the Company has conditionally agreed to place, through placing agents, up to 830,000,000 new shares to not less than six placees at the placing price of HK\$0.363 per new share. The placing of 577,220,000 new shares was completed on 20 July 2018.
- (iii) During the year ended 31 December 2019, the Company repurchased an aggregate of 28,700,000 ordinary shares of the Company on market at prices ranging from HK\$0.116 to HK\$0.217 per share at a total consideration of approximately HK\$3,990,000 (before transaction costs). Of these repurchased shares, 26,760,000 shares were cancelled prior to year ended 31 December 2019. The premium of approximately HK\$3,441,000 paid on the repurchase of such shares was debited to share premium account. Subsequent to end of the reporting period, the remaining 1,940,000 repurchased shares were cancelled on 7 January 2020.

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 expected to be required by most of its existing and potential clients at current stage.

During the Reporting Year, the Group's profit attributable to the owners of the Company was approximately HK\$356.9 million (Previous Year: profit of approximately HK\$245.2 million), representing an increase of 45.5%. The Group's basic and diluted earnings per share were HK0.75 cents (31 December 2018: basic and diluted earnings per share of HK0.53 cents).

The Group's revenue increased by 23.7% to approximately HK\$978.7 million during the Reporting Year, compared to approximately HK\$791.2 million in the Previous Year. It was mainly due to the growth of the investment and financing segment.

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

	Segment Revenue		Segment Results	
	For the year ended 31 December 2019 HK\$'000	For the year ended 31 December 2018 HK\$'000	For the year ended 31 December 2019 HK\$'000	For the year ended 31 December 2018 HK\$'000
Securities	129,013	135,982	89,055	81,770
Investment and financing	786,567	392,122	339,242	110,900
Asset management, corporate finance and advisory	154,231	189,922	100,412	148,646
Others	—	—	(103,469)	(56,579)
Total	<u>1,069,811</u>	<u>718,026</u>	<u>425,240</u>	<u>284,737</u>

Securities

The Group's securities business mainly includes the provision of brokerage services, securities margin financing services, futures and options contracts dealing services and securities underwriting/placing services to clients. During the Reporting Year, the Group completed 102 bonds underwriting transactions for 82 Chinese enterprises and financial corporates. The Group acted as a global coordinator in 40 projects out of those transactions with the overall scale of underwriting exceeding US\$30 billion. While actively enhancing growth in its bond underwriting business, the Group exercised strict control over its underwriting risk and continued to maintain a high-quality issuer base, which primarily covered industrial issuers, banks and non-banking financial institutions, urban investment enterprises with investment grade as well as high-quality real estate issuers, so as to safeguard the Group's reputation and image in the offshore capital market. The Group's debt capital market department also provides some significant bonds issuer clients with international rating advisory services.

During the Reporting Year, the revenue and profit contributed by the securities segment were approximately HK\$129.0 million and HK\$89.1 million, respectively, compared to the revenue and profit of approximately HK\$136.0 million and HK\$81.8 million, respectively in the Previous Year. The decrease of the segment revenue was due to the decrease of the arrangement fee from the margin financing clients. The increase of the profit in the segment was mainly attributed to the decrease in finance costs.

The Group continued to solidly develop securities brokerage business and margin financing business. Our securities brokerage business includes trading securities, bonds and other marketable securities of listed companies on behalf of clients. Margin financing business includes provision of stock secured financing for retail, corporate clients and high-net-worth clients who need finance for purchasing securities. The Group adopted a relatively cautious development strategy as to the securities brokerage business and margin financing business.

Investment and financing

During the Reporting Year, revenue from the investment and financing segment, which included but not limited to coupon, dividend and distribution income from listed bonds, listed equities, unlisted equity interests, unlisted funds, unlisted notes and debt investments, as well as interest income from loans, amounted to HK\$786.6 million in aggregate as compared to HK\$392.1 million in the Previous Year. The segment profit increased from HK\$110.9 million in the Previous Year to HK\$339.2 million in the Reporting Year. The increase in segment profit and revenue were mainly attributable to the improvement in market conditions and the enlargement of investment portfolio size.

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

	31 December 2019 HK\$'000	31 December 2018 HK\$'000
Investment		
Listed equities	25,454	4,311
Unlisted equity interests	290,790	224,601
Listed bonds (measured at FVOCI)	6,888,906	3,006,050
Listed bonds (measured at FVTPL)	94,071	129,398
Listed bonds (measured at amortised cost)	171,078	–
Unlisted funds	299,212	193,135
Unlisted convertible notes	–	23,495
Unlisted convertible debt investments	242,526	482,039
Total	8,012,037	4,063,029
Financing		
Loans and advances	2,210,711	3,995,037

As at 31 December 2019, the Group's investment portfolio mainly included but not limited to listed bonds, listed equities, unlisted equity interests, unlisted funds, unlisted debt investments, covering a wide range of sectors such as industry, pharmaceuticals, technology, consumer goods, real estate and finance.

As at 31 December 2019, the assets of the proprietary investment of the Company amounted to approximately HK\$8.0 billion (31 December 2018: approximately HK\$4.1 billion), including bonds investment of approximately HK\$7.2 billion (31 December 2018: approximately HK\$3.1 billion). During the Reporting Year, the Group's total investment portfolio increased by approximately HK\$3.9 billion. This was mainly due to the net purchase of listed bonds (measured at FVOCI, FVTPL and amortised cost) and unlisted funds and the fair value gain recognized in the Reporting Year. Benefited from the favorable performance of the bond market, such portfolio delivered excellent results during the Reporting Year and achieved significant capital return and interest income. The future performance of such portfolio will depend on many factors, including uncertainties around the current financial markets, development trends and investor sentiment in the economic development in both Hong Kong and Mainland China.

During the Reporting Year, the investment portfolio generated income in an aggregate amount of approximately HK\$424.8 million, including interest income from debt securities investments of approximately HK\$335.5 million, interest income from FVTPL investments of approximately HK\$45.3 million and dividend income and other investment income of approximately HK\$44.0 million.

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

The Company maintains a solid proprietary bonds investment approach and is committed to a revenue-based (including charging fixed contractual interest income and receiving gains on disposal) trading strategy. Adopting a consistent top-down/bottom-up approach in its investment analysis, the Company pursues investment with high-level and sustainable revenue with limited volatility. It implements a prudent risk management strategy to strike a balance between risk management and revenue generation and diversify investment to various opportunities. Position in any single bond shall not account for more than 5% of the overall position and the portfolio is diversified by investing in various issuers in a wide range of sectors, thereby avoiding the risk of substantial market adjustment.

At the same time, the unlisted direct investment business of the Group, including investment in equity interests and funds investments projects, mainly focused on trending industries, such as high-end technology, great healthcare and artificial intelligence, and the value of the investment projects held recorded an overall stable growth during the Reporting Year.

The loan business of the Group maintained the liquidity of the Group's assets through the selection of quality clients and projects with a focus on short-to-mid term financing. The loans were granted to market players in various industries, such as finance, technology, healthcare, sports, education and real estate, which created a diversified loan portfolio. Concentration, maturity profile and risk-to-revenue ratio of the asset portfolio were under constant monitoring. Thorough pre-, peri- and post-investment management were implemented and practicable and effective risk control measures were put in place to manage the credit risk of the Group.

Asset management, corporate finance and advisory

The Group's asset management, corporate finance and advisory segment represent the provision of asset management services, corporate finance services and financial advisory services to clients. During the Reporting Year, revenue of approximately HK\$154.2 million and profit of approximately HK\$100.4 million were recorded for this segment, as compared to revenue of approximately HK\$189.9 million and profit of approximately HK\$148.6 million in the Previous Year. The segment revenue and profit decreased due to the decrease in the number of advisory projects as compared to the Previous Year. However, the expansion of the asset management business and the corporate finance service had brought to the segment a more diversified source of income.

(I) Asset management

During the Reporting Year, the funds managed by the Group benefited from the active subscription by external clients and good investment performance, which contributed to a significant increase in management fee income. During the Reporting Year, the asset management segment recorded a revenue of approximately HK\$77.6 million (Previous Year: approximately HK\$25.2 million).

2019 witnessed a complex and changeable capital market in Hong Kong. While putting more efforts in the research of fundamentals, the Group's asset management team paid closer attention to the development and improvement of its investing and trading ability. The asset management team managed to make investments while being "sensitive to market, loyal to trends, skilled at trading, ready to assume responsibility and strictly self-disciplined" throughout the year, thereby achieving good investment performance. One of its fixed-income fund outperformed index and most of the similar products. In the assessment conducted by Barclay Hedge, a well-known global fund research institution, the fund was awarded the honor of the global "Top 10 long-short fixed-income strategy fund", which is assessed based on the rate of net investment return, ranking second among Chinese institutions. Steady progress was made in the unlisted equity investment business, and sci-tech funds saw a prominent growth in size after new investors made subscriptions. The Group will keep seeking for investment opportunities in sci-tech and medical sectors in the future.

(II) Corporate finance and advisory

In 2019, the overall situation was not optimistic due to the large market volatility, sensitive investor sentiment and tighter regulation. Nonetheless, under the leadership of the Group, the corporate financial segment managed to sign with a number of clients the letter of appointment as listing sponsor and submitted five applications for listing on the main board of the Stock Exchange, two of which ended up in a successful public offering in the same year. Such projects covered a wide range of traditional and emerging industries, including finance, manufacturing, healthcare and Internet. It is worth mentioning that in the Reporting Year, one of the main board projects we sponsored was oversubscribed by more than 1,400 times in the public offering, being the only IPO oversubscribed by more than 1,000 times in Hong Kong in 2019 and the share saw an excellent post-listing performance, which marked a successful end to the Group's sponsorship business in the Reporting Year. In addition to the sponsorship projects, we also participated in two listing projects as a joint bookrunner. As far as project execution is concerned, we were not at all inferior to any of the strong traditional Chinese securities companies.

Administrative expenses and finance costs

Administrative expenses and finance costs for the year ended 31 December 2019 amounted to HK\$532.9 million in aggregate (for the year ended 31 December 2018: HK\$406.9 million). The analysis is set out below:

	For the year ended 31 December 2019 HK\$'000	For the year ended 31 December 2018 HK\$'000
Staff costs	119,644	71,775
Depreciation and amortization	29,704	6,280
Other administrative expenses	60,494	66,800
Finance costs	323,011	262,029
Total	532,853	406,884

The increase in staff costs was mainly due to more investment in human resources to support the Group's business expansion.

The increase in depreciation and amortisation was mainly due to recognition of depreciation for right-of-use asset during the Reporting Year with the adoption of HKFRS 16.

The increase in finance costs was mainly due to the expansion of the size of investment portfolio, which resulted in the increase in borrowings (including bank and other borrowings and financial assets sold under repurchase agreements).

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK0.33 cents per share to the shareholders of the Company on or before Friday, 24 July 2020 for the year ended 31 December 2019 (31 December 2018: HK0.2 cents per share), subject to the approval by the shareholders of the Company 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 despatched to the shareholders of the Company.

BOOK CLOSURE AND RECORD DATE

For determining the entitlement to the proposed final dividend for the year ended 31 December 2019, the register of members of the Company will be closed from Wednesday, 8 July 2020 to Friday, 10 July 2020, 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 Tuesday, 7 July 2020.

FINANCIAL REVIEWS

Capital structure

As at 31 December 2019, the total number of the issued share capital with the par value of HK\$0.01 each was 47,679,217,729 and total equity attributable to shareholders was approximately HK\$2,222.2 million (31 December 2018: HK\$1,876.1 million).

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

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 2019, the Group had current assets of approximately HK\$11,032.1 million (31 December 2018: HK\$9,526.0 million) and liquid assets comprising cash (excluding cash held on behalf of customers), investment in listed equity securities and listed debt investments totaling approximately HK\$7,409.1 million (31 December 2018: HK\$4,027.3 million). The Group's current ratio, calculated based on current assets of approximately HK\$11,032.1 million (31 December 2018: HK\$9,526.0 million) over current liabilities of approximately HK\$9,301.1 million (31 December 2018: HK\$8,507.7 million), was approximately 1.2 at the end of the Reporting Year (31 December 2018: 1.1).

The Group's finance costs for the Reporting Year mainly represented the effective interest on notes payable of approximately HK\$7.9 million (Previous Year: HK\$8.3 million), interest on bank borrowings of approximately HK\$2.0 million (Previous Year: HK\$19.7 million), interest on loans from an intermediate holding company of approximately HK\$242.7 million (Previous Year: HK\$207.3 million), interest on financial assets sold under repurchase agreements of approximately HK\$64.3 million (Previous Year: HK\$26.7 million), and interest on lease liabilities of approximately HK\$6.1 million (Previous Year: Nil).

As at 31 December 2019, the Group's indebtedness comprised loans from an intermediate holding company, notes payable and financial assets sold under repurchase agreements of approximately HK\$8,887.1 million (31 December 2018: HK\$7,869.3 million). The loans principal from an intermediate holding company of approximately HK\$5,656.7 million (31 December 2018: HK\$6,314.4 million) were denominated in Hong Kong dollars and United States dollars and borne interests at 4% to 4.24% per annum and were repayable within one year. The notes payable in the aggregate principal amount of HK\$50 million (31 December 2018: HK\$150 million) was denominated in Hong Kong dollars, due on the seventh anniversary from the respective issue dates of the notes, and borne interest at 5% fixed rate per annum.

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 80.0% (31 December 2018: 80.7%).

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

Significant investments held

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

Material acquisitions and disposals of subsidiaries and associates

For the year ended 31 December 2019, the Group had no material acquisitions or disposals of subsidiaries and associates.

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 2019, the Group had 90 (31 December 2018: about 80) employees including the Directors. For the Reporting Year, the total staff costs, including the Directors' remuneration, was approximately HK\$119.6 million (Previous Year: HK\$71.8 million). Remuneration packages for the employees and the Directors are structured by reference to market terms, individual competence, performance and experience. Benefits plans maintained by the Group include mandatory provident fund scheme, subsidized training program, share option scheme, share award scheme and discretionary bonuses.

OUTLOOK

Prospect

The trade dispute between the People's Republic of China (the “**PRC**”) and the United States has had a profound impact on the economies of both countries. Since Hong Kong has long been the gateway into the PRC for businesses and a trade conduit between the two countries, Hong Kong is also adversely affected by the trade dispute. In addition, the future of the Hong Kong economy, dependent upon whether the political unrest can be resolved and the impact of the coronavirus disease outbreak, has become increasingly uncertain, and the Hong Kong government has recently lowered its forecast for the economic growth of this year.

Since the outbreak of coronavirus disease in December 2019, it has spread to many countries and has seriously interrupted the financial market, the economic activity and the demand for goods, resulting in widespread fear. An outbreak of coronavirus disease or the measures taken by the governments of affected countries against such outbreaks or the perception that an outbreak of coronavirus disease may have an adverse effect on economic conditions in the PRC, Asia and the rest of the world.

Although the Group has achieved satisfactory results for the Reporting Year and is optimistic about the long-term continuous growth of both Hong Kong and Mainland China's economies, and even though the Group strives to further develop its business, it is believed that the Group should act cautiously and be mindful about the risks which the Group may face in 2020. Hence, the Group will adopt the following development strategy.

Development strategy

The Company will continue to enhance its profitability by developing the investment and financing business, the corporate finance and advisory and asset management business. In particular, the Group will adopt the following measures, inter alia:

- (1) Highlighting the main business of investment banking. The Group will continue to expand client resources, including continuous use of China Minsheng Bank's client resources, to strengthen and refine the business of sponsorship, underwriting and advisory;
- (2) Optimizing the structure of investment and financing business. The Group will continue to improve client strategy and expand high-quality clients in accordance with economic development, changes in market environment and regulatory trends;

- (3) Optimizing and improving the organizational structure, product system and marketing system of asset management and building a one-stop integrated platform for global asset management service. The Group will set up a client-centered asset management service system for the enhancement of client experience of asset management and wealth management, make a list of key clients of asset management, and create key and core products of asset management;
- (4) Improving the ability to synergise and serve the Group. The Group will pay close attention to potential investment targets or strategic clients of China Minsheng Bank that can create synergy with the Group. The Company intends to provide a full range of financial services support for its cross-border activities by the establishment of a close relationship with such targets or partners; and
- (5) Strengthening risk management. In strict compliance with regulatory requirements and in combination with the market and regulatory trends as well as the actual situation of the Company, the Group will pay close attention to the development of “three abilities” (i.e. marketing and communication, investment and trading, compliance and risk control) and the promotion of “three bottom lines” awareness (i.e. legal compliance, risk prevention and control, company interest), actively strengthen the corporate governance, compliance management and internal control system, and comprehensively improve its risk prevention and control ability, so as to achieve sustainable development. In light of the coronavirus disease outbreak, the Group will closely monitor the development of the situation and will duly strengthen the risk management in order to minimize its impact on the Group.

Furthermore, the Group adheres to the upgraded basic strategy of “one body and two wings”, with “one body” optimized, which is to further optimize the products and client structure of investment and financing business, and “two wings” emphasized, which is to fully commit to improving the income and market position of its investment banking and asset management business.

EVENT AFTER THE REPORTING PERIOD

The coronavirus disease outbreak since early 2020 has brought about uncertainties to the Group's business environment and its impact is expected to gradually unfold. The Group has been closely monitoring the impact of the developments on the Group's businesses and has introduced corresponding contingency and additional risk management measures for its principal risks. In addition, the Group's management has worked vigilantly to implement a number of health and safety measures to protect staff members.

The Group will continue to closely monitor the coronavirus situation and assess the impact to the Group's financial position and performance regularly. The Group will keep its contingency and additional risk management measures under on-going review as the situation evolves. Timely actions will be undertaken to mitigate potential impact and strengthen its risk management measures as necessary. While the circumstances of the coronavirus disease outbreak has now become pandemic and is evolving rapidly around the world, an estimate of its financial impact to the Group at this stage may not be appropriate as it will be subject to material uncertainties under the current financial market conditions.

RISK MANAGEMENT CAPABILITIES

The Board recognizes risk management as one of the key elements to the success of the Company. The Group constantly enhances its overall risk management capabilities and endeavors to improve risk management system to establish a risk management framework in line with its business development strategy. The Group takes a pragmatic approach to manage different risks primarily including credit risks, market risks, risks of legal compliance and liquidity risks. As at the date of this announcement, the Group has implemented various risk management policies and procedures, covering different business sectors. The Group has also established centralized internal control and compliance management system to effectively monitor the Group's operation and transactions. The Board has established the risk management and internal control committee to oversee the overall risk management framework of the Group. The Group will continue to enhance the risk management practices and internal control system and adopt a stringent governance framework with reference to the best practices in the market.

CORPORATE GOVERNANCE

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

ATTENDANCE OF THE ANNUAL GENERAL MEETING

Code Provision E.1.2

Code Provision E.1.2 stipulates that the chairman of the Board should invite the chairmen of the audit, remuneration and nomination 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 be available to answer questions at the annual general meeting of the Company.

It further stipulates that the chairman of the independent board committee should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.

Deviation

The chairmen and members of the nomination committee and the remuneration committee were unable to attend the annual general meeting of the Company held on 28 June 2019 (the “**2018 AGM**”) due to their other business engagement. However, the chairman of the Board had chaired the 2018 AGM and answered questions from the shareholders. The 2018 AGM has provided a channel for communication between the Board and the shareholders.

The chairman of the independent board committee did not attend the special general meetings of the Company held on 23 September 2019 due to other important business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. In response to specific enquiries made by the Company, all Directors confirmed that they have fully complied with the required standards as set out in the Model Code throughout the Reporting Year.

OTHER INFORMATION

Audit Committee

The audited consolidated financial statements of the Company for the year ended 31 December 2019 have been reviewed by the audit committee of the Company before they are duly approved by the Board under the recommendation of the audit committee of the Company.

Scope of work of PricewaterhouseCoopers

The figures in respect of the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 of the Group as set out in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

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

For the year ended 31 December 2019, the Board recognized that the redemption of shares could increase the net asset value and/or earnings per share, so the Company redeemed a total of 28,700,000 shares on the Stock Exchange, with the total consideration of approximately HK\$4 million. As at the date of this announcement, all redeemed shares have been cancelled.

Details of redemption are as follows:

Month of redemption	Total shares redeemed	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Total consideration paid (HK\$'000)
June 2019	2,300,000	0.217	0.207	491
November 2019	5,110,000	0.126	0.116	621
December 2019	21,290,000	0.148	0.124	2,888
Total:	28,700,000	—	—	4,000

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 2019.

PUBLICATION OF ANNUAL REPORT

The annual report 2019 of the Company containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cmbccap.com) in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners and other professional parties for their support throughout the Reporting Year.

By order of the Board
CMBC Capital Holdings Limited
Li Jinze
Chairman

Hong Kong, 23 March 2020

As at the date of this announcement, the executive Directors are Mr. Li Jinze, Mr. Ding Zhisuo and Mr. Ng Hoi Kam, the non-executive Directors are Mr. Ren Hailong and Mr. Liao Zhaohui, and the independent non-executive Directors are Mr. Lee, Cheuk Yin Dannis, Mr. Wu Bin and Mr. Wang Lihua.