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

(Incorporated in Bermuda with limited liability)

(Stock code: 111)

ANNOUNCEMENT OF 2020 FINAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Cinda International Holdings Limited (the “Company”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31st December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31ST DECEMBER 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Revenue	4	213,022	260,380
Other income	4	68,209	62,099
Other gains/(losses), net	4	11,218	(14,789)
		292,449	307,690
Staff costs	5(a)	111,998	102,978
Commission expenses		28,418	13,117
Other operating expenses	5(b)	75,242	131,540
Finance costs	5(c)	28,981	26,890
		244,639	274,525
		47,810	33,165
Share of profits of associates and a joint venture, net	9	46,458	36,771

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before taxation		94,268	69,936
Income tax	<i>6</i>	<u>(9,990)</u>	<u>(17,455)</u>
Profit for the year		<u>84,278</u>	<u>52,481</u>
Attributable to:			
Equity holders of the Company		83,671	51,559
Non-controlling interests		<u>607</u>	<u>922</u>
		<u>84,278</u>	<u>52,481</u>
Basic and diluted earnings per share attributable to equity holders of the Company	<i>8</i>	<u>HK13.05 cents</u>	<u>HK8.04 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Non-current assets			
Intangible assets		1,439	1,439
Property and equipment		7,453	8,831
Financial assets at fair value through profit or loss	<i>11</i>	15,557	6,693
Interests in associates and a joint venture	<i>9</i>	417,246	375,674
Other assets		17,810	10,966
Right-of-use assets	<i>17</i>	44,129	43,188
Deferred tax assets		104	192
		503,738	446,983
Current assets			
Loans receivable	<i>14</i>	–	71,546
Debt instruments at fair value through other comprehensive income	<i>10</i>	621,861	362,718
Financial assets at fair value through profit or loss	<i>11</i>	1	75,185
Trade and other receivables	<i>12</i>	609,314	454,878
Taxation recoverable		246	–
Pledged bank deposits	<i>13</i>	12,137	12,129
Bank balances and cash	<i>13</i>	804,471	579,395
		2,048,030	1,555,851
Current liabilities			
Trade and other payables	<i>15</i>	517,696	288,221
Borrowings	<i>16</i>	394,414	272,425
Taxation payable		4,120	10,128
Lease liabilities	<i>17</i>	24,768	19,894
Bonds issued		42,000	10,000
		982,998	600,668

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Net current assets		<u>1,065,032</u>	<u>955,183</u>
Total assets less current liabilities		<u>1,568,770</u>	<u>1,402,166</u>
Capital and reserves			
Share capital		64,121	64,121
Other reserves		482,188	454,021
Retained earnings		<u>442,792</u>	<u>359,121</u>
Total equity attributable to equity holders of the Company		989,101	877,263
Non-controlling interests		<u>–</u>	<u>7,741</u>
TOTAL EQUITY		989,101	885,004
Non-current liabilities			
Bonds issued		10,000	42,000
Lease liabilities	17	20,869	24,733
Borrowings	16	548,800	450,000
Deferred tax liability		<u>–</u>	<u>429</u>
		<u>579,669</u>	<u>517,162</u>
		<u>1,568,770</u>	<u>1,402,166</u>

NOTES:

1. STATEMENT OF COMPLIANCE

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the Group's 2020 annual financial statements. The Group's 2020 annual financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). 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. The financial information set out in this report does not constitute the Group's statutory financial statements for the year ended 31st December 2020, but is derived from those financial statements. The HKICPA has issued certain new and revised HKFRSs, that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. BASIS OF PREPARATION

The measurement basis used in the preparation of the financial statements is the historical cost convention except that certain financial instruments are measured at their fair value.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3
Amendments to HKFRS 9,
HKAS 39 and HKFRS 7
Amendment to HKFRS 16
Amendments to HKAS 1
and HKAS 8

Definition of a Business
Interest Rate Benchmark Reform

Covid-19-Related Rent Concessions (early adopted)
Definition of Material

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

3.1 *Conceptual Framework for Financial Reporting 2018*

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

3.2 *Amendments to HKFRS 3 Definition of a Business*

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

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

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

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

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

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

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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

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

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

	Asset management <i>HK\$'000</i>	Sales and trading business <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Year ended 31st December 2020</i>				
<i>Revenue from contracts with customers</i>				
Brokerage service	–	46,221	–	46,221
Underwriting and placing service	–	–	25,510	25,510
Corporate finance service	–	–	43,381	43,381
Asset management service	71,198	–	–	71,198
	71,198	46,221	68,891	186,310
	71,198	46,221	68,891	186,310
	Asset management <i>HK\$'000</i>	Sales and trading business <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Year ended 31st December 2019</i>				
<i>Revenue from contracts with customers</i>				
Brokerage service	–	30,384	–	30,384
Underwriting and placing service	–	–	23,596	23,596
Corporate finance service	–	–	34,034	34,034
Asset management service	151,193	–	–	151,193
	151,193	30,384	57,630	239,207
	151,193	30,384	57,630	239,207

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

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

Segment information

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

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

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

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

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

Year ended 31st December 2020

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

Year ended 31st December 2019

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

Notes:

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

Reconciliations of reportable revenue

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

Reconciliations of reportable results

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

Reconciliations of reportable assets and liabilities

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

Geographic information

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

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

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Staff costs

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

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

(b) Other operating expenses

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

(c) **Finance costs**

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

6. INCOME TAX

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

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

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

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

7. DIVIDENDS

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

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

8. EARNINGS PER SHARE

(a) Basic earnings per share

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

(i) Earnings attributed to equity holders of the Company

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

(ii) Number of ordinary shares

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

(b) Diluted earnings per share

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

9. INTERESTS IN ASSOCIATES AND A JOINT VENTURE

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

(a) Interests in associates

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

(b) Interest in a joint venture

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

10. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

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

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

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

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Note:

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

12. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and other receivables	626,326	472,057
Less: impairment allowances	<u>(17,012)</u>	<u>(17,179)</u>
Total trade and other receivables	<u>609,314</u>	<u>454,878</u>

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

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

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

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

	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Simplified approach <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross amount as at 31st December 2020	597,384	306	13,011	15,625	626,326
Expected credit losses	(627)	(1)	(13,011)	(3,373)	(17,012)
	<u>596,757</u>	<u>305</u>	<u>–</u>	<u>12,252</u>	<u>609,314</u>
	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Simplified approach <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross amount as at 31st December 2019	446,261	100	13,011	12,685	472,057
Expected credit losses	(794)	(1)	(13,011)	(3,373)	(17,179)
	<u>445,467</u>	<u>99</u>	<u>–</u>	<u>9,312</u>	<u>454,878</u>

For trade receivables related to margin loans arising from securities brokering amounting to HK\$188,683,000 (31st December 2019: HK\$248,529,000), during the year, impairment allowances of HK\$167,000 (31st December 2019: HK\$209,000) were reversed. As at 31st December 2020, impairment allowances of HK\$13,557,000 (31st December 2019: HK\$13,724,000) for the receivables from margin clients was provided. The margin clients of securities brokering business are required to pledge their shares to the Group for credit facilities for securities trading. No ageing analysis is disclosed as in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of revolving margin loans.

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

For trade receivables related to corporate finance of HK\$15,625,000 (31st December 2019: HK\$12,685,000), no additional impairment allowance was provided for the year (31st December 2019: nil). As at 31st December 2020, impairment allowances of HK\$3,373,000 (31st December 2019: HK\$3,373,000) were provided. The settlement terms of trade receivables from corporate finance clients are usually 30 days from the date of invoice. The relevant ageing analysis based on the date of invoice at the reporting date was as follows:

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

For trade receivables from clients arising from securities brokering amounting to HK\$277,710,000 (31st December 2019: HK\$113,956,000), the amounts represent outstanding unsettled trades due from clients as of the period end. It normally takes two to three days to settle after trade date of those transactions. As at 31st December 2020, it included overdue balances of HK\$11,644,000 (31st December 2019: HK\$3,745,000). These overdue balances are either subsequently settled after the reporting date or fully collateralised by listed securities. The Directors of the Company did not consider that there was a significant change in credit quality of the balance. No impairment allowance has been provided.

The trade receivables from clearing houses arising from securities brokering of HK\$56,477,000 (31st December 2019: HK\$37,654,000), the settlement terms of trade receivables from clearing houses are usually one to two days after the trade date.

The remaining trade receivables represent the margin and other deposits from brokers and financial institutions with specific agreed terms, no impairment allowance has been provided as the related allowances were considered to be immaterial and there were no credit default history.

Clients trading in commodities and futures contracts and obtaining securities margin financing from the Group are required to observe the Group's margin policies. For commodities and futures contracts, initial margins are required before trading and thereafter clients are required to keep the equity position at a prescribed maintenance margin level.

13. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

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

14. LOANS RECEIVABLE

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

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

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

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

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

15. TRADE AND OTHER PAYABLES

	2020	2019
	HK\$'000	HK\$'000
Trade payables	405,541	171,029
Accruals, provision and other payables (<i>Note</i>)	96,797	83,172
Deferred revenue	<u>15,358</u>	<u>34,020</u>
Total trade and other payables	<u>517,696</u>	<u>288,221</u>

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

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

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

16. BORROWINGS

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

Notes:

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	185,000	30,000
More than one year	548,800	450,000
	733,800	480,000

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

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

Further, HK\$1,954,000,000 (31st December 2019: HK\$1,400,000,000) was under specific performance obligation on the Company's controlling shareholder, for which the current controlling shareholder shall hold over 50% (or 51% in one of the facilities) of the entire issued share capital of the Company.

As at 31st December 2020, HK\$733,800,000 (31st December 2019: HK\$480,000,000) was drawn from the banking facilities under the specific performance obligation. Among these bank facilities, US\$24,000,000 (equivalent to HK\$187,200,000) (31st December 2019: nil) was drawn in US dollars.

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

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

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

17. LEASES

The Group as a lessee

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

Right-of-use assets and lease liabilities

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

	Right-of-use assets Land and buildings HK\$'000	Lease liabilities HK\$'000
As at 1st January 2019	65,940	65,940
Depreciation expenses (<i>Note 5(b)</i>)	(22,752)	–
Interest expense (<i>Note 5(c)</i>)	–	1,189
Payments	–	(22,502)
	<hr/>	<hr/>
As at 31st December 2019 and 1st January 2020	43,188	44,627
Addition	23,990	23,990
Depreciation expenses (<i>Note 5(b)</i>)	(23,049)	–
Interest expense (<i>Note 5(c)</i>)	–	1,726
Payments	–	(24,216)
Rent concessions from lessor	–	(490)
	<hr/>	<hr/>
As at 31st December 2020	<u>44,129</u>	<u>45,637</u>
	2020	2019
	HK\$'000	HK\$'000
Lease liabilities analysed into:		
Current portion	24,768	19,894
Non-current portion	20,869	24,733
	<hr/>	<hr/>
As at 31st December	<u>45,637</u>	<u>44,627</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET CONDITIONS

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

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

of current fiscal stimulus policies launched in the Euro zone was still more prudent. Therefore, the increase in fiscal deficit and national debt was lower than that of the US. As a result, the US dollar weakened sharply, while the Euro rebounded. The Euro rose repeatedly to 1.2310 in December after reaching a low of 1.0636 in March against the US dollar. To sum up for the whole year, the Euro rose by 8.9% against the US dollar.

In the Mainland China, the COVID-19 pandemic broke out in the first quarter of the year, mainly in several key cities in Hubei province. The government decisively implemented lockdown measures, mobilized medical and military personnel from other provinces to help fight the pandemic and imposed restriction to the movement of people, so as to prevent the spread of the pandemic. It caused the GDP to fall by 6.8% year-on-year in the first quarter due to the suspension of work and production in the Mainland China. After more than two months of fighting against the pandemic, it was put under control and China became the first country in the world that succeeded in fighting against the pandemic. In the second quarter, work and production began to resume, together with the continuous lockout in other countries, global orders for industrial products transferred to China. The annual value added of large industrial enterprises increased by 2.8% year-on-year, and the GDP increased by 2.3% year-on-year, making China the only country that recorded economic growth among the world's leading economies. In addition, with the Fed continuing to purchase bonds in large scale and the yearning for possible introduction of fiscal stimulus policies after the US presidential election in the market, the new US president was expected to improve the relation between China and the US. Moreover, as the People's Bank of China emphasized that healthy monetary policies should be more flexible and target-based, subsequent monetary policies were expected to be gradually neutral, and the spreads between China and the US would be further widened, promoting the strength of RMB. To sum up for the whole year, the onshore RMB (CNY) and offshore RMB (CNH) appreciated by approximately 7%. The yield of the 10-year government bonds of the Mainland China rose after a fall in 2020, which stayed level for the whole year.

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

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

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

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

OVERALL PERFORMANCE

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

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

ASSET MANAGEMENT

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

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

CORPORATE FINANCE

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

SALES AND TRADING BUSINESS

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

FINANCIAL RESOURCES

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

FLUCTUATION IN FOREIGN EXCHANGE RATES

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

REMUNERATION AND HUMAN RESOURCES

The Group has always valued the nurturing of capable personnel and has taken various measures to recruit and retain personnel of high calibre, which ensures sufficient support for steady operations amidst business development. The remuneration of the employees provided by the Group consists of basic salary and discretionary bonus. To encourage employees to deliver better performance and strengthen risk control, the Group has set up an incentive mechanism, according to which, performance and work targets for the year are set for each business department and supporting department at the beginning of each year and staff assessment is carried out both in the middle and at the end of each year so as to provide a basis for bonus. Besides, the Group also gives

due weight to staff trainings and provides the employees with educational allowances and leave for professional examinations. During the year, the Group organized professional training courses and lectures for the staff and account executives from time to time in furtherance of their comprehension of the updated knowledge pertinent to their work, certain of which were conducted through electronic means. The Group has established a staff remuneration committee comprising the top management to conduct regular reviews over the remuneration policy of the Group and determine the remuneration package of each staff member, thereby ensuring that such pay and benefits are market-based.

LOOKING FORWARD

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

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

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

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

FINAL DIVIDEND

The Board appreciates the continuing support of the Shareholders and has resolved to propose a final dividend of HK\$0.03 (2019: nil) per ordinary share for the year ended 31st December 2020, totaling HK\$19.24 million (2019: nil), which is expected to be paid on or around 21st June 2021 to the Shareholders as appeared on the register of members of the Company on 4th June 2021 subject to the final approval at the annual general meeting of the Company to be held on 27th May 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the proposed final dividend for the year ended 31st December 2020, the register of members of the Company will be closed from 2nd June 2021 to 4th June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 1st June 2021.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Messrs. Ernst & Young 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 Messrs. Ernst & Young on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CORPORATE GOVERNANCE

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

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee has reviewed the internal controls and financial reporting matters of the Group together with a review of the annual results for the year ended 31st December 2020.

PUBLICATION OF RESULT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the Company's website at <http://www.cinda.com.hk>. The 2020 Annual Report of the Company will be published on the same websites and dispatched to the Shareholders in due course.

By Order of the Board
Cinda International Holdings Limited
Yu Fan
Chairman

Hong Kong, 4th March 2021

As at the date hereof, the Board comprises:

<i>Executive Directors:</i>	Mr. Yu Fan (Chairman) Mr. Gong Zhijian (Deputy Chairman and Chief Executive Officer) Mr. Lau Mun Chung (Deputy Chief Executive Officer)
<i>Non-executive Directors:</i>	Mr. Chow Kwok Wai Mr. Zhang Yi
<i>Independent Non-executive Directors:</i>	Mr. Hung Muk Ming Mr. Xia Zhidong Mr. Liu Xiaofeng

Website: <http://www.cinda.com.hk>