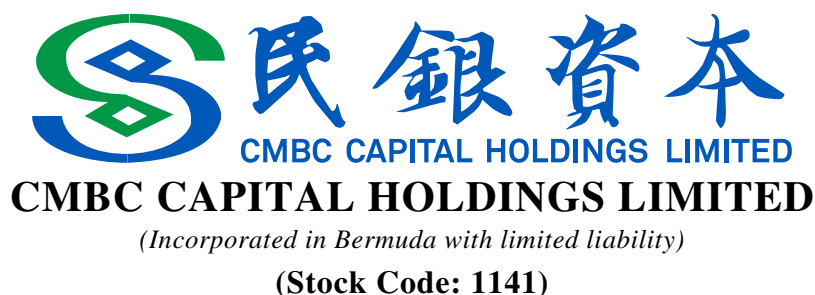


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**ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 2020 (the “**Reporting Year**”), together with the comparative figures for the year ended 31 December 2019 (the “**Previous Year**”), as follows:

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2020*

		<b>2020</b>	2019
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Revenue	4	<b>1,019,185</b>	978,683
Net gains on financial assets/liabilities at fair value through profit or loss (“FVTPL”)		<b>150,975</b>	123,760
Net losses on financial assets at fair value through other comprehensive income (“FVOCI”)		<b>(84,204)</b>	(32,632)
Net losses on financial assets at amortised cost		<b>(18,972)</b>	–
Other income		<b>16,515</b>	10,608
Other gains and losses	5	<b>2,615</b>	(6,315)
Impairment losses	6	<b>(113,614)</b>	(116,011)
Staff costs		<b>(89,126)</b>	(119,644)
Depreciation and amortisation		<b>(27,718)</b>	(29,704)
Other operating expenses		<b>(51,998)</b>	(60,494)
Finance costs	7	<b>(318,478)</b>	(323,011)
Profit before taxation	8	<b>485,180</b>	425,240
Taxation	9	<b>(91,960)</b>	(68,377)
Profit for the year attributable to owners of the Company		<b>393,220</b>	356,863

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>Profit for the year attributable to owners of the Company</b>		<b>393,220</b>	356,863
<b>Other comprehensive income</b>			
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)		<b>34,517</b>	56,387
Item that may be reclassified subsequently to profit or loss:			
– Financial assets at fair value through other comprehensive income – net movement in fair value reserve (recycling)		<b>114,270</b>	32,314
<b>Other comprehensive income for the year, net of tax</b>		<b>148,787</b>	88,701
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>542,007</b>	445,564
Earnings per share attributable to owners of the Company (HK cents)	<i>10</i>		
– Basic		<b>0.83</b>	0.75
– Diluted		<b>0.83</b>	0.75

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2020*

		As at <b>31 December 2020</b> <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		<b>9,418</b>	11,926
Right-of-use asset		<b>93,428</b>	116,785
Goodwill		<b>16,391</b>	16,391
Intangible assets		<b>2,103</b>	3,474
Loans and advances	<i>12</i>	–	357,822
Financial assets at amortised cost		<b>77,272</b>	77,574
Deferred tax assets		<b>1,383</b>	13,520
Other assets		<b>10,138</b>	10,184
		<b>210,133</b>	607,676
<b>Current assets</b>			
Accounts receivable	<i>13</i>	<b>502,816</b>	601,243
Prepayments, deposits and other receivables		<b>35,339</b>	55,773
Interests receivable		<b>119,836</b>	147,676
Amount due from an intermediate holding company		–	4,109
Loans and advances	<i>12</i>	<b>1,485,217</b>	1,852,889
Financial assets at fair value through other comprehensive income	<i>14</i>	<b>6,835,510</b>	6,888,906
Financial assets at amortised cost		–	93,504
Financial assets at fair value through profit or loss	<i>15</i>	<b>1,240,808</b>	952,053
Cash held on behalf of customers		<b>357,370</b>	35,279
Cash and cash equivalents		<b>378,170</b>	400,708
		<b>10,955,066</b>	11,032,140

		As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
	Notes		
<b>Current liabilities</b>			
Accounts payable	16	359,441	38,958
Other payables and accruals		83,147	145,329
Amount due to an intermediate holding company		5,927	–
Bank and other borrowings	17	4,446,443	5,748,468
Notes payable		–	50,000
Tax payable		20,831	82,510
Financial assets sold under repurchase agreements	18	3,390,747	3,180,420
Financial liabilities at fair value through profit or loss	19	93,922	27,977
Lease liabilities		27,388	27,388
		<u>8,427,846</u>	<u>9,301,050</u>
<b>Net current assets</b>		<u>2,527,220</u>	<u>1,731,090</u>
<b>Total assets less current liabilities</b>		<u>2,737,353</u>	<u>2,338,766</u>
<b>Non-current liabilities</b>			
Lease liabilities		66,670	91,012
Deferred tax liabilities		70,715	25,511
		<u>137,385</u>	<u>116,523</u>
<b>NET ASSETS</b>		<u>2,599,968</u>	<u>2,222,243</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	20	476,279	476,792
Reserves		<u>2,123,689</u>	<u>1,745,451</u>
<b>TOTAL EQUITY</b>		<u>2,599,968</u>	<u>2,222,243</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 number of new or amended standards became applicable for the current reporting period, and the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

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

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

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

## 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. “Investment and Financing”, which was previously presented in 2019, is now presented as two segments “Fixed-income direct investment” and “Other Investment and financing” in 2020. “Asset management, corporate finance and advisory”, which was previously presented in 2019, is now presented as two segments “Asset management” and “Corporate finance and advisory” in 2020. Therefore, the comparatives have been re-presented accordingly to align with the Group’s current internal reporting information.

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

- the “securities” segment representing the business line of provision of brokerage services, securities margin financing services to clients and securities underwriting/placing;

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

### Disaggregation of revenue

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

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

Disaggregation of revenue is set out below:

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



## Segment revenue and results

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

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

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

## Segment assets and liabilities

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

As at 31 December 2020							
	Securities	Fixed-income direct investment	Other investment and financing	Asset management	Corporate finance and advisory	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>							
Segment assets	<u>985,583</u>	<u>6,955,357</u>	<u>2,947,028</u>	<u>48,656</u>	<u>26,750</u>	<u>201,825</u>	<u>11,165,199</u>
<b>Liabilities</b>							
Segment liabilities	<u>776,097</u>	<u>6,383,045</u>	<u>1,236,604</u>	<u>14,106</u>	<u>–</u>	<u>155,379</u>	<u>8,565,231</u>
As at 31 December 2019							
	Securities	Fixed-income direct investment (Re-presented)	Other Investment and financing (Re-presented)	Asset management (Re-presented)	Corporate finance and advisory (Re-presented)	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets</b>							
Segment assets	<u>749,591</u>	<u>7,463,464</u>	<u>3,090,405</u>	<u>30,578</u>	<u>27,002</u>	<u>278,776</u>	<u>11,639,816</u>
<b>Liabilities</b>							
Segment liabilities	545,222	7,025,674	1,599,970	12,140	3,447	231,120	9,417,573

## 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

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

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

#### 4 REVENUE

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

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

#### 5 OTHER GAINS AND LOSSES

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

#### 6 IMPAIRMENT LOSSES

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

## 7 FINANCE COSTS

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

## 8 PROFIT BEFORE TAXATION

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

## 9 TAXATION

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

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

## 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Earnings</b>		
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>393,220</u>	<u>356,863</u>
	2020 '000	2019 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>47,660,669</u>	<u>47,704,762</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 2020 and 2019.

## 11 DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Proposed:		
Final – HK0.33 cents (2019: HK0.33 cents) per ordinary share	<u>157,080</u>	<u>157,335</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 HK0.33 cents per share for the year ended 31 December 2019 had been approved by the shareholders of the Company on 30 June 2020 and was paid on 24 July 2020 in an aggregated amount of approximately HK\$157,270,000.

## 12 LOANS AND ADVANCES

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

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

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

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

Movement in expected credit losses is as follows:

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

### 13 ACCOUNTS RECEIVABLE

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



Movement in expected credit losses is as follows:

	2020				2019			
	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 2020/2019	74	–	1,088	1,162	37	–	2,008	2,045
Transfers between stages	–	–	–	–	(1)	–	1	–
Impairment losses charged to profit or loss	834	–	618	1,452	38	–	1,478	1,516
Write-off	–	–	–	–	–	–	(2,399)	(2,399)
At 31 December 2020/2019	<u>908</u>	<u>–</u>	<u>1,706</u>	<u>2,614</u>	<u>74</u>	<u>–</u>	<u>1,088</u>	<u>1,162</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 5.25% to 18% per annum during the year ended 31 December 2020 (2019: 5.25% to 18% per annum). The fair values of the pledged securities as at 31 December 2020 approximate HK\$797,944,000 (2019: HK\$936,840,000). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited.

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

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\$1,452,000 was recognised (2019: HK\$1,516,000) in the consolidated statement of profit or loss and other comprehensive income.

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

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

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

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

#### **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:

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

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

Movement in expected credit losses is as follows:

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

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

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

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

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

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

## 16 ACCOUNTS PAYABLE

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

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

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

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

## 18 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
Bonds	<u>3,390,747</u>	<u>3,180,420</u>

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

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

## 19 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

## 20 SHARE CAPITAL

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

*Note:*

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

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

## BUSINESS REVIEW

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

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

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

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

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

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

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

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

## **Investment and financing**

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

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

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

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

## **Fixed-income direct investment**

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

## Other investment and financing

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

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

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

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

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

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

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

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

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

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

## **Asset Management**

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

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

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

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

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

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

### **Corporate finance and advisory**

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

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

### **Administrative expenses and finance costs**

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

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

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

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

## FINANCIAL REVIEWS

### Capital structure

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

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

### Liquidity and financial resources

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

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

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

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

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

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



## **Significant investments held**

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

## **Material acquisitions and disposals of subsidiaries and associates**

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

## **FINAL DIVIDEND**

The Board has recommended a final dividend of HK 0.33 cents per share to the shareholders on or before Friday, 30 July 2021, for the year ended 31 December 2020 (31 December 2019: HK0.33 cents per share), subject to the approval by the Shareholders at the forthcoming annual general meeting (the “AGM”). A circular containing, among other things, further details and information required by the Listing Rules, together with a notice of AGM, will be dispatched to the shareholders.

## **BOOK CLOSURE AND RECORD DATE**

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

## **FOREIGN CURRENCY RISK MANAGEMENT**

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

## **HUMAN RESOURCES AND REMUNERATION POLICY**

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

## **OUTLOOK**

### **Prospects**

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

### **Development strategies**

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

In particular, the Group will adopt the following measures:

- (1) Significantly increase the proportion of its investment banking business revenue in the Group's total revenue. The Group will continue to strengthen its the sales team for securities business, enhance the sales capacity and increase investment banking revenue, thereby securing a continuous increase in the proportion of its investment banking revenue in the Group's total revenue;
- (2) Consolidate asset management business, stabilise and further increase the proportion of revenue from its asset management business in the Group's total revenue. At present, the asset management business has begun to bear fruit, and the Group plans to expand the asset management business with a focus on high-net-worth clients and high-quality institutional clients, enrich its asset management products and improve the quality of asset management services;
- (3) Increase the investment in equity assets; The Group will strengthen its unique equity investment advantages with China Minsheng Bank Group, fully utilise China Minsheng Bank Group's customer resources, and effectively strengthen investments in equity funds with private equity, secondary market stocks or equity assets as underlying assets, focus on cultivating and developing high-quality customers in strategic industries and emerging customers in high-growth areas;
- (4) Strengthen the synergetic development of the Group. The Group will pay close attention to potential investment targets or strategic customers of China Minsheng Bank that can create synergies with the Group, and will establish close relationships with such targets or strategic customers to facilitate overall business development;
- (5) Develop talents as the first resource and build teams with talents and high-quality. The Group will refine deployment of human resources and improve work efficiency. Further, the Group will implement managers' training programmes to continuously improve their comprehensive quality and management capabilities and focus on the front-line personnel training to continuously improve the adaptability and comprehensive service capabilities of personnel in marketing, operation and customer services; and
- (6) Closely monitor its risk and continuously strengthen its overall risk management capabilities. The Group's risk management strategy will be based on the principle of proactive risk management and will closely follow the risk management practices on the market. The Group will focus on enhancing the professional ability of risk control personnel, improving the risk identification and prevention system, and deepening the construction of the risk control system. The Group will manage the controllable bottom line of substantive risks, strengthen the Group's overall risk management awareness, and jointly improve the quality of the entire-process risk management in the front and back stages.

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

## **RISK MANAGEMENT CAPABILITIES**

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

## **CORPORATE GOVERNANCE**

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

### **ATTENDANCE AT THE ANNUAL GENERAL MEETING**

#### **Code Provision E.1.2**

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

#### **Deviation**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **OTHER INFORMATION**

### **Audit Committee**

The audited consolidated financial statements of the Company for the year ended 31 December 2020 have been reviewed by the audit committee of the Company before they 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 2020 of the Group as set out in this announcement have been agreed by the Company's Registered Public Interest Entity Auditor, PricewaterhouseCoopers, as 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 2020, the Board recognised that the repurchase of shares of the Company could increase the net asset value and/or earnings per share, so the Company repurchased a total of 52,530,000 shares on the Stock Exchange, with a total consideration of approximately HK\$7.03 million. As at the date of this announcement, all repurchased shares have been canceled.

Details of repurchase are as follows:

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

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

## PUBLICATION OF ANNUAL REPORT

The 2020 annual report 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](http://www.hkexnews.hk)) and the Company ([www.cmbccap.com](http://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, 25 March 2021

*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.*