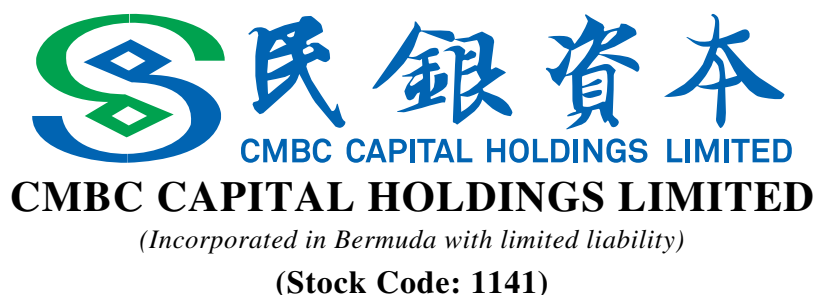


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**ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 2021 (the “**Reporting Year**”), together with the comparative figures for the year ended 31 December 2020 (the “**Previous Year**”), as follows:

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

*For the year ended 31 December 2021*

		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Revenue	4	<b>895,376</b>	1,019,185
Net gains on financial assets/liabilities at fair value through profit or loss (“ <b>FVTPL</b> ”)		<b>99,583</b>	150,975
Net losses on financial assets at fair value through other comprehensive income (“ <b>FVOCI</b> ”)		<b>(180,070)</b>	(84,204)
Net gains/(losses) on financial assets at amortised cost		<b>76</b>	(18,972)
Other income		<b>12,951</b>	16,515
Other gains and losses	5	<b>(211)</b>	2,615
Impairment losses	6	<b>(184,254)</b>	(113,614)
Staff costs		<b>(93,715)</b>	(89,126)
Depreciation and amortisation		<b>(26,118)</b>	(27,718)
Other operating expenses		<b>(55,425)</b>	(51,998)
Finance costs	7	<b>(174,428)</b>	(318,478)
Profit before taxation	8	<b>293,765</b>	485,180
Taxation	9	<b>(2,609)</b>	(91,960)
Profit for the year attributable to owners of the Company		<b>291,156</b>	393,220

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	<b>2020</b> <b>HK\$'000</b>
<b>Profit for the year attributable to owners of the Company</b>		<b>291,156</b>	393,220
<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>(5,189)</b>	34,517
Item that may be reclassified subsequently to profit or loss:			
– Financial assets at fair value through other comprehensive income			
– net movement in fair value reserve (recycling)		<b>97,526</b>	114,270
<b>Other comprehensive income for the year, net of tax</b>		<b>92,337</b>	148,787
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>383,493</b>	542,007
		<b>HK cents</b>	(Restated) <b>HK cents</b>
Earnings per share attributable to owners of the Company	10		
– Basic		<b>24.55</b>	33.00
– Diluted		<b>24.55</b>	33.00

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2021*

		As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		7,386	9,418
Right-of-use asset		94,435	93,428
Goodwill		16,391	16,391
Intangible assets		960	2,103
Financial assets at amortised cost		–	77,272
Deferred tax assets		2,035	1,383
Other assets		8,732	10,138
		<u>129,939</u>	<u>210,133</u>
<b>Current assets</b>			
Accounts receivable	13	214,017	502,816
Prepayments, deposits and other receivables		390,560	35,339
Interests receivable		140,625	119,836
Amount due from an intermediate holding company		13,752	–
Loans and advances	12	841,160	1,485,217
Financial assets at fair value through other comprehensive income	14	9,610,682	6,835,510
Financial assets at amortised cost		62,172	–
Financial assets at fair value through profit or loss	15	1,782,441	1,240,808
Cash held on behalf of customers		580,088	357,370
Cash and cash equivalents		769,875	378,170
		<u>14,405,372</u>	<u>10,955,066</u>

		As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
	Notes		
<b>Current liabilities</b>			
Accounts payable	16	640,528	359,441
Other payables and accruals		171,106	83,147
Amount due to an intermediate holding company		–	5,927
Loans from an intermediate holding company	17	3,697,591	4,446,443
Notes payable	18	1,139,938	–
Tax payable		18,751	20,831
Financial assets sold under repurchase agreements	19	5,978,218	3,390,747
Financial liabilities at fair value through profit or loss	20	244	93,922
Lease liabilities		20,801	27,388
		<u>11,667,177</u>	<u>8,427,846</u>
<b>Net current assets</b>		<u>2,738,195</u>	<u>2,527,220</u>
<b>Total assets less current liabilities</b>		<u>2,868,134</u>	<u>2,737,353</u>
<b>Non-current liabilities</b>			
Lease liabilities		75,725	66,670
Deferred tax liabilities		36,712	70,715
		<u>112,437</u>	<u>137,385</u>
<b>NET ASSETS</b>		<u>2,755,697</u>	<u>2,599,968</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	21	469,786	476,279
Reserves		<u>2,285,911</u>	<u>2,123,689</u>
<b>TOTAL EQUITY</b>		<u>2,755,697</u>	<u>2,599,968</u>

Notes:

## **1 BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**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 2021:

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

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

## **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.

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:

	2021 <i>HK\$'000</i>	2020 <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	780	699
– Commission income from underwriting, sub-underwriting, placing and sub-placing	74,503	54,167
– Financial advisory, sponsorship, arrangement fee and other service income	53,857	31,288
– Asset management fee, investment advisory services fee and performance fee income	128,594	137,432
	<u>257,734</u>	<u>223,586</u>
<b>Revenue from other sources</b>		
Loan and financing		
– Interest income from provision of finance and securities margin financing	123,943	216,945
Financial investments		
– Interest income from debt securities investments	305,121	460,699
– Interest income from FVTPL investments	40,753	20,934
– Dividend income and other investment income	167,825	97,021
	<u>513,699</u>	<u>578,654</u>
	<u><b>895,376</b></u>	<u><b>1,019,185</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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	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	65,031	38,262	-	-	-	-	128,594	137,432	64,109	47,892	257,734	223,586
Revenue from other sources												
Loan and financing												
– Interest income from provision of finance and securities margin financing	39,623	48,932	-	-	84,320	168,013	-	-	-	-	123,943	216,945
Financial investments												
– Interest income from debt securities investments	-	-	305,121	460,699	-	-	-	-	-	-	305,121	460,699
– Interest income from FVTPL investments	-	-	22	6,694	40,731	14,240	-	-	-	-	40,753	20,934
– Dividend income and other investment income	-	-	138,049	88,504	29,776	8,517	-	-	-	-	167,825	97,021
	-	-	443,192	555,897	70,507	22,757	-	-	-	-	513,699	578,654
<b>Reportable segment revenue</b>	<b>104,654</b>	<b>87,194</b>	<b>443,192</b>	<b>555,897</b>	<b>154,827</b>	<b>190,770</b>	<b>128,594</b>	<b>137,432</b>	<b>64,109</b>	<b>47,892</b>	<b>895,376</b>	<b>1,019,185</b>



## Segment revenue and results

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

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

	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

## Segment assets and liabilities

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

As at 31 December 2021							
	Securities <i>HK\$'000</i>	Fixed- income direct investment <i>HK\$'000</i>	Other Investment and financing <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Corporate finance and advisory <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>							
Segment assets	<u>1,013,538</u>	<u>10,371,510</u>	<u>2,866,398</u>	<u>42,447</u>	<u>26,556</u>	<u>214,862</u>	<u>14,535,311</u>
<b>Liabilities</b>							
Segment liabilities	<u>862,432</u>	<u>9,593,856</u>	<u>1,180,380</u>	<u>2,948</u>	<u>120</u>	<u>139,878</u>	<u>11,779,614</u>
As at 31 December 2020							
	Securities <i>HK\$'000</i>	Fixed- income direct investment <i>HK\$'000</i>	Other Investment and financing <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Corporate finance and advisory <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<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	776,097	6,383,045	1,236,604	14,106	–	155,379	8,565,231

## Geographical information

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

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

## Information about major customers

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

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

#### 4 REVENUE

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

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

#### 5 OTHER GAINS AND LOSSES

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

#### 6 IMPAIRMENT LOSSES

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

## 7 FINANCE COSTS

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

## 8 PROFIT BEFORE TAXATION

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

## 9 TAXATION

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

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

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

## 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:

	2021 <i>HK\$'000</i>	2020 <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>291,156</u>	<u>393,220</u>
	2021	2020
	'000	(Restated) '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,186,087</u>	<u>1,191,517</u>

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

The weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation for the year ended 31 December 2021 has been adjusted to reflect the effect of share consolidation as set out in note 21. Comparative figures have also been adjusted on the assumption that the share consolidation had been effective in prior year.

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

## 11 DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Proposed:		
Final – HK7.48 cents (2020: HK0.33 cents (before share consolidation)/equivalent to HK13.2 cents (after share consolidation)) per ordinary share	<u>87,307</u>	<u>157,080</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 (before share consolidation)/equivalent to HK13.2 cents (after share consolidation) for the year ended 31 December 2020 had been approved by the shareholders of the Company on 29 June 2021 and was paid on 30 July 2021 in an aggregated amount of approximately HK\$156,898,000.

## 12 LOANS AND ADVANCES

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

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

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

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

Movement in expected credit losses is as follows:

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

### 13 ACCOUNTS RECEIVABLE

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



Movement in expected credit losses is as follows:

	2021				2020			
	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 2021/2020	908	–	1,706	2,614	74	–	1,088	1,162
Impairment losses charged to profit or loss	<u>290</u>	<u>–</u>	<u>–</u>	<u>290</u>	<u>834</u>	<u>–</u>	<u>618</u>	<u>1,452</u>
At 31 December 2021/2020	<u>1,198</u>	<u>–</u>	<u>1,706</u>	<u>2,904</u>	<u>908</u>	<u>–</u>	<u>1,706</u>	<u>2,614</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 3.5% to 18% per annum during the year ended 31 December 2021 (2020: 5.25% to 18% per annum). The fair values of the pledged securities as at 31 December 2021 was approximately HK\$688,073,000 (2020: HK\$797,944,000). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited.

As at 31 December 2021, approximately 88% (2020: 99%) of the balance were secured by sufficient collateral on an individual basis. The corresponding collaterals held could be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients. The Group did not repledge collaterals held for financing as at 31 December 2020 and 2021.

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

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

	<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 2020	–	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
Impairment loss recognised during the year	–	290	290
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	–	2,904	2,904
	<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, advisory and asset management services**

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

	As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
Neither past due nor impaired	10,305	11,458
Less than 31 days past due	–	–
31–60 days past due	2,644	8,126
61–90 days past due	259	2,559
Over 90 days past due	3,370	171
	<hr/>	<hr/>
	16,578	22,314
Allowance for expected credit losses	–	–
	<hr/>	<hr/>
Total	<b>16,578</b>	<b>22,314</b>
	<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, advisory and asset management services. The management assessed the loss allowance was insignificant.

**14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

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

Movement in expected credit losses is as follows:

	2021					2020				
	Expected credit losses					Expected credit losses				
	Purchased or Originated					Purchased or Originated				
	Stage 1	Stage 2	Stage 3	Credit Impaired	Total	Stage 1	Stage 2	Stage 3	Credit Impaired	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021/2020	15,579	11,319	67,699	-	94,597	35,744	41,720	28,627	-	106,091
Transfers between stages	(1,733)	218	1,515	-	-	(2,042)	(34,068)	36,110	-	-
Impairment losses charged to profit or loss	3,490	1,184	116,064	-	120,738	2,931	7,372	67,313	-	77,616
Derecognition	(8,340)	(8,728)	(75,225)	-	(92,293)	(21,054)	(3,705)	(64,351)	-	(89,110)
At 31 December 2021/2020	8,996	3,993	110,053	-	123,042	15,579	11,319	67,699	-	94,597

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

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

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

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

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

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

## 16 ACCOUNTS PAYABLE

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

### 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 LOANS FROM AN INTERMEDIATE HOLDING COMPANY

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

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

## 18 NOTES PAYABLE

In 2013, the Company issued notes in the aggregate principal amount of HK\$50,000,000 to independent third parties. The notes carry interest at 5% per annum and are to be redeemed on the seventh anniversary from the respective issue dates of the notes. During the year ended 31 December 2020, the note principal of HK\$50,000,000 was fully repaid.

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

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

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

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

## 19 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Bonds	<u>5,978,218</u>	<u>3,390,747</u>

As at 31 December 2021, the Group entered into repurchase agreements with financial institutions to sell bonds recognised as financial assets at fair value through other comprehensive income and financial assets at amortised cost with carrying amount of approximately HK\$7,820,524,000 (2020: approximately HK\$4,535,946,000), which are subject to the simultaneous agreements to repurchase these investments at the agreed dates and prices.

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

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

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Payables to interest holders of unlisted consolidated investment funds, designated at FVTPL	244	–
Derivative financial instrument – credit derivative	<u>–</u>	<u>93,922</u>
	<u>244</u>	<u>93,922</u>

As at 31 December 2021, the Company held 60% (31 December 2020: 60%) interest of CMBCC Co-High Medical Investment Fund SP (the “**Medical Fund**”). As the Group has control over the Medical Fund, it is accounted for as a subsidiary. Accordingly, the interests of the non-controlling shareholder are classified as financial liabilities designated as at fair value through profit or loss of HK\$244,000 as at 31 December 2021 (31 December 2020: Nil).

As at 31 December 2020, the credit derivative was a non-qualified hedging derivative which comprises a total return swap held by the Group with notional value amounted to approximately HK\$187.7 million. During the year ended 31 December 2021, the credit derivative was unwound.

## 21 SHARE CAPITAL

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

### Notes:

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

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

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



## BUSINESS REVIEW

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

During the Reporting Year, the Group's profit attributable to the owners of the Company was approximately HK\$291.2 million (Previous Year: approximately HK\$393.2 million), representing a decrease of 26.0% compared to the Previous Year. The Group's basic and diluted earnings per share was HK24.55 cents for the Reporting Year (2020: HK33.00 cents (Restated)).

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

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

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

## Securities

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

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

During the Reporting Year, the Group completed 163 bond underwriting transactions for 129 enterprises, covering major issuing industries, such as banks, non-banking financial institutions, central government-owned enterprises, large local state-owned enterprises, urban investment enterprises with good rating, and real estate development enterprises. While actively driving the growth of its bond underwriting business, the Group strictly controls the underwriting risks and maintains high-quality issuers base. From the perspective of the issuer's qualification, during the Reporting Year, the investment-grade bonds underwritten by the Group accounted for approximately 76.77% of the total underwriting volume, representing a significant increase as compared to approximately 62.21% in Previous Year.

As one of the flagship business segment of the Group, the bond underwriting business has been developing steadily and healthily. The Group has been diversifying its client base while increasing the proportion of bonds underwritten for large central government-owned enterprises and high-quality financial institutions. The underwriting of financial institutions, central government-owned enterprises and local state-owned enterprises accounted for approximately 80.2% of the total underwriting volume in the Reporting Year, and further enhanced the Group's reputation and image in Hong Kong's capital markets. The Group's debt capital market department also provides certain important bonds issuer clients with international rating advisory services.

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

## **Investment and Financing**

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

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

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

### *Fixed-income direct investment*

During the Reporting Year, revenue and net investment losses from the fixed-income direct investment segment, which included but not limited to coupon from listed bonds under direct investment, amounted to an aggregate of approximately HK\$274.9 million as compared to approximately HK\$435.0 million in the Previous Year. The segment recorded a loss of approximately HK\$10.3 million in the Reporting Year as compared to profit of approximately HK\$70.9 million in the Previous Year. The segment loss was mainly attributable to the decrease in interest income from debt securities investments as a result of change in risk preference towards investments with higher credit rating and the loss from disposing certain bonds.

### *Other investment and financing*

During the Reporting Year, revenue and net investment gains from the other investment and financing segment, which included but not limited to coupon, dividend and distribution income from listed bonds (other than those under fixed-income direct investment), listed equities, unlisted equity interests, quoted investment fund and unlisted funds, as well as interest income from loans, amounted to an aggregate of approximately HK\$242.7 million as compared to approximately HK\$359.4 million in the Previous Year. The segment profit decreased from approximately HK\$264.5 million in the Previous Year to approximately HK\$113.4 million in the Reporting Year. The decrease in segment profit was mainly attributable to the decrease in interest income from provision of finance as a result of the decrease of the scale of financing, the decrease in investment gains and increase in allowance for expected credit losses on loans and advances.

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

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

As at 31 December 2021, the Group's investment portfolio mainly included but not limited to listed bonds, unlisted equity interests and unlisted funds, covering a wide range of sectors such as industry, pharmaceuticals, technology, consumer goods, real estate and finance.

As at 31 December 2021, the assets of the proprietary investment of the Group amounted to approximately HK\$11.5 billion (2020: approximately HK\$8.2 billion), including bonds investment of approximately HK\$10.0 billion (2020: approximately HK\$7.2 billion). The future performance of such portfolio will depend on many factors, including the performance of the financial markets, the economic development in both Hong Kong and Mainland China and investors' sentiment.

During the Reporting Year, the Group's investment portfolio generated total revenue of an aggregate of approximately HK\$513.7 million (Previous Year: HK\$578.7 million), including interest income of approximately HK\$305.1 million (Previous Year: HK\$460.7 million) from debt securities investments, interest income of approximately HK\$40.8 million (Previous Year: HK\$20.9 million) from FVTPL investments and dividend income and other investment income of approximately HK\$167.8 million (Previous Year: HK\$97.0 million).

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

The Group maintains a consistent stable principle for its proprietary bond investment, adopts revenue-based (including charging fixed contractual interest and receiving gains on disposal) trading strategy. Adopting a top-down/bottom-up approach in its investment analysis, the Group is committed to identifying investment opportunities with sustainable and high-level revenue within limited volatility. The Group adopts a prudent risk management strategy and makes a reasonable risk estimate for its investments in order to strike a balance between risk management and revenue generation. At the same time, the Group continues to adhere to the principle of diversified investment, and the portfolio shall be diversified by investing in various issuers in a wide range of sectors, thereby avoiding the risk of adjustment in any particular industries.

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

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

## **Asset Management**

The Group's asset management covers public funds, private funds, discretionary accounts and investment advisory services, and is committed to providing clients with a one-stop, multi-level asset management solution.

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

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

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

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

## **Corporate Finance and Advisory**

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

During the Reporting Year, the Group's corporate finance and advisory segment recorded revenue of approximately HK\$64.1 million, as compared to approximately HK\$47.9 million in the Previous Year, and recorded profit of approximately HK\$34.2 million, as compared to approximately HK\$19.5 million in the Previous Year. The segment revenue and profit increased due to the increase in the number of sponsored projects as compared to the Previous Year.

## Administrative Expenses and Finance Costs

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

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

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

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



## **FINANCIAL REVIEW**

### **Share Consolidation**

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

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

### **Capital Structure**

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

During the Reporting Year, no shares had been purchased or granted to the selected persons of the Group under the share award scheme which was adopted in February 2016.

### **Liquidity and Financial Resources**

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

As at 31 December 2021, the Group had current assets of approximately HK\$14,405.4 million (2020: HK\$10,955.1 million) and liquid assets comprising cash (excluding cash held on behalf of customers), investment in listed equity securities and listed debt investments totaling approximately HK\$10,886.2 million (2020: HK\$7,455.1 million).

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

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

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

The Group's gearing ratio, calculated on the basis of total indebtedness divided by the sum of total indebtedness and equity attributable to the Company's owners, was approximately 79.6% (2020: approximately 74.8%).

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

### **Pledge of asset**

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

## **Contingent liability**

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

## **Capital commitment**

As at 31 December 2021, the Group did not have any significant capital commitment (31 December 2020: Nil).

## **Significant investments held**

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

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

For the year ended 31 December 2021, the Group had no material acquisitions or disposals of subsidiaries and associates.

## **FINAL DIVIDEND**

The Board has recommended a final dividend of HK7.48 cents per share to the Shareholders on or before Friday, 29 July 2022, for the year ended 31 December 2021 (Previous Year: HK0.33 cents per share (before Share Consolidation)/equivalent to HK13.2 cents (after Share Consolidation)), subject to the approval by the Shareholders at the forthcoming annual general meeting (the “AGM”). A circular containing, among other things, further details and information required by the Listing Rules, together with a notice of AGM, will be dispatched to the Shareholders.

## **BOOK CLOSURE AND RECORD DATE**

For determining the entitlement to the proposed final dividend for the year ended 31 December 2021, the register of members of the Company will be closed from Friday, 8 July 2022 to Tuesday, 12 July 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible for entitlement to the proposed final dividend, unregistered holders of shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7 July 2022.

## **FOREIGN CURRENCY RISK MANAGEMENT**

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

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at 31 December 2021, the Group had 79 (2020: about 73) employees including the Directors. For the Reporting Year, the total staff costs, including the Directors' remuneration, was approximately HK\$93.7 million (Previous Year: approximately HK\$89.1 million). Remuneration packages for the employees and the Directors are structured by reference to market terms, individual competence, performance and experience. Benefits plans provided by the Group include mandatory provident fund scheme, subsidised training program, share option scheme, share award scheme and discretionary bonuses.

## **OUTLOOK**

### **Prospects**

Although the Group has overcome the impact of the global economic fluctuations brought about by the COVID-19 pandemic during the Reporting Year, and is optimistic about the long-term sustainable economic growth in Hong Kong and Mainland China, it should continue to act cautiously and keep an eye on the possible risks in 2022 for the further development of its business. For these reasons, the Group will adopt the following development strategies.

## Development Strategy

In particular, the Group will adopt the following measures:

- (1) Strengthen the complementary and integrated synergy of domestic and overseas resources. The Group will promote joint marketing at the headquarters' level of China Minsheng Banking Corp., Ltd. ("**China Minsheng Bank**", together with its subsidiaries excluding the Group, "**China Minsheng Bank Group**"), enhance the dominant position of investment banking project sales, continue to strengthen business synergy in customer acquisition channels, optimise and improve the institutional mechanism for business synergy, and, leverage the large domestic customer base of China Minsheng Bank, actively connect with various branches and subsidiaries to assist target customers to open up investment banking channels in Hong Kong, expand customer resources and explore cooperation opportunities for potential projects;
- (2) Solidly promote the development of licensed businesses and enhance core competitiveness. The Group will strengthen the market influence and reputation of the investment banking segment including IPO sponsor, equity underwriting and M&A advisory businesses, and enhance the Group's ability to generate revenue and increase income through participation in investment banking projects with market influence. The Group will continue to strengthen the bond issuance and underwriting business, maintaining the Group's leading position in overseas bond business and further strengthening the underwriting of high-quality corporate bond business;
- (3) Enhance the overall management capability of equity assets. The Group will continue to strengthen the close cooperation with the headquarter of China Minsheng Bank and continue to implement the domestic science and innovation fund. The Group will strengthen the effect of the investment and loan linkage by incorporating China Minsheng Bank's quality projects in its Sparks Plan, and promote fund investment in a standardised and efficient manner, with a view to gradually realising investment returns and standing out in the private equity investment market;
- (4) Further consolidate investment banking infrastructure, integrated service quality and capacity building. The Group will recruit and retain a group of investment and trading professionals with an international vision, experienced investment banking professionals, risk management experts, and professional analysts, in order to satisfy the needs of China Minsheng Bank Group and its broad customer base;

- (5) Pursue the digitalisation of product services and build the network capacity for online sales services in tandem. The Group will promote online product sales, strengthen the support and security of auxiliary technology services, and ensure that all core products can operate online and offline simultaneously; on the basis that it is fully complied with the relevant laws and regulations, the Group will utilise China Minsheng Bank's existing Internet sales platform to provide sales support for the Group's investment banking products and services; and
- (6) Further focus on and cultivate key quality clientele. The Group will continuously deepen the operation with its high-quality institutional customers and high net worth individual customer groups, and treat account opening, account development and customer activation as a long-term, strategic and fundamental tasks.

In addition, the Group will fully leverage the advantages of the “merchant bank + investment bank” linkage, adhere to the core values of standardisation, efficiency, innovation and excellence, clearly position its core competitiveness and business characteristics, strengthen the infrastructure required for an all-rounded investment bank, and strive to become the preferred investment bank for China Minsheng Bank's clients if they decide to “go global” and achieve the advanced level of its international counterparts. Further, the Group places great importance on both business development and compliance risk control, advocating the improvement of the “three abilities” of all staff, namely compliance and risk control ability, marketing and communication ability, investment and trading ability, while emphasising the adherence to the principle of “three bottom lines”, namely legality and compliance bottom line, risk control bottom line and company interest bottom line, in order to comprehensively improve the sustainability and market image of the Company.

## **EVENTS AFTER THE REPORTING YEAR**

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

## **RISK MANAGEMENT CAPABILITIES**

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

## **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 29 June 2021 (the “**2021 AGM**”) due to their other business engagement. However, the chairman of the Board had chaired the 2021 AGM and answered questions from the Shareholders. The 2021 AGM has provided a channel for communication between the Board and the Shareholders.

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

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

## **OTHER INFORMATION**

### **Audit Committee**

The audited consolidated financial statements of the Company for the year ended 31 December 2021 have been reviewed by the audit committee of the Company before they 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 2021 of the Group as set out in this announcement have been agreed by the Group's Registered Public Interest Entity Auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Reporting 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 2021, the Board recognised that the repurchase of shares could increase the net asset value and/or earnings per share, so the Company repurchased a total of 747,680,000 Shares (before Share Consolidation) and 160,500 Shares (after Share Consolidation) on the Stock Exchange, with a total consideration (before transaction costs) of approximately HK\$70.9 million. As at the date of this announcement, all repurchased shares have been cancelled.

Details of repurchase are as follows:

Month of repurchase	Total shares repurchased (before Share Consolidation)	Total shares repurchased (after Share Consolidation)	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Total consideration paid (HK\$'000)
January	8,540,000	–	0.129	0.112	1,008
February	16,160,000	–	0.116	0.108	1,782
March	940,000	–	0.107	0.107	101
April	9,730,000	–	0.108	0.103	1,031
May	18,130,000	–	0.104	0.099	1,837
June	26,430,000	–	0.101	0.095	2,583
July	234,480,000	–	0.11	0.092	23,759
August	40,500,000	–	0.107	0.105	4,297
September	51,070,000	–	0.102	0.096	5,052
October	140,400,000	–	0.096	0.087	12,846
November	117,700,000	–	0.086	0.082	9,857
December	83,600,000	–	0.078	0.072	6,193
December	–	160,500	3.25	3.18	520
Total:	<u>747,680,000</u>	<u>160,500</u>	<u>–</u>	<u>–</u>	<u>70,866</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 2021.

## **PUBLICATION OF ANNUAL REPORT**

The 2021 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, 29 March 2022

*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. Yang Kunpeng and Mr. Li Wenshi, and the independent non-executive Directors are Mr. Lee, Cheuk Yin Dannis, Mr. Wu Bin and Mr. Wang Lihua.*