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中微金融
CHINA VÊRED FINANCIAL

China Vered Financial Holding Corporation Limited

中微金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 245)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Board (the “Board”) of Directors (the “Directors”) of China Vered Financial Holding Corporation Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (hereinafter together referred as the “Group”) for the year ended 31 December 2020 together with the comparative figures of the corresponding year in 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Interest income		273,653	176,649
Commission and fee income		28,570	2,782
Investment income		16,104	8,746
Total revenue	4,5	318,327	188,177
Net gain/(loss) on financial assets/(liabilities)		357,098	(323,773)
Other income		4,310	102
Commission expenses		(59)	(1)
Staff costs and related expenses		(151,083)	(88,968)
Premises expenses		(22,508)	(38,309)
Legal and professional fees		(19,543)	(14,344)
Depreciation		(11,893)	(7,853)
Information technology expenses		(5,678)	(5,814)
Expected credit losses allowance		(20,103)	(240,082)
Other operating expenses		(19,688)	(36,224)
Share of post-tax loss of associates		(37,228)	(65,394)
Finance costs		(14,082)	(10,985)
Profit/(loss) before income tax	6	377,870	(643,468)
Income tax (expense)/credit	7	(55,579)	72,874
Profit/(loss) for the year		322,291	(570,594)

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss) attributable to:			
— Owners of the Company		323,452	(568,815)
— Non-controlling interests		(1,161)	(1,779)
		322,291	(570,594)
		<i>HK Cents</i> <i>per share</i>	<i>HK Cents</i> <i>per share</i>
Earnings/(loss) per share attributable to owners of the Company			
Basic earnings/(loss) per share	9	0.98	(1.90)
Diluted earnings/(loss) per share	9	0.93	(1.90)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Profit/(loss) for the year	322,291	(570,594)
Other comprehensive income/(loss)		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Net change on fair value on financial assets designated at other comprehensive income, net of tax	(77,235)	(69,637)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net change on fair value on financial assets designated at other comprehensive income, net of tax	2,598	(288)
Exchange differences on translation of foreign operations	21,648	(3,907)
Other comprehensive loss for the year, net of tax	(52,989)	(73,832)
Total comprehensive income/(loss) for the year	269,302	(644,426)
Total comprehensive income/(loss) for the year attributable to:		
— Owners of the Company	286,248	(648,096)
— Non-controlling interests	(16,946)	3,670
	269,302	(644,426)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		20,986	27,022
Right-of-use assets		17,783	24,630
Goodwill		15,871	15,871
Other intangible assets		700	700
Investments in associates		106,365	138,942
Rental and other deposits		3,215	6,585
Financial assets designated at fair value through profit or loss	<i>10</i>	1,283,393	853,734
Financial assets designated at fair value through other comprehensive income	<i>11</i>	1,686,335	1,372,404
Financial assets at amortised cost		172,078	523,001
Deferred tax assets		88,265	99,194
Total non-current assets		3,394,991	3,062,083
Current assets			
Margin receivables and other trade receivables	<i>12</i>	62,351	78,709
Financial assets designated at fair value through profit or loss	<i>10</i>	1,145,741	217,587
Financial assets designated at fair value through other comprehensive income	<i>11</i>	249,686	–
Financial assets at amortised cost		271,787	–
Loan and interest receivables	<i>13</i>	179,801	175,089
Other interest receivables		65,960	53,058
Tax receivables		715	694
Other receivables, prepayments and deposits		17,737	13,294
Pledged bank deposits		328	292
Deposits with brokers		170,970	18,936
Cash and bank balances		626,976	2,117,233
Total current assets		2,792,052	2,674,892
Total assets		6,187,043	5,736,975

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	6,154,374	6,154,374
Other reserves		430,290	647,082
Accumulated losses		(1,034,730)	(1,359,470)
		5,549,934	5,441,986
Non-controlling interests		(261,312)	(244,366)
Total equity		5,288,622	5,197,620
LIABILITIES			
Non-current liabilities			
Loan and interest payables		74,437	–
Lease liabilities		8,660	11,534
Total non-current liabilities		83,097	11,534
Current liabilities			
Accruals and other payables		136,761	139,996
Loan and interest payables		243,520	312,933
Margin payables		205,958	31,325
Financial liabilities designated at fair value through profit or loss	10	145,037	–
Lease liabilities		9,994	13,516
Current tax liabilities		74,054	30,051
Total current liabilities		815,324	527,821
Total liabilities		898,421	539,355
Total equity and liabilities		6,187,043	5,736,975

Notes:

1. STATUTORY FINANCIAL STATEMENTS

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of annual results 2020 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2020 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for the years ended 31 December 2020 and 2019. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. GENERAL INFORMATION

China Vered Financial Holding Corporation Limited (formerly known as China Minsheng Financial Holding Corporation Limited) (the "Company") was incorporated in Hong Kong with limited liability. The address of its registered and business office is 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries include investment holding, provision of asset management services, consultancy services, financing services, securities advisory and securities brokerage services.

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK\$'000"), unless otherwise stated.

3.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

3.2 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2020:

- Definition of Material — amendments to HKAS 1 and HKAS 8
- Definition of a Business — amendments to HKFRS 3
- Interest Rate Benchmark Reform — amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting
- Annual Improvements to HKFRS Standards 2018-2020 Cycle.
- Covid-19-Related Rent Concessions — amendments to HKFRS 16 and Interest Rate Benchmark Reform — amendments to HKFRS 9, HKAS 39 and HKFRS 7

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. SEGMENT INFORMATION

Chief operating decision maker (“CODM”) has been identified as the Executive Directors of the Company. Management has determined the operating segments based on the reports reviewed by the CODM that are used to assess performance and allocate resources. The CODM considers the business from the operations nature perspective, including the provision for asset management services (“Asset Management”), securities brokerage services (“Securities brokerage”), investment holding (“Investment holding”) and investment banking (“Investment banking”). Each of the Group’s operating segments represents a strategic business unit that is managed by different business unit leaders. Information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

For the year ended 31 December 2020

	Reportable segment				Unallocated amount HK\$'000 (Note)	Total HK\$'000
	Asset management HK\$'000	Securities brokerage HK\$'000	Investment holding HK\$'000	Investment banking HK\$'000	Total HK\$'000	
Revenue from external customers	10,299	24,366	278,910	305	313,880	318,327
Net gain on financial assets/(liabilities)	-	-	352,583	-	352,583	357,098
	<u>10,299</u>	<u>24,366</u>	<u>631,493</u>	<u>305</u>	<u>666,463</u>	<u>675,425</u>
Segment profit/(loss) before income tax	<u>(10,360)</u>	<u>(8,616)</u>	<u>564,004</u>	<u>(3,898)</u>	<u>541,130</u>	<u>377,870</u>
Other segment information:						
Interest income	2	15,277	253,928	-	269,207	273,653
Depreciation	(134)	(2,163)	(54)	-	(2,351)	(11,893)
Staff costs and related expenses	<u>(9,954)</u>	<u>(11,081)</u>	<u>(8,095)</u>	<u>(3,077)</u>	<u>(32,207)</u>	<u>(151,083)</u>

For the year ended 31 December 2019

	Reportable segment				Unallocated amount HK\$'000 (Note)	Total HK\$'000
	Asset management HK\$'000	Securities brokerage HK\$'000	Investment holding HK\$'000	Investment banking HK\$'000	Total HK\$'000	
Revenue from external customers	(26,492)	34,271	160,860	-	168,639	188,177
Net (loss)/gain on financial assets/ (liabilities)	-	-	(323,909)	-	(323,909)	(323,773)
	<u>(26,492)</u>	<u>34,271</u>	<u>(163,049)</u>	<u>-</u>	<u>(155,270)</u>	<u>(135,596)</u>
Segment loss before income tax	<u>(43,107)</u>	<u>(27,854)</u>	<u>(445,338)</u>	<u>(3,129)</u>	<u>(519,428)</u>	<u>(643,468)</u>
Other segment information:						
Interest income	7	21,328	135,888	-	157,223	176,649
Depreciation	(56)	(1,522)	-	-	(1,578)	(7,853)
Staff costs and related expenses	<u>(7,447)</u>	<u>(12,145)</u>	<u>(3,692)</u>	<u>(3,000)</u>	<u>(26,284)</u>	<u>(88,968)</u>

Note: The “unallocated amount” primarily included unallocated expenditures for head office operations as well as interest income and interest expenses for general working capital.

Breakdown of the revenue from external customers and net gain/(loss) on financial assets and liabilities by geographical location is as follows:

For the year ended 31 December 2020

	Hong Kong HK\$'000	The PRC HK\$'000	Japan HK\$'000	Canada HK\$'000	Total HK\$'000
Revenue from external customers	304,429	9,208	4,678	12	318,327
Net gain on financial assets/(liabilities)	297,087	60,011	–	–	357,098
	<u>601,516</u>	<u>69,219</u>	<u>4,678</u>	<u>12</u>	<u>675,425</u>

For the year ended 31 December 2019

	Hong Kong HK\$'000	The PRC HK\$'000	Japan HK\$'000	Canada HK\$'000	Total HK\$'000
Revenue from external customers	179,595	8,582	–	–	188,177
Net loss on financial assets/(liabilities)	(323,773)	–	–	–	(323,773)
	<u>(144,178)</u>	<u>8,582</u>	<u>–</u>	<u>–</u>	<u>(135,596)</u>

5. REVENUE

	2020 HK\$'000	2019 HK\$'000
<i>Interest income:</i>		
Interest income from loan lending business	14,301	50,738
Interest income from margin financing business	14,529	21,278
Interest income from investments in debt instruments classified as financial assets at amortised cost	61,947	21,708
Interest income from financial assets designated at fair value through other comprehensive income	127,496	55,332
Interest income from financial assets designated at fair value through profit or loss	48,649	8,059
Other interest income	6,731	19,534
	<u>273,653</u>	<u>176,649</u>
<i>Commission and fee income:</i>		
Advisory fee income	413	93
Commission income from securities brokerage	2,621	3,754
Loan arrangement fee income	8,878	15,560
Fee income received from asset management, net	10,064	(26,592)
Referral fee income	–	777
Underwriting fee income	6,594	9,190
	<u>28,570</u>	<u>2,782</u>
<i>Investment income:</i>		
Dividend income	16,104	8,746
	<u>16,104</u>	<u>8,746</u>
	<u>318,327</u>	<u>188,177</u>

6. PROFIT/(LOSS) BEFORE INCOME TAX

	2020 HK\$'000	2019 HK\$'000
Profit/(loss) before income tax has been arrived at after (crediting)/charging:		
Auditors' remuneration	2,800	2,850
Written-off of property, plant and equipment	383	684
(Reversal of)/provision for ECL allowances		
— loan and interest receivables	(25,236)	206,440
— margin receivables	8,945	33,064
— financial assets at amortised cost	227	578
— financial assets designated at fair value through other comprehensive income	36,167	—
	20,103	240,082
Foreign exchange (gain)/loss, net	(21,483)	7,666

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year and taxation on profits assessable elsewhere have been calculated at the rates of income tax prevailing in the countries in which the Group operates respectively.

The PRC Enterprise Income Tax rate is 25% (2019: 25%).

	2020 HK\$'000	2019 HK\$'000
Hong Kong Profits Tax		
— charge for the year	42,306	5,066
— underprovision/(overprovision) for prior year	1,275	(9,566)
PRC Enterprise Income Tax		
— charge for the year	383	—
— underprovision for prior year	—	31
Overseas income tax		
— charge for the year	686	—
Deferred tax		
— charge/(credit) for the year	11,374	(91,453)
— (overprovision)/underprovision for prior year	(445)	23,048
Income tax expense/(credit)	55,579	(72,874)

8. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: HK\$Nil).

9. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$323,452,000 (2019: loss of HK\$568,815,000) and the weighted average number of ordinary shares of approximately 33,165,299,000 (2019: 29,895,651,000) in issue during the year (excluding the ordinary shares purchased by the Company under the share award plan).

Diluted earnings/(loss) per share

The calculation of the diluted earnings/(loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$323,452,000 (2019: loss for the year HK\$568,815,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of approximately 33,165,299,000 (2019: 29,895,651,000) in issue during the year (excluding the ordinary shares purchased by the Company under the share award plan) and the weighted average number of ordinary shares of approximately 1,549,160,000 (2019: Nil) deemed to be issued assuming the diluted impact on the shares under the share award plan.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include the followings:

	2020 HK\$'000	2019 HK\$'000
Financial assets designated at fair value through profit or loss		
Unlisted investment funds	392,142	180,199
Unlisted equity investments	953,768	459,669
Convertible bonds and loan	101,591	348,388
Listed equity investments	193,384	44,328
Listed debt investments	571,638	38,737
Unlisted notes	216,611	—
	<u>2,429,134</u>	<u>1,071,321</u>
Classified as:		
Non-current assets	1,283,393	853,734
Current assets	<u>1,145,741</u>	<u>217,587</u>
	<u>2,429,134</u>	<u>1,071,321</u>

	2020 HK\$'000	2019 HK\$'000
Financial liabilities designated at fair value through profit or loss		
Payable to holders of non-controlling interests in unlisted consolidated investment fund	145,037	–
	<u>145,037</u>	<u>–</u>
Classified as:		
Non-current liabilities	–	–
Current liabilities	145,037	–
	<u>145,037</u>	<u>–</u>

The investments in unlisted investment funds of HK\$392,142,000 (2019: HK\$180,199,000) as above represent investments in unconsolidated structured entities. The maximum exposure to loss is HK\$392,142,000 (2019: HK\$180,199,000) which represents the fair value as at 31 December 2020.

The size of these unconsolidated structured entities is HK\$1,511,016,000 (2019: HK\$1,085,655,000).

During the year, the Group did not provide financial support to these unconsolidated structured entities and has no intention of providing financial or other support.

The above investments were designated upon initial recognition of fair value through profit or loss.

The interest receivables derived from convertible bonds and loan, listed debt investments and unlisted notes have been recognised as other interest receivables in the consolidated statement of financial position.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income include the followings:

	2020 HK\$'000	2019 HK\$'000
Financial assets designated at fair value through other comprehensive income		
Unlisted investment funds	686,831	168,600
Listed debt investments	1,249,190	1,203,804
	<u>1,936,021</u>	<u>1,372,404</u>
Classified as:		
Non-current assets	1,686,335	1,372,404
Current assets	249,686	–
	<u>1,936,021</u>	<u>1,372,404</u>

The investment in unlisted investment funds of HK\$686,831,000 (2019: HK\$168,600,000) as above represents investment in unconsolidated structured entity. The maximum exposure to loss is HK\$686,831,000 (2019: HK\$168,600,000) which represents the fair value as at 31 December 2020.

The size of the unconsolidated structured entity is HK\$906,906,000 (2019: HK\$168,600,000).

During the year, the Group did not provide financial support to the unconsolidated structured entity and has no intention of providing financial or other support.

The interest receivables derived from listed debt investments have been recognised as other interest receivables in the consolidated statement of financial position.

12. MARGIN RECEIVABLES AND OTHER TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Margin receivables	116,133	128,890
Less: ECL allowances	(63,601)	(54,656)
	52,532	74,234
Trade receivables arising from the businesses of asset management	9,664	4,475
Trade receivables arising from the businesses of underwriting	155	–
	62,351	78,709

Loans to margin clients are secured by clients' pledged Hong Kong-listed securities at fair value of HK\$292,414,000 (2019: HK\$381,824,000) which can be sold at the discretion of a subsidiary of the Group to settle margin call requirements imposed by their respective securities transactions. The loans are repayable on demand and bear interest at commercial rates.

ECL allowances as at 31 December 2020 amounted to HK\$63,601,000 (2019: HK\$54,656,000), the increase in ECL allowances of HK\$8,945,000 (2019: HK\$33,064,000) was recognised in the consolidated statement of profit or loss.

Except for those margin receivables at stage 3 of ECL assessment, the Group considered that the business nature of margin receivable is short-term and the directors are of the opinion that no further aging analysis is disclosed.

Aging analysis of other trade receivables from the trade date is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–90 days	7,137	4,475
91 days to 1 year	2,682	–
	9,819	4,475

The carrying amount of the margin receivables and other trade receivables approximate to their fair value.

13. LOAN AND INTEREST RECEIVABLES

As at 31 December 2020, these loan receivables bear interest at fixed rates ranging from 8.9% to 16.0% per annum (31 December 2019: 8.0% to 11.5%). Interest income derived from loan receivables was recognised and presented under “Interest income” in the consolidated statement of profit or loss. The carrying value of the loan receivables approximate to their fair values.

Regular credit reviews on these loans receivables are conducted by the Risk Management Department based on the latest status of these loans, and the latest announced or available information about the borrowers and the underlying collateral held. Apart from collateral monitoring, the Group seeks to maintain effective control over its loans in order to minimise credit risk by regularly reviewing the borrowers’ and/or guarantors’ financial positions.

As these loan receivables will be settled within 12 months, the carrying amount approximate to their fair value.

Expected credit losses allowance as at 31 December 2020 amounted to HK\$264,381,000 and a reversal of ECL allowance of HK\$25,236,000 was recognised in the consolidated statement of profit or loss during the year.

The following is an ageing analysis of loan and interest receivables based on the contract note at the reporting date:

	2020 HK\$'000	2019 HK\$'000
Not past due or less than 1 month past due	180,000	200,331
1–3 months past due	–	–
3–6 months past due	–	–
6–12 months past due	–	264,375
Over 12 months past due	264,182	–
	444,182	464,706
Less: ECL allowances	(264,381)	(289,617)
	<u>179,801</u>	<u>175,089</u>

14. SHARE CAPITAL

		2020 Number of shares '000	Amount HK\$'000	2019 Number of shares '000	Amount HK\$'000
	Note				
Ordinary shares, issued and fully paid:					
At 1 January		34,714,459	6,154,374	28,928,719	5,667,546
Issue of new shares on placement	(a)	–	–	5,785,740	486,828
At 31 December		<u>34,714,459</u>	<u>6,154,374</u>	<u>34,714,459</u>	<u>6,154,374</u>

- (a) On 3 October 2019, the Company entered into the placing agreement with the placing agents, pursuant to which the Company has conditionally agreed to place, through the placing agents, on a best efforts basis, up to an aggregate of 5,785,740,000 placing shares at a placing price of HK\$0.085 per placing share to not less than six placees who and whose ultimate beneficial owners shall be independent third parties. The placing was completed on 1 November 2019, and net proceeds of approximately HK\$486,828,000 were credited to the Company’s share capital. All the net proceeds have been fully utilised by 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2020, the global outbreak of the novel coronavirus epidemic and the prevention measures at different government delivered a rare economic shock to major economies, with the exception of China, which achieved 2.3% economic growth. China's economy also plunged 6.8% in the first quarter, but recovered quickly thanks to the effective prevention and control of the epidemic, continued expansion of monetary credit, and fiscal expansion in the form of tax cuts and subsidies. At the same time, China became the world's logistic base during the epidemic with its strong supply, thus able to filling the global supply gap and maintaining strong exports. Given these factors, beyond expectation economic growth was achieved.

Amid the epidemic, the financial market experienced severe volatility in the first quarter. As a result, the world's major economies, led by the United States, embarked on sizable quantitative easing to aggressively stimulate the economy, creating established fiscal policy and making debt monetization a norm. The effect of these policies on restoring financial market stability in the short term is obvious. As the Federal Reserve implemented a series of bailout measures, the stock market, bond market and money market partially regained stability and resumed normal operation from late March to mid-April, and the liquidity crisis was eased, bringing to the global bullish market after the second quarter. The Chinese stock market also benefited from the government's policy on supporting direct financing market, which ignited the bull market since the containment of the epidemic in the second quarter.

In 2020, the competition between the US and China reflects the characteristics of all-encompassing and globalization. As the impact of the epidemic expanded, the rivalry between the US and China extended across various fields including values, economic, cultural, technological, security areas and other aspects, and their influence further spread and broadened their global reach through ideological propaganda. Hong Kong's economy faced significant impact from the epidemic in terms of consumer consumption and tourism, with overall investment expenditure plunging further, resulting in the 6.1% record year on year drop in GDP, while the unemployment rate rose to 7% and retail sales plunged 24.3%, the largest yearly decline on record.

Despite the impact from the epidemic, the U.S.-China confrontation, Brexit and recession in major economies on market sentiment and investor confidence, the global capital markets remained strong in 2020. In terms of IPO markets, global IPO financing activities reached a ten-year high, with IPO fund raising increased by 42% over 2019 to US\$331 billion. 2020's top five exchanges in terms of fund raising were NYSE, NASDAQ, HKEx, SSE and SZSE. Of which: A-share IPO fund raising increased by 77% over 2019 to US\$64 billion; the number of IPO deals increased by 81% to 365, up from 202 in 2019. Meanwhile, the global top 10 IPO projects such as the JD.com, JD Health and NetEase were listed on the HKEx, driving a significant 26% increase in Hong Kong IPO fund raising as compared to 2019.

In terms of the bond market, the downward economic trend presents relatively certain market opportunities. In 2020, benefiting from the Federal Reserve's easing programme and fewer available outstanding investment targets, the Chinese USD bond issuance and subscription market remained active, with 616 new issuances and a total issuance size of US\$203.36 billion, which basically remained at the same level as in 2019. The amount of real estate enterprises issuance was US\$61.22 billion in 2020, down 15.8% year-on-year. The amount of urban investment issuance was US\$18.15 billion, down 32.6% year-on-year. New issuance from financial institutions and industrial sectors were active, with US\$60.11 billion and US\$63.87 billion issued in the year, up 11.6% and 24.5% year-on-year respectively. Issuance by high-yield issuers plummeted, accounted for approximately 25.8% of total issuance, down 26.8% year-over-year to US\$52.50 billion of bonds issued during the year. In 2020, a total of 32 bonds in the Chinese foreign bond market were in default, involving 16 issuers and US\$9.79 billion in default. There were a number of credit events in state-owned enterprises in the offshore market in 2020, particularly the Founder Group and the Yongcheng Coal.

BUSINESS REVIEW

In 2020, against the backdrop of the rampant novel coronavirus epidemic and the unpredictable capital market, the Company focused on “deployment + investment” to define its strategic positioning and business direction, and increased the proportion of equity investments, so as to fully utilized the advantages of the capital market in Hong Kong and simultaneously linked up with overseas advantageous resources, in order to set up the aggressive business planning in Mainland China, Japan and Canada, thus achieve breakthroughs in the investment banking and capital management businesses. In terms of investment banking business, the Company acted as joint global coordinator, underwriter, joint bookrunner and joint lead manager in multiple occasions, and successfully assisted a number of institutions to list or issue US dollar bonds in Hong Kong, with an accumulated issuance size of over US\$1.5 billion; in terms of capital management business, the Company achieved a historic breakthrough with a management size of over HK\$4.0 billion, and significantly improved its investment research capability and asset utilization capacity; in terms of international business, the Company's business in Mainland China was fully rolled out and has achieved profitability in the first year, while several industrial investment funds were in the pipeline. The Japanese company also achieved profitability in the current period, the first industrial investment fund completed investment in three Japanese enterprises with potential growth, and the application for financial licenses duly reached the pre-negotiation stage. The Canadian company was established in September, and has already acquired certain high net worth clients, the company is now applying for a financial license. Initial testing of the business linkage between Mainland China, Japan, Hong Kong and Canada is afoot. In addition, the Company has established strategic partnerships with a number of domestic and foreign institutions to enhance its market awareness and comprehensive customer service capabilities.

PROSPECT

With the popularization of vaccination against novel coronavirus, herd immunity is expected to be achieved in 2–3 years, bringing hope for an end to the novel coronavirus epidemic, while the economic outlook is also expected to improve. The IMF estimated that the global economy will return to pre-epidemic 2019 output levels in 2021. In terms of U.S.-China relations, as Biden adopts a more moderate approach of a blended cooperation, competition and confrontation policy towards China, the economic, trade and financial order against the backdrop of international cooperation is expected to be restored, and the rift in international collaboration and ideology are expected to be rectified. Although the epidemic and the international situation have alleviated, uncertainties such as virus mutation, international isolation, inflation, geopolitical changes and ideological confrontation still persist in the long run, and the extent of their impact on Hong Kong remains uncertain, which also affects the consistency of the Company's business strategy.

The Company will continue to pursue the strategic direction of steady development, to expand on its business scale, strengthen its own capacity and enhance its financial performance, so as to create higher value for its customers, shareholders and business partners, and to provide its customers with a full range of professional financial solutions and quality services as its strategic goal, and actively explore new business models with more IT features, and strive to become an international professional financial services institution with market influence. Meanwhile, we will continue to expand into the Mainland China, Japan, Canada and other markets, improve our financial management capabilities and asset utilization as well as investment research abilities, and provide a full range of financial services to high net worth clients and quality enterprises of mainly Chinese descent. In addition, the Company will adjust its business structure and establish four business segments, namely proprietary investment, asset management, retail brokerage and investment banking capitalization, to improve its risk management and asset allocation capabilities.

Looking ahead, the Company will focus on the long-term goal of “rooted in Hong Kong, radiate out to Asia, and focus on future globalization layout”, to leverage on Hong Kong's status as an international financial center, and seize the opportunities brought by the economic integration in the Greater Bay Area and the interconnection of the capital markets in China and Hong Kong, so as to actively expand and promote its asset management and investment banking services capabilities. We will also explore a more IT-enabled business model, seize any market opportunities, and steadily expand our business footprint to maximize the interests of all shareholders and investors.

FINANCIAL REVIEW

For the year ended 31 December 2020, the consolidated revenue of the Group was approximately HK\$318,327,000 (2019: HK\$188,177,000), representing an increase of approximately 69% as compared with the corresponding period last year.

The analysis of the Group's total revenue recognised in the consolidated statement of profit or loss is as follows:

For the years ended 31 December 2020 and 2019

	2020 HK\$'000	2019 HK\$'000	Change
Interest income	273,653	176,649	55%
Commission and fee income	28,570	2,782	927%
Investment income	16,104	8,746	84%
Total revenue	318,327	188,177	69%

The Group recorded a profit of approximately HK\$322,291,000 for the year ended 31 December 2020 (2019: loss of HK\$570,594,000), which was mainly due to the net effects of the following factors:

- (i) an increase of approximately 55% in interest income generated from the Group's overall business expansion in particular investment holding segment as compared with the corresponding period last year. For the year ended 31 December 2020, the interest income was approximately HK\$273,653,000 (2019: HK\$176,649,000);
- (ii) a significant net gain on investments with amount of approximately HK\$357,098,000 recorded for the year ended 31 December 2020 (2019: net loss of HK\$323,773,000); and
- (iii) a significant decrease in provision for financial assets with amount of approximately HK\$20,103,000 for the year ended 31 December 2020 (2019: HK\$240,082,000).

The total costs (including staff costs, premises expenses, finance costs, trading costs, expected credit losses allowances and other operating costs) for the year ended 31 December 2020 was approximately HK\$264,637,000 (2019: HK\$442,581,000), representing a decrease of approximately 40.2% which was due primarily to a significant decrease in the provision for financial assets as well as the effective cost control measures implemented by the Group in the area of premises expenses and other operating expenses for the reporting period.

On financial position and cash flows:

- the Group's total assets were approximately HK\$6,187,043,000 as at 31 December 2020 (as at 31 December 2019: HK\$5,736,975,000), representing an increase of approximately 7.8%; and
- net cash inflows/(outflows) from operating activities, investing activities and financing activities were approximately HK\$(1,493,533,000), HK\$(10,667,000) and HK\$(11,134,000) respectively for the year ended 31 December 2020 (2019: HK\$(342,430,000), HK\$(40,696,000) and HK\$297,376,000).

Key financial and business performance indicators

The key financial and business performance indicators of the Group are comprised of profitability; loan receivables; impaired loan receivables to total loan receivables ratio; and gearing ratio.

The Group recorded a profit attributable to owners of the Company of approximately HK\$323,452,000 for the year ended 31 December 2020 as compared to a loss of approximately HK\$568,815,000 for the year ended 31 December 2019.

Loan and interest receivables balance arising from lending business increased to approximately HK\$179,801,000 as at 31 December 2020 (as at 31 December 2019: HK\$175,089,000).

Based on HKFRS 9 Expected Credit Losses ("ECL") assessment on margin receivables, loan and interest receivables, financial assets at amortised cost and financial assets at fair value through other comprehensive income, the Group recognised an aggregate expected credit losses allowance of approximately HK\$20,103,000 in consolidated statement of profit or loss for the year ended 31 December 2020 (2019: HK\$240,082,000). Expected credit losses allowance to total margin receivables, loan and interest receivables, financial assets at amortised cost and financial assets at fair value through other comprehensive income ratio was approximately 16.5% as at 31 December 2020 (as at 31 December 2019: 15.7%). The Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its loan receivables and to take prompt actions to pursue loans recovery regarding potential problem credits.

As at 31 December 2020, the Group's gearing ratio (total debt to total equity) was approximately 9.9% (2019: 6.6%). The Group strives to achieve appropriate leverage level in order to grow its business effectively, and at the same time continue to monitor its liquidity prudently, manage key risks cautiously and set appropriate yet flexible business development strategies to strike a balance between business growth and risk management.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group's cash and bank balances (excluding pledged bank deposits) amounted to approximately HK\$626,976,000 (as at 31 December 2019: HK\$2,117,233,000). The current ratio as at 31 December 2020 was approximately 342.4% (as at 31 December 2019: 506.8%), which indicated that the Group's overall financial position remained strong.

The Directors are of the opinion that there are sufficient financial resources for the Group to meet its obligations and business requirements.

OPERATIONAL REVIEW

Funding, capital structure and capital management

The main objective of the Group's funding activities is to ensure the availability of funds at reasonable costs to meet all contractual financial commitments and to generate reasonable returns from available funds.

The Group relies principally on its share capital, internally generated capital and other borrowings to fund its investments and loan lending business. The Group's interest bearing borrowings in the form of margin payables, repurchase agreements and loan payables amounted to approximately HK\$523,915,000 as at 31 December 2020 (as at 31 December 2019: HK\$344,258,000). Based on the level of total debt to total equity of the Group, the Group's gearing ratio stood at a healthy level of approximately 9.9% as at 31 December 2020 (as at 31 December 2019: 6.6%). The Group's borrowings are mainly denominated in US dollars, and have remaining average maturity periods of around one year. The Group's cash and cash equivalents are mainly denominated in US dollars, Renminbi, Japanese Yen, Canadian dollars and Hong Kong dollars. There were no foreign currency net investments hedged by foreign currency borrowings and other hedging instruments by the Group during the year under review.

Asset quality and credit management

The Group will continue to manage key risks cautiously and set appropriate yet flexible business development strategies to strike a balance between business growth and risk management. Based on HKFRS 9 ECL assessment on margin receivables, loans receivables, financial assets at amortised cost and financial assets at fair value through other comprehensive income, the Group recognised a provision for/(reversal of) expected credit losses allowance of approximately HK\$8,945,000, HK\$(25,236,000), HK\$227,000 and HK\$36,167,000 in consolidated statement of profit or loss respectively for the year ended 31 December 2020 (2019: HK\$33,064,000, HK\$206,440,000, HK\$578,000 and HK\$Nil).

Furthermore, the Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its financial assets. Further, the Group's investments and cash and bank balances are placed with a diversified portfolio of reputable financial institutions.

Human resources management

The objective of the Group's human resources management is to reward and recognise well performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group. Staff enrolled in external training courses, seminars, professional and technical courses in order to update their technical knowledge and skills, to increase their awareness of the market developments, and to improve their management and business skills. To implement social distancing, the Group suspended all indoor or outdoor social and recreational activities resulting from the outbreak of COVID-19 in Hong Kong in February 2020 to the end of the reporting period.

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND RELATED HEDGING

The Directors considered that the Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in foreign currencies other than its functional currency, which is Hong Kong dollars. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency should the need arises.

STAFF AND REMUNERATION POLICY

As at 31 December 2020, the Group has 77 employees (as at 31 December 2019: 62 employees).

The employees are remunerated based on their work performances, professional experiences and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the Group's management.

CHARGES ON GROUP'S ASSETS

The analysis of the charge on Group's assets is as follows:

	2020 HK\$'000	2019 HK\$'000
Pledged deposits at bank	<u>328</u>	<u>292</u>
Total charges on the Group's assets	<u>328</u>	<u>292</u>

Deposits at bank are pledged as security for a corporate card granted to a director of the Group.

The above asset is pledged with creditworthy counterparty with no recent history of default.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2020 (as at 31 December 2019: Nil).

CAPITAL COMMITMENTS

The Group has entered into a contract to commit investing into an unlisted investment fund. The non-cancellable capital commitment as at 31 December 2020 is approximately HK\$15,979,000 (as at 31 December 2019: HK\$20,725,000).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Save as disclosed elsewhere in this announcement, the Group had no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Throughout the year ended 31 December 2020, the Company has complied with most of the Code Provisions of the CG Code, save for the deviation of the Code Provision A.2.1 which are explained below.

According to Code Provisions A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Tomohiko Watanabe acts as both the chairman and the chief executive officer of the Company, with effect from 5 March 2019. Although the roles of the chairman and chief executive officer of the Company are taken up by the same individual, such arrangement facilitates the development and execution of the Group's business strategies and enhances efficiency and effectiveness of its operation.

Under the Code Provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting and he should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In addition, under the Code Provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of the Shareholders. During the year ended 31 December 2020, the annual general meeting was held on 29 June 2020, and the whole Board (excluding Mr. Wang Dongzhi who was retired on 29 June 2020) and the auditor of the Company responsible for the audit of the Company's financial statements for the year ended 31 December 2019 have attended the meeting to answer questions of the Shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. All the Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2020.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises Ms. Zhou Hui (chairperson), Mr. Wang Yongli and Mr. Dong Hao.

An Audit Committee meeting was held on 22 March 2021 and attended by Ms. Zhou Hui, Mr. Wang Yongli and Mr. Dong Hao, who have reviewed the annual results for the year ended 31 December 2020.

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ANNUAL GENERAL MEETING

The 2021 annual general meeting (the “2021 AGM”) is expected to be held in June 2021. A further announcement in relation to the date of the 2021 AGM and the closure of register of members will be published in accordance with the Listing Rules.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 15 March 2021, JBC Holding Limited (“JBC”), a wholly-owned subsidiary of the Company and Vered Holdings Co., Ltd (“Vered Japan”) have entered into a subscription agreement, pursuant to which Vered Japan agreed to subscribe for 8,648 ordinary shares of JBC (representing approximately 49.003% of the enlarged equity interest in JBC) at a consideration of JPY86.48 million (equivalent to approximately HK\$6.2 million) (the “Subscription”). Completion of the Subscription took place on the same day. Vered Japan is a connected person of the Company and accordingly, the Subscription constitutes a deemed disposal and a connected transaction for the Company. JBC becomes an indirect non-wholly owned subsidiary of the Company and its results remains consolidated into the results of the Group. The Company has made announcements on 15 March 2021 and 19 March 2021 in relation to the above transaction.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk under "Latest Listed Company Information" and on the website of the Company at www.chinavered.com respectively.

The annual report of the Company for the year ended 31 December 2020 will be dispatched to shareholders and be published on the aforementioned websites in due course.

On behalf of the Board
China Vered Financial Holding Corporation Limited
Tomohiko Watanabe
Chairman

Hong Kong, 26 March 2021

As at the date of this announcement, the Board comprises (1) Mr. Tomohiko Watanabe, Mr. Ni Xinguang and Ms. Li Wei as executive Directors; (2) Mr. Zhang Yang as non-executive Director; and (3) Mr. Wang Yongli, Ms. Zhou Hui and Mr. Dong Hao as independent non-executive Directors.