民銀資本
CMBC CAPITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 1141)

INTERIM REPORT 2019

Contents

Abbreviations

In this interim report, the following abbreviations have the following meanings unless otherwise specified:

"Board"	board of Directors
"Brilliant Decent"	Brilliant Decent Limited
"China Minsheng"	China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange (stock code: 1988) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600016)
"China Minsheng Group"	China Minsheng and its subsidiaries excluding the members of the Group
"CMBCI"	CMBC International Holdings Limited
"CMBCI Investment"	CMBC International Investment Limited
"CMBCI Investment HK"	CMBC International Investment (Hong Kong) Limited
"Company"	CMBC Capital Holdings Limited
"Directors"	directors of the Company
"Group"	Company and its subsidiaries
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	People's Republic of China
"Previous Period"	the six months ended 30 June 2018
"Reporting Period"	the six months ended 30 June 2019
"Shares"	the shares of the Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Option Scheme"	the share option scheme adopted by the Company on 24 September 2012
"Share Award Scheme"	the share award scheme adopted by the Company on 19 February 2016
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$" and "cents"	Hong Kong dollars and cents
"%"	per cent.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Jinze *(Chairman)*
Mr. Ding Zhisuo
Mr. Ng Hoi Kam

Non-executive Directors

Mr. Ren Hailong
Mr. Liao Zhaohui

Independent Non-executive Directors

Mr. Lee, Cheuk Yin Dannis
Mr. Wu Bin
Mr. Wang Lihua

AUDIT COMMITTEE

Mr. Lee, Cheuk Yin Dannis *(Chairman)*
Mr. Wu Bin
Mr. Wang Lihua

REMUNERATION COMMITTEE

Mr. Wu Bin *(Chairman)*
Mr. Ren Hailong
Mr. Wang Lihua

NOMINATION COMMITTEE

Mr. Wu Bin *(Chairman)*
Mr. Ren Hailong
Mr. Wang Lihua

COMPANY SECRETARY

Mr. Ho Yau Cheung

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

45/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 1141)

PRINCIPAL BANKERS

China Minsheng Banking Corp., Ltd
OCBC Wing Hang Bank Limited
CMB Wing Lung Bank Limited
Shanghai Pudong Development Bank Co., Ltd

LEGAL ADVISER

Howse Williams

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

http://www.cmbccap.com

Management Discussion and Analysis

BUSINESS REVIEW

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

During the Reporting Period, the Group has recorded a revenue of approximately HK$447.1 million, representing a year-on-year growth of approximately 29.9%. The net profit amounted to approximately HK$150.3 million, representing an increase of approximately 49.7% when compared to the Previous Period. During the Reporting Period, the Group continued to seize market opportunities while striking a balance among the development of various business segments with watchful eye on risk management.

Investment and financing

With regard to investment, the Group has actively sought to invest in enterprises from around the world with a focus on the Greater China region that possesses prominent core strengths, relatively strong growing capacity and profitability and whose products are in an upward cycle. The Group focuses on strategic industry and provides value-added service for enterprises. The Group places particular focus on five major hot spot investment industries, namely, high-end manufacturing, medical treatment and pharmaceuticals, technology, media and telecom sector, big consumption and energy conservation and environment protection.

With respect to financing, the Group strives to provide debt financing products with different structures and forms in accordance with its clients' requirements, including pre-IPO funding, project financing, M&A loans, mezzanine loans and bridge loans.

During the Reporting Period, in face of the adverse environment brought about by global economic volatility, the investment and financing business team had been constantly appraising the situation and had made timely and reasonable adjustment to the investment and financing strategy. The Group had actively adapted to changes in the market and risk environment. Currently, all the proprietary investment of the Group for the Reporting Period has achieved fast premium appreciation and maintained a healthy growing momentum.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Securities

During the Reporting Period, the Group's offshore bond underwriting business had made notable progress, with its business volume for the Reporting Period exceeding the total amount of issue throughout 2018, and the overall scale of underwriting exceeding US$15 billion. While actively enhancing growth in its bond underwriting business, the Group exercised strict control over its underwriting risk, continued to maintain a high-quality issuer base, which primarily covered urban investment enterprises with investment grade, industrial issuers, banks and non-banking financial institutions as well as high quality real estate issuers, and safeguarded the Group's reputation and image in the offshore capital market.

Asset management

During the Reporting Period, the Group's asset management team took a proactive approach to invest in the market and adjusted the investment portfolios based on macro research from different perspectives. It successfully captured favorable opportunities arising from the market rebound with one of its fixed income funds outperforming relevant index and most of the similar products on the market. The unlisted equity investment business has also made steady progress. The size of the technology funds increased significantly as a result of the subscription by new investors. The Group is in the process of establishing new healthcare funds, and will, in the future, continue to identify investment opportunities in the fields of technology and healthcare.

Corporate finance and advisory

Against the backdrop of the unstable global stock market, and a year after obtaining the sponsor license, the corporate finance department has maintained a rapid, healthy and sustainable development. Currently, a number of IPO sponsorship projects have been signed up. Four of these projects in which the Group acted as the sponsor were submitted to the Stock Exchange for listing on the Main Board during the Reporting Period (compared to two for the whole year of 2018). Such projects cover a wide range of traditional and emerging industries, such as finance, manufacturing, healthcare and the Internet. Although the stock market may continue to fluctuate, it is expected that these IPO projects will receive a warm response from the market when they launch in the second half of 2019 as the Group has made solid preparations beforehand. In addition to sponsorship, the Group also served as the financial advisor for several M&A projects during the Reporting Period, including a project in which the Group acted as the financial advisor to a reputable securities firm in the PRC in its acquisition of a listed company engaging in securities business in Hong Kong. Furthermore, the Group had assisted an existing client, which is a listed natural health food company and in which the Group acted as a sponsor in its IPO in 2018, to successfully solicit a global company to become its strategic shareholder during the Reporting Period. The Group had assisted the client throughout the whole soliciting process.

Management Discussion and Analysis

PROSPECTS AND DEVELOPMENT STRATEGIES

Prospect

The trade dispute between China and the United States has had a profound impact on the economies of both countries. Since Hong Kong has long been the gateway into China for businesses and a trade conduit between the two countries, Hong Kong is also adversely affected by the trade dispute. In addition, the future of the Hong Kong economy has become increasingly uncertain, and the Hong Kong government has recently lowered its forecast for the economic growth of this year. As a result, both the global and domestic economy have been facing downside risks.

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

Development strategy

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

(1) improving the structure of the investment and financing business. The Company will continue to refine the client selection criterion according to the economic and market condition with a focus on developing high quality clients that are coming from the industries with a good prospect;

(2) further developing the services on sponsorship and advisory. The Company will continue to explore its client base, including leveraging on the extensive client base of China Minsheng in search for clients that may need cross-border listing and advisory services;

(3) promoting the asset management business through offering innovative products and services;

(4) enhancing the Group's development. The Group will pay closer attention to any potential investment targets or partners of China Minsheng which are able to create synergy with the Group. The Company intends to promote its development through building a close relationship with these targets or partners; and

Management Discussion and Analysis

PROSPECTS AND DEVELOPMENT STRATEGIES (continued)

Development strategy (continued)

(5) strengthening risk management. The Group will continue to improve its risk management and internal control by acting cautiously in selecting projects, monitoring its projects on a regular basis, assessing the risk associated with the projects frequently, taking any prompt action in response to any change of circumstances and improving its internal control procedure.

In addition, the Group will continue to adhere to its upgraded version of the principal strategy of "one body with two wings", optimizing and upgrading the principal strategy from "one body with two wings" to "optimizing one body and emphasizing two wings". Optimizing "one body" means to further optimize its investment and financial business products and client structure; while emphasizing "two wings" means to strive for higher revenue and a stronger market position in the investment banking and assets management sectors.

FINANCIAL RESULTS

During the Reporting Period, the Group's profit attributable to the owners of the Company increased to approximately HK$150.3 million, representing an increase of approximately 49.7% when compared to profit for the Previous Period of approximately HK$100.4 million. The Group's basic earnings per share were HK0.32 cents (30 June 2018: HK0.22 cents) and diluted earnings per share were HK0.32 cents (30 June 2018: HK0.22 cents).

Revenue

The Group's revenue increased by approximately 29.9% to approximately HK$447.1 million during the Reporting Period, compared to approximately HK$344.1 million in the Previous Period. The increase was mainly due to the contribution from the investment and financing segment during the Reporting Period. The table below presents the breakdown of segment revenue (including net gains or losses from investment) and segment results during the Reporting Period:

	Segment Revenue For the 6 months ended		**Segment Results For the 6 months ended**	
	30 June 2019 HK$'000	30 June 2018 HK$'000	**30 June 2019 HK$'000**	30 June 2018 HK$'000
Securities	**61,604**	58,001	**42,778**	22,905
Investment and financing	**351,283**	134,211	**156,182**	21,183
Asset management, corporate finance and advisory	**45,677**	102,046	**17,513**	84,352
Total	**458,564**	294,258	**216,473**	128,440

Management Discussion and Analysis

FINANCIAL RESULTS (continued)

Securities segment

The Group's securities business mainly includes the provision of brokerage services, securities margin financing services, futures and options contracts dealing services and securities underwriting/placing services to clients.

During the Reporting Period, the revenue and profit contributed by securities segment were approximately HK$61.6 million and approximately HK$42.8 million, respectively, compared to the revenue and profit of approximately HK$58.0 million and approximately HK$22.9 million, respectively in the Previous Period. The increase in segment revenue and profit was mainly attributable to the growth of the Group's securities business which led to more interest income from securities margin financing and underwriting income when compared to the Previous Period.

Investment and financing segment

During the Reporting Period, the segment revenue, which included coupon, dividend and distribution income from listed bonds, listed equities, unlisted funds, unlisted convertible notes and debt investments, as well as interest income from loans, amounted to approximately HK$339.8 million as compared to approximately HK$184.0 million in the Previous Period. The segment profit increased from approximately HK$21.2 million in the Previous Period to segment profit of approximately HK$156.2 million in the Reporting Period. The increase in segment profit was mainly attributable to the improvement of the market condition and the increase in the size of the investment portfolio.

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

	30 June 2019 HK$'000	31 December 2018 HK$'000
Investment		
Listed equities	**51,805**	4,311
Unlisted equity interests	**223,543**	224,601
Listed bonds (measured at FVOCI)	**4,963,638**	3,006,050
Listed bonds (measured at FVTPL)	**99,066**	129,398
Unlisted funds	**348,826**	193,135
Unlisted convertible notes	**–**	23,495
Unlisted convertible debt investments	**421,329**	482,039
Total	**6,108,207**	4,063,029
Financing		
Loans and advances	**2,949,250**	3,995,037

The Group's investment portfolio mainly consisted of listed bonds, listed equities, unlisted equity investments, unlisted funds and unlisted convertible debt investments, covering a wide range of sectors such as industrial, pharmaceuticals, technology, consumer goods, real estate and finance.

Management Discussion and Analysis

FINANCIAL RESULTS (continued)

Investment and financing segment (continued)

As at 30 June 2019, the assets of the proprietary investment of the Company amounted to approximately HK$6.1 billion (31 December 2018: HK$4.1 billion), including bonds investment of approximately HK$5.1 billion (31 December 2018: HK$3.1 billion). During the Reporting Period, the Group's total investment portfolio increased by approximately HK$2.0 billion. This was mainly due to the net purchase of listed bonds (measured at FVOCI and FVTPL) and unlisted funds and the fair value gain recognised in the Reporting Period. Benefited from the favourable performance of the bond market, such portfolio delivered excellent results during the Reporting Period and achieved significant capital return and interest income. The future performance of such portfolio will depend on many factors, including development trends and investor sentiment in the economic development in both Hong Kong and mainland China.

During the Reporting Period, the investment portfolio generated income in an aggregate amount of approximately HK$179.1 million, including interest income from debt securities investments of approximately HK$127.9 million, interest income from FVTPL investments of approximately HK$26.2 million and dividend income and other investment income of approximately HK$25.0 million.

For investments classified as financial assets measured at FVOCI and FVTPL, the Group recorded a net gain during the Reporting Period which comprised (i) fair value gain through other comprehensive income recognised in fair value reserve; (ii) net gains/(losses) recognised in the condensed consolidated statement of profit or loss, and (iii) net losses not recycled through profit or loss upon disposal of financial assets measured at FVOCI.

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

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

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

Management Discussion and Analysis

FINANCIAL RESULTS (continued)

Asset management, corporate finance and advisory segment

The Group's asset management, corporate finance and advisory segment recorded revenue of approximately HK$45.7 million during the Reporting Period as compared to approximately HK$102.0 million in the Previous Period and segment profit of approximately HK$17.5 million during the Reporting Period as compared to approximately HK$84.4 million in the Previous Period. The segment revenue and profit decreased due to the decrease in the number of advisory projects as compared to the Previous Period. However, the expansion of asset management business and corporate finance services relating to IPOs have brought a more diversified source of revenue to the segment. During the Reporting Period, benefited from the newly increased subscription of the Group's funds and a good investment performance, the Group's assets under management amounted to approximately US$1.16 billion, fueling a significant period-on-period growth in management fee income by approximately 58.3% to approximately HK$15.3 million.

Administrative expenses and finance costs

Administrative expenses and finance costs for the Reporting Period amounted to approximately HK$258.4 million in aggregate as compared to approximately HK$172.7 million in the Previous Period. The analysis is set out below:

	For the 6 months ended	
	30 June 2019 HK$'000	30 June 2018 HK$'000
Staff costs	**45,738**	33,472
Depreciation and amortisation	**15,897**	1,344
Other administrative expenses	**29,540**	28,454
Finance costs	**167,234**	109,423
Total	**258,409**	172,693

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

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

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

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Structure

As at 30 June 2019, the total number of the issued share capital with the par value of HK$0.01 each was 47,703,677,729 (31 December 2018: 47,705,977,729) and total equity attributable to shareholders was approximately HK$2,129.5 million (31 December 2018: HK$1,876.1 million).

During the Reporting Period, 2,300,000 shares were repurchased by the Company and cancelled.

During the Reporting Period, no shares have been purchased or granted to the selected persons of the Group under the Share Award Scheme or the Share Option Scheme.

Liquidity and Financial Resources

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

As at 30 June 2019, the Group had current assets of approximately HK$9,827.0 million (31 December 2018: HK$9,526.0 million) and liquid assets comprising cash (excluding segregated bank accounts) and investments in listed equity securities and listed debt securities totaling approximately HK$5,475.7 million (31 December 2018: HK$4,027.3 million). The Group's current ratio, calculated based on current assets of approximately HK$9,827.0 million (31 December 2018: HK$9,526.0 million) over current liabilities of approximately HK$8,167.0 million (31 December 2018: HK$8,507.7 million), was at a ratio of approximately 1.2 at the end of the Reporting Period (31 December 2018: 1.1).

The Group's finance costs for the Reporting Period represented the effective interest on notes payable of approximately HK$4.1 million (Previous Period: HK$4.1 million), interest on bank borrowings of approximately HK$2.0 million (Previous Period: HK$9.5 million), interest on loans from an intermediate holding company of approximately HK$131.9 million (Previous Period: HK$84.2 million), interest on financial assets sold under repurchase agreements of approximately HK$26.1 million (Previous Period: HK$11.6 million) and interest on lease liabilities of approximately HK$3.0 million (Previous Period: Nil).

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (continued)

Liquidity and Financial Resources (continued)

As at 30 June 2019, the Group's indebtedness comprised loans from an intermediate holding company, notes payable and financial assets sold under repurchase agreements of approximately HK$7,619.4 million (31 December 2018: HK$7,869.3 million). The loans from an intermediate holding company of approximately HK$5,132.3 million (31 December 2018: HK$6,314.4 million) were denominated in Hong Kong dollars and United States dollars and borne interests at 4% to 4.13% per annum and were repayable within one year. The notes payable in the aggregate principal amount of HK$150 million (31 December 2018: HK$150 million) was denominated in Hong Kong dollars, due on the seventh anniversary from the respective issue dates of the notes, and borne interests at 5% fixed rate per annum.

The Group's gearing ratio, calculated on the basis of total indebtedness divided by the sum of total indebtedness and equity attributable to the Company's owners, was at a ratio of approximately 78.2% (31 December 2018: 80.7%).

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

THE USE OF PROCEEDS FROM SUBSCRIPTION OF NEW SHARES COMPLETED ON 31 MAY 2017

On 7 March 2017, the Company entered into a subscription agreement with CMBCI Investment and Brilliant Decent in relation to the subscription of a total of 26,950,000,000 new Shares by CMBCI Investment and Brilliant Decent for a consideration of HK$862.4 million (the "2017 New Share Subscription"). The 2017 New Share Subscription was completed on 31 May 2017.

Management Discussion and Analysis

THE USE OF PROCEEDS FROM SUBSCRIPTION OF NEW SHARES COMPLETED ON 31 MAY 2017 (continued)

As of 30 June 2019, the proceeds from the 2017 New Share Subscription have been utilised as follows:

(a) Actual Use of Proceeds

Set out below is the detailed breakdown of the use of the proceeds as of 30 June 2019:

	Original intended use of the proceeds as disclosed	Actual use of the proceeds up to 30 June 2019	Remaining balance of the proceeds as at 30 June 2019
1.	about 40% of the proceeds (approximately HK$340 million) to support and develop the securities business, including brokerage and margin financing business	approximately HK$340 million	Nil
2.	about 10% of the proceeds (approximately HK$85 million) to develop proprietary trading business	approximately HK$85 million	Nil
3.	about 10% of the proceeds (approximately HK$85 million) to develop and expand intermediary business	approximately HK$37.2 million	approximately HK$47.8 million
4.	about 25% of the proceeds (approximately HK$212.5 million) to further develop the asset management business	approximately HK$212.5 million	Nil
5.	about 10% of the proceeds (approximately HK$85 million) to finance the necessary working capital requirement for underwriting	approximately HK$85 million	Nil
6.	about 5% of the proceeds (approximately HK$42.5 million) as general working capital	approximately HK$42.5 million	Nil

Management Discussion and Analysis

THE USE OF PROCEEDS FROM SUBSCRIPTION OF NEW SHARES COMPLETED ON 31 MAY 2017 (continued)

(a) Actual Use of Proceeds (continued)

As at 30 June 2019, save and except item 3 in the table above, the proceeds had been fully utilized in accordance with the intended use.

(b) Unutilized Amount of the Proceeds

As shown in the table above (i.e., item 3), there remains an unutilized amount of approximately HK$47.8 million.

As of the date of this interim report, all the remaining unutilized proceeds are intended to be utilized for the same specific use as disclosed. The actual deployment timing will be subject to the market environment and the pace of the business development. The Company has been closely monitoring the market condition and the business development and expects to utilize the unutilized amount by the end of 2019.

THE USE OF PROCEEDS FROM THE COMPLETION OF THE PLACING AND THE ALLOTMENT AND ISSUE OF NEW SHARES UNDER A SPECIAL MANDATE ON 20 JULY 2018 AND 15 OCTOBER 2018 RESPECTIVELY

On 3 July 2018, the Company entered into a placing agreement with the placing agents in relation to the placing of 830,000,000 new Shares for a total consideration of HK$295 million (the "Placing") and a subscription agreement in relation to issue of 1,350,000,000 new Shares to CMBCI Investment for a total consideration of approximately HK$490 million (the "2018 Subscription").

The Placing was completed on 20 July 2018.

The 2018 Subscription was completed on 15 October 2018.

Management Discussion and Analysis

THE USE OF PROCEEDS FROM THE COMPLETION OF THE PLACING AND THE ALLOTMENT AND ISSUE OF NEW SHARES UNDER A SPECIAL MANDATE ON 20 JULY 2018 AND 15 OCTOBER 2018 RESPECTIVELY (continued)

As of 30 June 2019, the proceeds from the Placing and the 2018 Subscription have been utilised as follows:

(a) Actual Use of Proceeds

Set out below is the detailed breakdown of the use of the proceeds as of 30 June 2019:

	Original intended use of the proceeds as disclosed	Actual use of the proceeds up to 30 June 2019	Remaining balance of the proceeds as at 30 June 2019
1.	60% of the proceeds from the Placing and the 2018 Subscription (approximately HK$417 million) to expand the loan and financing business	approximately HK$417 million	Nil
2.	10% of the proceeds from the Placing and the 2018 Subscription (approximately HK$69.5 million) to further strengthen the brokerage service capability	approximately HK$69.5 million	Nil
3.	10% of the proceeds from the Placing and the 2018 Subscription (approximately HK$69.5 million) to expand the corporate finance and advisory business	approximately HK$34.8 million	approximately HK$34.7 million
4.	10% of the proceeds from the Placing and the 2018 Subscription (approximately HK$69.5 million) to develop the asset management business	approximately HK$69.5 million	Nil
5.	10% of the proceeds from the Placing and the 2018 Subscription (approximately HK$69.5 million) to be used as the general working capital	approximately HK$51.2 million	approximately HK$18.3 million

(b) Unutilised amount of the Proceeds

As shown in the table above (i.e. items 3 and 5), approximately HK$53.0 million has not been utilised.

As at the date of this interim report, all the remaining unutilised proceeds are intended to be utilised for the same specific use as disclosed. The actual deployment timing will be subject to the market environment and the pace of the business development. The Company has been closely monitoring the market condition and the business development and expects to make use of the unutilized proceeds around the end of 2020.

Management Discussion and Analysis

PLEDGE OF ASSETS

Except as otherwise disclosed, as at 30 June 2019, the Group had no other pledge or charge on assets (31 December 2018: Nil).

CONTINGENT LIABILITY

As at 30 June 2019, the Group had no significant contingent liability (31 December 2018: Nil).

CAPITAL COMMITMENT

As at 30 June 2019, the Group had no significant capital commitment (31 December 2018: HK$5,200,000).

SIGNIFICANT INVESTMENTS HELD

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

For the Reporting Period, the Group had no material acquisitions or disposals of subsidiaries and associates.

FOREIGN CURRENCY RISK MANAGEMENT

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

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2019, the Group had about 80 (30 June 2018: about 75) employees including Directors. For the Reporting Period, total staff costs, including Directors' remuneration, was approximately HK$45.7 million (Previous Period: HK$33.5 million). Remuneration packages for employees and Directors are structured by reference to market terms and individual competence, performance and experience. Benefits plans maintained by the Group include mandatory provident fund scheme, subsidised training programme, share option scheme, share award scheme and discretionary bonuses.

Other Information

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the Company's announcement dated 23 July 2019, the Company (for itself and on behalf of other members of the Group) entered into a service agreement (the "Service Agreement") with China Minsheng (for itself and on behalf of other members of China Minsheng Group, pursuant to which, among other things:

(a) the Group agreed to provide the asset management services, investment advisory services and ancillary services to China Minsheng Group, its associates or any third parties who are deemed to be connected with the Company under Rule 14A.20 of the Listing Rules;

(b) China Minsheng Group agreed to provide the distribution services to the Group;

(c) China Minsheng Group agreed to provide the underwriting referral services to the Group pursuant to the Service Agreement; and

(d) the Group agreed to provide the underwriting services for securities (including but not limited to securities issued by China Minsheng Group) to China Minsheng Group.

The Service Agreement and the services to be provided thereunder (including the proposed annual caps for the services) are subject to the approval by the independent shareholders of the Company at a special general meeting which will be held in due course.

RISK MANAGEMENT CAPABILITIES

The Board recognises risk management as one of the key elements to the success of the Company and endeavours to improve risk management system to align with its business development strategically. The Group takes a pragmatic approach to manage different risks including credit risks, market risks, operation risks, legal and compliance risk, reputation, liquidity, IT and country risk. As at the date of this interim report, the Group has improved various risk management policies and procedures covering different business sectors. The Group has also established centralised internal control and compliance management system to effectively monitor the Group's operation and dealings. The Group will continue to enhance the risk management practices and internal control system and adopt a stringent governance framework with reference to the best practices in the market.

Other Information

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2019 (Previous Period: Nil).

SHARE OPTION SCHEME

The existing Share Option Scheme was adopted by the Company at the annual general meeting of the Company held on 24 September 2012. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Share Option Scheme shall provide incentive to encourage participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

Pursuant to the ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 8 September 2017 (the "2017 AGM"), the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), was refreshed such that the Directors were authorised to grant options carrying rights to subscribe for up to a maximum number of 10% of the shares in issue as at the date of the 2017 AGM approving the refreshed scheme mandate limit. As such, the Company may grant share options entitling holders thereof to subscribe for a total of 4,577,875,772 Shares (representing 10% of the Shares in issue as at the date of the 2017 AGM).

During the Reporting Period, no shares have been granted to the selected persons of the Group under the Share Option Scheme.

SHARE AWARD SCHEME

The Company adopted the existing Share Award Scheme on 19 February 2016.

Pursuant to the Listing Rules and the terms of the Share Award Scheme, the maximum number of Awarded Shares (as defined under the Share Award Scheme) must not exceed 10% of the Shares in issue on 19 February 2016 ("Share Award Scheme Mandate Limit"). By an ordinary resolution at the 2017 AGM, the Share Award Scheme Mandate Limit was refreshed and the Company was authorized to grant Awarded Shares up to a maximum number of 4,577,875,772 Shares, representing 10% of the issued share capital of the Company as at the date of the 2017 AGM. The total number of Shares which may be granted upon the "refreshed" Share Award Scheme Mandate Limit is 4,577,875,772 Shares. The Company will not issue or grant any Awarded Shares under the Share Award Scheme which would result in exceeding the 30% Aggregate Limit for the Share Option Scheme and the Share Award Scheme.

Other Information

SHARE AWARD SCHEME (continued)

During the Reporting Period, no shares have been purchased or granted to the selected persons of the Group under the Share Award Scheme.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company (and their respective associate(s)) had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO to be entered into the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures", the "Share Option Scheme" and the "Share Award Scheme" above, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the Reporting Period.

Other Information

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2019, save as disclosed below, according to the list of substantial shareholders extracted from the website of the Stock Exchange and the announcement of the Company, the following companies or persons had an interest or short position in the Shares and the register of interests kept by the Company under section 336 of the SFO and as far as is known to the Directors, no person had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any option in respect of such capital:

Name of shareholders	Capacity in which the Shares were held	Number of shares held	Approximate percentage of the Company's issued share capital	Long position/ short position
China Minsheng	Interest of controlled corporation	28,931,459,093 (Note 1)	60.65%	Long position
CMBCI	Interest of controlled corporation	28,931,459,093 (Note 1)	60.65%	Long position
CMBCI Investment HK	Interest of controlled corporation	28,931,459,093 (Note 1)	60.65% (Note 1)	Long position
CMBCI Investment	Beneficial Owner	28,931,459,093 (Note 1)	60.65%	Long position
China Soft Power Technology Holdings Limited	Interest of controlled corporation	3,794,375,829 (Note 2)	7.95%	Long position

Notes:

1. CMBCI Investment was beneficially and wholly-owned by CMBCI Investment HK, which was in turn beneficially and wholly-owned by CMBCI. CMBCI was beneficially and wholly-owned by China Minsheng. As such, each of CMBCI Investment HK, CMBCI and China Minsheng was deemed to be interested in the Shares held by CMBCI Investment.

2. China Soft Power Technology Holdings Limited beneficially and wholly held the entire issued share capital of Hoshing Limited, which in turn beneficially and wholly held the entire issued share capital of Main Purpose Investments Limited and Desert Gold Limited. Main Purpose Investments Limited and Desert Gold Limited held 1,804,725,829 Shares and 1,989,650,000 Shares, respectively. As such, China Soft Power Technology Holdings Limited was deemed to be interested in the Shares held by Main Purpose Investments Limited and Desert Gold Limited.

Other Information

CORPORATE GOVERNANCE

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

Appointment of Directors

Code Provision A.4.1

Under the code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election.

Deviation

All the non-executive Directors were not appointed for a specific term. Notwithstanding such deviation, all Directors are subject to the retirement by rotation according to the provisions of the bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. In response to specific enquiry made by the Company, all Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the Reporting Period.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Company for the Reporting Period have been reviewed by the audit committee of the Company and the Company's independent auditor, Messrs. PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor, on the basis of their review, concluded that nothing has come to their attention that causes them to believe that the condensed consolidated financial statements are not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Other Information

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

On 12 June 2019, the Company repurchased an aggregate of 2,300,000 Shares pursuant to the general mandate to repurchase shares granted by the shareholders of the Company at the annual general meeting held on 29 June 2018 on market, which were subsequently cancelled in the Reporting Period.

Save as disclosed above, during the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

LI Jinze
Chairman

Hong Kong, 26 August 2019

Report on Review of Condensed Consolidated Financial Statements

To the Board of Directors of CMBC Capital Holdings Limited
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements set out on pages 25 to 64, which comprises the condensed consolidated statement of financial position of CMBC Capital Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Condensed Consolidated Financial Statements (continued)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of the Group are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2019

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 HK$'000 (Unaudited)	30 June 2018 HK$'000 (Unaudited)
Revenue	4	**447,101**	344,075
Net gains/(losses) on financial assets at fair value through profit or loss		**22,177**	(44,560)
Net losses on financial assets at fair value through other comprehensive income		**(10,714)**	(5,257)
Other income	5	**3,017**	3,311
Other gains and losses	6	**(4,823)**	3,829
Impairment losses	7	**(22,642)**	(19,186)
Staff costs		**(45,738)**	(33,472)
Depreciation and amortisation		**(15,897)**	(1,344)
Other operating expenses		**(29,540)**	(28,454)
Finance costs	8	**(167,234)**	(109,423)
Profit before taxation	9	**175,707**	109,519
Taxation	10	**(25,392)**	(9,114)
Profit for the period attributable to owners of the Company		**150,315**	100,405
Earnings per share attributable to owners of the Company (HK cents)	11		
– Basic		**0.32**	0.22
– Diluted		**0.32**	0.22

The notes on pages 31 to 64 form part of these condensed consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 12.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June 2019 HK$'000 (Unaudited)	Six months ended 30 June 2018 HK$'000 (Unaudited)
Profit for the period attributable to owners of the Company	**150,315**	100,405
Other comprehensive income/(loss)		
Item that will not be reclassified to profit or loss:		
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**41,642**	(47,119)
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)	**158,248**	(221,761)
Other comprehensive income/(loss) for the period, net of tax	**199,890**	(268,880)
Total comprehensive income/(loss) for the period attributable to owners of the Company	**350,205**	(168,475)

The notes on pages 31 to 64 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Notes	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**12,043**	3,130
Right-of-use asset		**128,463**	–
Goodwill		**16,391**	16,391
Loans and advances	13	**463,077**	880,260
Intangible assets		**4,160**	4,845
Deferred tax assets		**620**	922
Other assets		**10,079**	10,183
		634,833	915,731
Current assets			
Accounts receivable	14	**715,992**	1,228,278
Prepayments, deposits and other receivables		**19,399**	30,383
Interest receivable		**95,622**	67,648
Amount due from an intermediate holding company		**–**	243
Loans and advances	13	**2,486,173**	3,114,777
Financial assets at fair value through other comprehensive income	15	**4,963,638**	3,006,050
Financial assets at fair value through profit or loss	16	**1,144,569**	1,056,979
Cash and bank balances			
– Segregated accounts		**40,405**	134,047
– House accounts		**361,210**	887,579
		9,827,008	9,525,984

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2019

	Notes	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Current liabilities			
Accounts payable	17	**71,501**	369,693
Other payables and accruals		**102,359**	58,683
Amount due to an intermediate holding company		**4,001**	–
Bank and other borrowings	18	**5,367,668**	6,653,340
Notes payable		**99,634**	99,216
Financial assets sold under repurchase agreements	19	**2,337,551**	1,170,680
Financial liabilities at fair value through profit or loss	20	**22,526**	130,149
Lease liabilities		**19,400**	–
Dividend payable		**95,407**	–
Tax payable		**47,002**	25,925
		8,167,049	8,507,686
Net current assets		**1,659,959**	1,018,298
Total assets less current liabilities		**2,294,792**	1,934,029
Non-current liabilities			
Lease liabilities		**107,370**	–
Notes payable		**50,000**	50,000
Deferred tax liabilities		**7,885**	7,953
		165,255	57,953
Net assets		**2,129,537**	1,876,076
Capital and reserves			
Share capital	21	**477,036**	477,059
Reserves		**1,652,501**	1,399,017
Total equity		**2,129,537**	1,876,076

The notes on pages 31 to 64 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Notes	Attributable to owners of the Company							
		Share capital HK$'000	Share premium HK$'000	Contributed Surplus* HK$'000	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Other reserve HK$'000	Accumulated profit (losses) HK$'000	Total HK$'000
At 1 January 2019 (audited)		**477,059**	**1,769,659**	**2,318,758**	**(261,862)**	**(57,555)**	**761**	**(2,370,744)**	**1,876,076**
Profit for the period		–	–	–	–	–	–	**150,315**	**150,315**
Other comprehensive income		–	–	–	**158,248**	**41,642**	–	–	**199,890**
Total comprehensive income		–	–	–	**158,248**	**41,642**	–	**150,315**	**350,205**
Disposal of equity investments at fair value through other comprehensive income		–	–	–	–	–	–	**(847)**	**(847)**
Shares repurchased and cancelled	21(iii)	**(23)**	**(467)**	–	–	–	–	–	**(490)**
Dividend approved in respect of the previous year	12	–	–	**(95,407)**	–	–	–	–	**(95,407)**
At 30 June 2019 (unaudited)		**477,036**	**1,769,192**	**2,223,351**	**(103,614)**	**(15,913)**	**761**	**(2,221,276)**	**2,129,537**

	Notes	Attributable to owners of the Company							
		Share capital HK$'000	Share premium HK$'000	Contributed Surplus* HK$'000	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Other reserve HK$'000	Accumulated profit (losses) HK$'000	Total HK$'000
At 1 January 2018 (audited)		457,787	1,089,404	2,318,758	(60)	–	761	(2,586,464)	1,280,186
Impact on initial application of HKFRS 15		–	–	–	–	–	–	(9,214)	(9,214)
Impact on initial application of HKFRS 9		–	–	–	14,002	–	–	(20,262)	(6,260)
Adjusted balance at 1 January 2018		457,787	1,089,404	2,318,758	13,942	–	761	(2,615,940)	1,264,712
Profit for the period		–	–	–	–	–	–	100,405	100,405
Other comprehensive income		–	–	–	(221,761)	(47,119)	–	–	(268,880)
Total comprehensive income		–	–	–	(221,761)	(47,119)	–	100,405	(168,475)
At 30 June 2018 (unaudited)		457,787	1,089,404	2,318,758	(207,819)	(47,119)	761	(2,515,535)	1,096,237

* Contributed surplus is a distributable reserve and will be used for payment of dividends.

The notes on pages 31 to 64 form part of these condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2019

	Six months ended	
	30 June 2019 HK$'000 (Unaudited)	30 June 2018 HK$'000 (Unaudited)
Net cash generated from/(used in) operating activities	**1,673,460**	(1,866,309)
Net cash used in investing activities		
Purchases of property, plant and equipment	**(12,580)**	(442)
Purchases of financial assets at fair value through other comprehensive income ("FVOCI")	**(4,185,083)**	(3,074,643)
Purchases of financial assets at fair value through profit or loss ("FVTPL")	**(313,064)**	(1,440,598)
Proceeds from disposal of financial assets at fair value through other comprehensive income	**2,410,438**	843,810
Proceeds from disposal of financial assets at fair value through profit or loss	**153,501**	2,142,133
	(1,946,788)	(1,529,740)
Net cash (used in)/generated from financing activities		
Repurchase of shares	**(490)**	–
New borrowings raised	**1,041,050**	3,911,619
Proceeds from financial assets sold under repurchase agreement	**2,506,867**	1,825,824
Repayments of borrowings	**(2,450,557)**	(1,021,561)
Repayment of financial assets sold under repurchase agreement	**(1,331,868)**	(933,274)
Interest paid	**(11,504)**	(18,419)
Principal and interest elements of lease payments	**(11,412)**	–
	(257,914)	3,764,189
Net (decrease)/increase in cash and cash equivalents	**(531,242)**	368,140
Cash and cash equivalents at the beginning of the period	**887,579**	126,761
Effect of foreign exchange rate changes, net	**4,873**	1,979
Cash and cash equivalents at the end of the period	**361,210**	496,880

The notes on pages 31 to 64 form part of these condensed consolidated financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1 BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard 34 ("HKAS 34"), *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They were authorised for issue on 26 August 2019.

These condensed consolidated financial statements contain selected explanatory notes which include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of CMBC Capital Holdings Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") since the 2018 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1 BASIS OF PREPARATION (continued)

These condensed consolidated financial statements are unaudited, but have been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. PricewaterhouseCoopers's independent review report to the Board of Directors is included on pages 23 and 24.

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with HKFRSs.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a new HKFRS, HKFRS 16 *Leases*, and amendments to the HKFRSs that are first effective for the current accounting period of the Group. The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening condensed consolidated statement of financial position on 1 January 2019.

Other than the above, none of the new HKFRSs have material impact on the Group's condensed consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 16, Leases

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

(i) Adjustments recognized on adoption of HKFRS 16

The measurement of lease liabilities is as follows:

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

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

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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 16, Leases (continued)

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

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

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

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 16, Leases (continued)

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

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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:

- the securities segment representing the business line of provision of brokerage services, securities margin financing services, futures and options contracts dealing services to clients and securities underwriting/placing;

- the investment and financing segment representing investment and trading activities in equity securities, futures, bonds, funds and provision of loan financing services; and

- the asset management, corporate finance and advisory segment representing provision of asset management services, sponsorship, financial advisory and financial arrangement services to clients.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3 SEGMENT INFORMATION (continued)

Disaggregation of revenue

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

	Six months ended 30 June 2019 HK$'000	Six months ended 30 June 2018 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Commission income from brokerage and related services	**937**	1,447
– Commission income from underwriting, sub-underwriting, placing and sub-placing	**23,610**	15,155
– Financing advisory, sponsorship, arrangement fee and other service income	**33,509**	107,251
– Asset management fee income	**15,252**	9,635
	73,308	133,488
Revenue from other sources		
– Interest income from debt securities investments	**127,940**	81,945
– Interest income from FVTPL investments	**26,190**	–
– Interest income from provision of finance and securities margin financing	**194,667**	98,418
– Dividend income and other investment income	**24,996**	30,224
	373,793	210,587
	447,101	344,075

The Group's revenue from continuing operation from external customers are located in Hong Kong.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3 SEGMENT INFORMATION (continued)

Disaggregation of revenue

Disaggregation of revenue is set out below.

For the six months ended	Securities		Investment and financing		Asset management, corporate finance and advisory		Total	
	30 June 2019 HK$'000	30 June 2018 (Restated) HK$'000	**30 June 2019 HK$'000**	30 June 2018 (Restated) HK$'000	**30 June 2019 HK$'000**	30 June 2018 HK$'000	**30 June 2019 HK$'000**	30 June 2018 (Restated) HK$'000
Disaggregated by timing of revenue recognition within the scope of HKFRS 15								
Point in time	**23,272**	19,958	**–**	–	**29,637**	91,641	**52,909**	111,599
Over time	**4,359**	11,484	**–**	–	**16,040**	10,405	**20,399**	21,889
	27,631	31,442	**–**	–	**45,677**	102,046	**73,308**	133,488
Revenue from other sources								
– Interest income from debt securities investments	**–**	–	**127,940**	81,945	**–**	–	**127,940**	81,945
– Interest income from FVTPL investments	**–**	–	**26,190**	–	**–**	–	**26,190**	–
– Interest income from provision of finance and securities margin financing	**33,973**	26,559	**160,694**	71,859	**–**	–	**194,667**	98,418
– Dividend income and other investment income	**–**	–	**24,996**	30,224	**–**	–	**24,996**	30,224
	33,973	26,559	**339,820**	184,028	**–**	–	**373,793**	210,587
Reportable segment revenue	**61,604**	58,001	**339,820**	184,028	**45,677**	102,046	**447,101**	344,075

Certain amounts for the prior period have been restated to reclassify revenues generated from other sources in relation to the securities segment and the investment and financing segment.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3 SEGMENT INFORMATION (continued)

Segment revenue and results

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

	Six months ended 30 June 2019			
	Securities HK$'000	Investment and financing HK$'000	Asset management, corporate finance and advisory HK$'000	Total HK$'000
Segment revenue and investment gains/(losses)				
– Revenue from external customers	61,604	339,820	45,677	447,101
– Net gains on financial assets at fair value through profit or loss	–	22,177	–	22,177
– Net losses on financial assets at fair value through other comprehensive income	–	(10,714)	–	(10,714)
	61,604	351,283	45,677	458,564
Segment results	42,778	156,182	17,513	216,473
Unallocated other income				989
Unallocated other gains and losses				(4,623)
Unallocated expenses				(27,926)
Unallocated finance costs				(9,206)
Profit before taxation				175,707
Taxation				(25,392)
Profit for the period				150,315

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3 SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

	Six months ended 30 June 2018			
	Securities HK$'000	Investment and financing HK$'000	Asset management, corporate finance and advisory HK$'000	Total HK$'000
Segment revenue and investment gains/(losses)				
– Revenue from external customers	58,001	184,028	102,046	344,075
– Net losses on financial assets at fair value through profit or loss	–	(44,560)	–	(44,560)
– Net losses on financial assets at fair value through other comprehensive income	–	(5,257)	–	(5,257)
	58,001	134,211	102,046	294,258
Segment results	22,905	21,183	84,352	128,440
Unallocated other income				256
Unallocated other gains and losses				5,655
Unallocated expenses				(11,204)
Unallocated finance costs				(13,628)
Profit before taxation				109,519
Taxation				(9,114)
Profit for the period				100,405

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3 SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	As at 30 June 2019			
	Securities HK$'000	Investment and financing HK$'000	Asset management, corporate finance and advisory HK$'000	Total HK$'000
Assets				
Segment assets	937,957	9,239,018	54,150	10,231,125
Unallocated assets				
– Property, plant and equipment				11,929
– Right-of-use asset				128,463
– Prepayments, deposits and other receivables				17,457
– Cash and bank balances				72,867
				230,716
Total				10,461,841
Liabilities				
Segment liabilities	537,082	7,374,817	12,646	7,924,545
Unallocated liabilities				
– Other payables and accruals				29,423
– Notes payable				149,634
– Deferred tax liabilities				1,858
– Lease liabilities				126,770
– Tax payable				4,667
– Dividend payable				95,407
				407,759
Total				8,332,304

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3 SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

	As at 31 December 2018			
	Securities HK$'000	Investment and financing HK$'000	Asset management, corporate finance and advisory HK$'000	Total HK$'000
Assets				
Segment assets	1,744,932	8,396,156	62,630	10,203,718
Unallocated assets				
– Property, plant and equipment				2,897
– Prepayments, deposits and other receivables				19,617
– Amount due from an intermediate holding company				243
– Cash and bank balances				215,240
				237,997
Total				10,441,715
Liabilities				
Segment liabilities	861,710	7,519,121	13,971	8,394,802
Unallocated liabilities				
– Other payables and accruals				15,028
– Notes payable				149,216
– Deferred tax liabilities				1,926
– Tax payable				4,667
				170,837
Total				8,565,639

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

4 REVENUE

	Six months ended	
	30 June 2019 HK$'000	30 June 2018 HK$'000
Commission income from brokerage and related services	**937**	1,447
Commission income from underwriting, sub-underwriting, placing and sub-placing	**23,610**	15,155
Interest income from debt securities investments	**127,940**	81,945
Interest income from FVTPL investments	**26,190**	–
Interest income from provision of finance and securities margin financing	**194,667**	98,418
Dividend income and other investment income	**24,996**	30,224
Financing advisory, sponsorship, arrangement fee and other service income	**33,509**	107,251
Asset management fee income	**15,252**	9,635
	447,101	344,075

5 OTHER INCOME

	Six months ended	
	30 June 2019 HK$'000	30 June 2018 HK$'000
Bank interest income	**424**	1,283
Office sharing fee income	**740**	–
Other income	**1,853**	2,028
	3,017	3,311

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

6 OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2019 HK$'000	30 June 2018 HK$'000
Loss on disposal of property, plant and equipment	**(134)**	–
Net exchange (loss)/gain	**(4,689)**	3,829
	(4,823)	3,829

7 IMPAIRMENT LOSSES

	Six months ended	
	30 June 2019 HK$'000	30 June 2018 HK$'000
Impairment losses		
– Loans and advances	**642**	6,324
– Accounts receivable	**–**	1,708
– Financial assets at fair value through other comprehensive income	**22,000**	11,154
	22,642	19,186

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

8 FINANCE COSTS

	Six months ended	
	30 June 2019 HK$'000	30 June 2018 HK$'000
Interest expense on:		
Notes payable	**4,137**	4,118
Bank borrowings	**2,027**	9,510
Loans from an intermediate holding company	**131,892**	84,223
Financial assets sold under repurchase agreements	**26,137**	11,572
Lease liabilities	**3,041**	–
	167,234	109,423

9 PROFIT BEFORE TAXATION

	Six months ended	
	30 June 2019 HK$'000	30 June 2018 HK$'000
The Group's profit before taxation is arrived at after charging:		
Depreciation of property, plant and equipment	**3,533**	658
Depreciation of right-of-use asset	**11,678**	–
Amortisation of intangible assets	**686**	686
Minimum lease payments in respect of land and buildings	**6,043**	6,043

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

10 TAXATION

	Six months ended	
	30 June 2019 HK$'000	30 June 2018 HK$'000
Current period – Hong Kong Profits Tax	**(25,181)**	(9,630)
Deferred tax (provided)/credited for the period	**(211)**	516
	(25,392)	(9,114)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

11 EARNINGS PER SHARE

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

	Six months ended	
	30 June 2019 HK$'000	30 June 2018 HK$'000
Earnings		
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	**150,315**	100,405

	Six months ended	
	30 June 2019 '000	30 June 2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**47,705,863**	45,778,756

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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

12 DIVIDENDS

The Board of Directors does not recommend the payment of interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

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

13 LOANS AND ADVANCES

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Loans and advances	**2,978,081**	4,023,226
Less: Allowance for expected credit losses	**(28,831)**	(28,189)
	2,949,250	3,995,037
Less: Amount due within one year shown under current assets	**(2,486,173)**	(3,114,777)
Amount shown under non-current assets	**463,077**	880,260
Analysed as:		
Loans and advances (non-current)	**463,352**	883,044
Less: Allowance for expected credit losses	**(275)**	(2,784)
	463,077	880,260
Loans and advances (current)	**2,514,729**	3,140,182
Less: Allowance for expected credit losses	**(28,556)**	(25,405)
	2,486,173	3,114,777

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

13 LOANS AND ADVANCES (continued)

At 30 June 2019, loans and advances included loans to independent third parties with effective interest rates ranging from 6% to 14% (31 December 2018: 5% to 13%) per annum. Certain loans and advances were secured and/or backed by guarantees or collaterals. Regular reviews on these loans are conducted by the risk management department based on the latest status of these loans, and the latest available information about the borrowers and the underlying collaterals held.

During the period ended 30 June 2019, allowance for expected credit losses of HK$642,000 was recognised (for the six months ended 30 June 2018: HK$6,324,000) in the condensed consolidated statement of profit or loss. One of the borrowers has been assessed by management to be individually impaired and an allowance for expected credit losses of HK$24,837,000 has been provided at 30 June 2019 (31 December 2018: HK$24,187,000).

14 ACCOUNTS RECEIVABLE

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Accounts receivable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Clearing houses	**3,068**	119
– Cash clients	**–**	235,100
– Margin clients	**700,032**	971,772
	703,100	1,206,991
Accounts receivable arising from the ordinary course of business of securities underwriting	**11,937**	20,915
Accounts receivable arising from the ordinary course of business of advisory services	**3,000**	2,417
	718,037	1,230,323
Less: Allowance for expected credit losses	**(2,045)**	(2,045)
	715,992	1,228,278

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

14 ACCOUNTS RECEIVABLE (continued)

Accounts receivable arising from the business of dealing in securities

The normal settlement terms of accounts receivable from clients and clearing houses, 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. 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. As at 30 June 2019, the Group has concentration risk on its accounts receivable as the balance with the largest client represent 30% (31 December 2018: 17%) of the total accounts receivable from cash and margin clients. The Group has no other significant concentration risk.

Accounts receivable due from margin clients are repayable on demand and carry interest ranging from Hong Kong Prime Rate to Hong Kong Prime Rate plus 12.75% per annum during the six months ended 30 June 2019 (during the year ended 31 December 2018: Hong Kong Prime Rate to Hong Kong Prime Rate plus 12.75%). The fair values of the pledged securities as at 30 June 2019 approximately at HK$1,434,319,000 (31 December 2018: HK$3,477,924,000).

As at 30 June 2019, approximately 97% (31 December 2018: approximately 100%) of the margin clients receivable balance were secured by sufficient collaterals on an individual basis. During the period ended 30 June 2019, no allowance for expected credit losses was recognised (for the six months ended 30 June 2018: HK$1,708,000) in the condensed consolidated statement of profit or loss.

Accounts receivable arising from the business of dealing in futures and options contracts

Under the settlement arrangement with clearing houses, all open positions held at clearing houses are treated as if they were closed out and re-opened at the relevant closing quotation as determined by clearing houses. Profits or losses arising from this "mark-to-market" settlement arrangement are included in accounts receivables with clearing houses.

Accounts receivable from clearing houses represents transactions arising from the business of dealing and are not past due. 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

14 ACCOUNTS RECEIVABLE (continued)

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

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

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Neither past due nor impaired	**7,541**	21,530
Less than 31 days past due	**4,797**	–
31 – 60 days past due	**1,593**	1,802
61 – 90 days past due	**352**	–
Over 90 days past due	**654**	–
	14,937	23,332
Allowance for expected credit losses	**–**	–
Total	**14,937**	23,332

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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Listed debt investments, at fair value (Note)	**4,515,634**	2,570,780
Listed equity instruments, at fair value	**448,004**	435,270
	4,963,638	3,006,050

Note: The Group has further recognised expected credit losses amounted to HK$22,000,000 in the condensed consolidated statement of profit or loss during the period (for the six months ended 30 June 2018: HK$11,154,000). As at 30 June 2019, allowance for expected credit losses amounted HK$47,521,000 (31 December 2018: HK$25,521,000) has been included in fair value reserve (recycling).

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Listed equity investments	**51,805**	4,311
Unlisted equity investments	**223,543**	224,601
Listed debt investments	**99,066**	129,398
Unlisted investment funds	**348,826**	193,135
Unlisted convertible promissory note	**–**	23,495
Unlisted convertible debt investments	**421,329**	482,039
	1,144,569	1,056,979

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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

17 ACCOUNTS PAYABLE

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Accounts payable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Cash clients	**63,901**	127,446
– Margin clients	**7,600**	6,712
– Clearing houses	**–**	578
– Broker	**–**	234,957
	71,501	369,693

Accounts payable arising from the business of dealing in securities

The accounts payable balances arising from the ordinary course of business of securities brokerage services are normally settled in two trading days after the trade date except for the money held on behalf of clients at the segregated bank accounts which are repayable on demand. No ageing analysis is disclosed as, in the opinion of directors of the Company, an ageing analysis does not give additional value in view of the nature of this business.

Accounts payable arising from the business of dealing in futures and options contracts

Settlement arrangements with clients follow the same settlement mechanism with clearing house or brokers as disclosed in note 14 and profits or losses arising from mark-to-market settlement arrangement were included in accounts payable with clients. Accounts payable to clients are non-interest bearing. The settlement terms of accounts payable are one day after trade day. 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

18 BANK AND OTHER BORROWINGS

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Unsecured bank loans	**–**	234,957
Loans from an intermediate holding company	**5,367,668**	6,418,383
	5,367,668	6,653,340
The carrying amounts of the above borrowings are repayable: Within one year	**5,367,668**	6,653,340

As at 30 June 2019, the Group had loans amounting to approximately HK$5,132,261,000 (31 December 2018: HK$6,314,421,000) from CMBC International Holdings Limited, an intermediate holding company and interest payable amounting to approximately HK$235,407,000 (31 December 2018: HK$103,962,000). The loans bear interests at 4% to 4.13% per annum (31 December 2018: 4% per annum) and are repayable within one year.

During the period ended 30 June 2019, all bank borrowings from China Minsheng Banking Corp., Ltd. Hong Kong Branch ("CMBC HK Branch"), a branch of the ultimate holding company, had been repaid in full and no outstanding amount as at 30 June 2019 (31 December 2018: bank borrowings of HK$234,957,000 from CMBC HK Branch with variable interest rate carried at 4.5% per annum).

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

19 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Bonds	**2,337,551**	1,170,680

As at 30 June 2019, 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 fair value through profit or loss with aggregate carrying amount of approximately HK$4,237,995,000 (31 December 2018: HK$2,063,196,000), which is 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 condensed consolidated financial statements but regarded as "collaterals" for the liabilities because the Group retains substantially all the risks and rewards of the bonds.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

20 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Payables to interest holder of unlisted consolidated investment fund, designated at FVTPL	**22,526**	130,149

As at 30 June 2019, the Company held 60% (31 December 2018: 60%) interest of CMBCC Co-High Medical Investment Fund SP (the "Medical Fund"). As the Group has control over the Medical Fund, it is accounted for as a subsidiary. Accordingly, the interests of the non-controlling shareholder are classified as financial liabilities designated as at fair value through profit or loss of approximately HK$22,526,000 as at 30 June 2019. (31 December 2018: HK$22,930,000).

As at 31 December 2018, the Company also held 70% interests in New China OCT Fund 2 Segregated Portfolio ("the Segregated Portfolio") as a Class A shareholder and an independent third party held 30% interests in the Segregated Portfolio as a Class B shareholder. As the Group had control over the Segregated Portfolio as at 31 December 2018, it was accounted for as a subsidiary. Pursuant to the appendix of the placing memorandum of New China OCT Fund SPC for the segregated portfolio, Class A shareholder is subject to a maximum priority expected return of up to 7.5% per annum and Class B shareholder is subject to a maximum subordinate expected return before deduction of performance fee. Any excess beyond Class B expected return after payment of other fees and expenses, shall be paid to the fund manager in the form of performance fees, where available. Accordingly, the interests of the non-controlling shareholder were classified as financial liabilities designated as at fair value through profit or loss of approximately HK$107,219,000 as at 31 December 2018.

During the period ended 30 June 2019, the Company had received full amount of the cash dividends distributable to itself in accordance with the placing memorandum of New China OCT Fund SPC for the Segregated Portfolio, and all Class A shares held by the Company had been redeemed. For details, please refer to the Company's announcement dated 18 March 2019.

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For the six months ended 30 June 2019

21 SHARE CAPITAL

		Number of shares		Amount	
	Notes	**As at 30 June 2019 '000**	As at 31 December 2018 '000	**As at 30 June 2019 HK$'000**	As at 31 December 2018 HK$'000
Authorised:					
Ordinary shares of HK$0.01 each		**100,000,000**	100,000,000	**1,000,000**	1,000,000
Issued and fully paid:					
At the beginning of the period/year		**47,705,978**	45,778,758	**477,059**	457,787
Issue of shares	(i)	**–**	1,350,000	**–**	13,500
Placing of shares	(ii)	**–**	577,220	**–**	5,772
Cancellation for shares repurchased	(iii)	**(2,300)**	–	**(23)**	–
At the end of the period/year		**47,703,678**	47,705,978	**477,036**	477,059

Notes:

(i) Pursuant to the subscription agreement entered into on 3 July 2018, the Company has conditionally agreed to allot and issue, and CMBC International Investment Limited has conditionally agreed to subscribe for 1,350,000,000 new shares, at the price of HK$0.363 per new share. The subscription was completed on 15 October 2018.

(ii) Pursuant to the placing agreement entered into on 3 July 2018, the Company has conditionally agreed to place, through placing agents, up to 830,000,000 new shares to not less than six placees at the placing price of HK$0.363 per new share. The placing of 577,220,000 new shares was completed on 20 July 2018.

(iii) During the period ended 30 June 2019, the Company repurchased an aggregate of 2,300,000 ordinary shares of the Company on market at the highest and lowest price of HK$0.217 and HK$0.207 per share, respectively. These shares were cancelled in June 2019.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

22 OPERATING LEASE ARRANGEMENTS

After the transition to HKFRS 16, as disclosed in note 2, the Group has recognised the operating leases commitments as at 31 December 2018 as lease liabilities on 1 January 2019.

At 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases for office premises which fall due as follows:

	As at 31 December 2018 HK$'000
Within one year	28,866
In the second to fifth years, inclusive	109,551
Over five years	25,105
	163,522

Leases were negotiated for terms of three to six years.

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value on recurring basis

The following table provides an analysis of the Group's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable for the six months ended 30 June 2019:

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Financial assets and liabilities measured at fair value on recurring basis (continued)

	Fair value		Fair value hierarchy	Valuation techniques	Significant unobservable input
	30 June 2019 HK$'000	31 December 2018 HK$'000			
Financial assets					
Financial assets at fair value through profit or loss					
– Listed equity investments	**51,805**	4,311	Level 1	Quoted market closing prices in an active market	N/A
– Unlisted equity investments	**223,543**	224,601	Level 3	Market approach	Recent market transaction price
– Listed debt investments	**99,066**	129,398	Level 2	Consensus price of the investment	N/A
– Unlisted investment funds	**348,826**	193,135	Level 3	Market approach	Recent market transaction price
– Unlisted convertible promissory note	**–**	23,495	Level 3	Market approach	Recent market transaction price
– Unlisted convertible debt investments	**421,329**	482,039	Level 3	Market approach	Recent market transaction price
Financial assets at fair value through other comprehensive income					
– Listed debt investments	**4,515,634**	2,570,780	Level 2	Consensus price of the investment	N/A
– Listed equity instruments	**448,004**	435,270	Level 2	Consensus price of the investment	N/A
Financial liabilities					
Financial liabilities at fair value through profit or loss	**–**	107,219	Level 2	Net asset value	N/A
Financial liabilities at fair value through profit or loss	**22,526**	22,930	Level 3	Net asset value	N/A

During the period under review, there were no transfers among Level 1, Level 2 and Level 3.

Notes to the Unaudited Condensed Consolidated Financial Statements

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23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements and valuation processes

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market closing prices. The fair value of financial assets that are not traded in active liquid markets are determined based on recent market transactions.

24 RELATED PARTY TRANSACTIONS

The Group had the following related party transactions for the six months ended 30 June 2019 and 2018:

(a) Compensation of key management personnel of the Group

	Six months ended	
	30 June 2019 HK$'000	30 June 2018 HK$'000
Short-term employee benefits	**7,085**	7,592
Post-employment benefits	**25**	17
Total compensation to key management personnel	**7,110**	7,609

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

24 RELATED PARTY TRANSACTIONS (continued)

(b) Material transaction with related parties

Apart from transactions disclosed in other notes of the condensed consolidated financial statements, during the period ended 30 June 2019, the Group had the following material transactions with related parties.

	Six months ended	
	30 June 2019 HK$'000	30 June 2018 HK$'000
Interest expense to an intermediate holding company (Note (i))	**131,892**	84,223
Interest income from a branch of the ultimate holding company	**–**	1,271
Interest expense to a branch of the ultimate holding company	**2,027**	9,510
Asset management fee incomes from an intermediate holding company and segregated portfolios invested by an intermediate holding company (Note (ii))	**15,034**	8,645
Office sharing fee income from an intermediate holding company	**740**	–
Underwriting referral services expenses to an intermediate holding company	**–**	1,536

Notes:

(i) At 30 June 2019, an intermediate holding company provided loans in an aggregate amount of approximately HK$5,132,261,000 (31 December 2018: HK$6,314,421,000) to the Group. The loans bear annual interest rates of 4.0% to 4.13% (31 December 2018: 4.0%) and repayable within one year (31 December 2018: within one year). Interest payable of approximately HK$235,407,000 (31 December 2018: HK$103,962,000) has been accrued from the loans as at 30 June 2019.

(ii) During the period, the Group earned asset management fee income for the asset management services provided to an intermediate holding company and segregated portfolios invested by an intermediate holding company.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

24 RELATED PARTY TRANSACTIONS (continued)

(c) Material balances with related parties

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Bank balances at a branch of the ultimate holding company – House accounts	**17,777**	25,738
Amount due to/(from) an intermediate holding company	**4,001**	(243)
Loans from an intermediate holding company	**5,367,668**	6,418,383
Bank loan from a branch of the ultimate holding company	**–**	234,957
Interest payable to a branch of the ultimate holding company	**–**	861
Accounts receivable from an intermediate holding company	**–**	195,895
Accounts receivable from segregated portfolios invested by an intermediate holding company	**–**	39,179
Accounts payable to the immediate holding company	**7,007**	–

(d) Service agreements with related parties

On 3 October 2017, the Company entered into a service agreement with CMBCI, pursuant to which the Group agreed to provide asset management services or ancillary services to CMBCI. CMBCI and its subsidiaries (other than the members of the Group) agreed to introduce, refer and communicate underwriting opportunities offered by independent third parties to the Group.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

24 RELATED PARTY TRANSACTIONS (continued)

(d) Service agreements with related parties (continued)

On 30 July 2018, the Company entered into a deposit services agreement with CMBC HK Branch with effective from 31 May 2017 and up to 31 December 2019, pursuant to which CMBC HK Branch agreed to provide deposit services to the Group.

On 4 April 2019 and 29 May 2019, the Company entered into the service agreement and the supplemental agreement to the service agreement with CMBCI respectively, pursuant to which (i) the Group agreed to provide asset management services to CMBCI, its subsidiaries (other than the members of the Group) and its associates; (ii) CMBCI and its subsidiaries (other than the members of the Group) agreed to provide the distribution services and the underwriting referral services to the Group; and (iii) the Group agreed to provide underwriting and sub-underwriting services to CMBCI, its subsidiaries (other than the members of the Group) and its associates.

On 31 May 2019, the Company entered into the office sharing agreement with CMBCI, pursuant to which the Company agreed to grant CMBCI the non-exclusive right to use certain area of the office space in consideration of the sharing fees payable by CMBCI.

During the period ended 30 June 2019, there were transactions relating to provision of asset management services, provision of deposit services and office sharing.

During the period ended 30 June 2018, there were transactions relating to provision of asset management services, referral of underwriting opportunities and provision of deposit services.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

25 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Unlisted investment funds	**348,826**	193,135

The Group has concluded that the unlisted investment funds in which it invests, but that it does not consolidate meets the definition of structured entities because:

– the voting rights in the funds are not dominant rights in deciding who controls them as they relate to administrative tasks only;

– each fund's activities are restricted by its articles of associations; and/or

– the funds have narrow and well defined objectives to provide investment opportunities to investors.

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest:

Type of structured entity	**Nature and purpose**	**Interest held by the Group**
Unlisted investment funds	To manage assets on behalf of third party investors	Acting as limited partner

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

25 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (continued)

The table below sets out interests held by the Group in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

	30 June 2019	
	Number of investment funds	**Carrying amount included in financial assets at fair value through profit or loss HK$'000**
Unlisted investment funds	**3**	**348,826**

	31 December 2018	
	Number of investment funds	Carrying amount included in financial assets at fair value through profit or loss HK$'000
Unlisted investment funds	2	193,135

During the six months ended 30 June 2019, the Group did not provide financial support to the unconsolidated structured entities and has no intention of providing financial or other support.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

26 EVENT AFTER THE REPORTING PERIOD

As disclosed in the Company's announcement dated 23 July 2019, the Company (for itself and on behalf of other members of the Group) entered into a service agreement (the "Service Agreement") with China Minsheng Banking Corp., Ltd. ("China Minsheng") (for itself and on behalf of other members of China Minsheng and its subsidiaries, excluding the members of the Group ("China Minsheng Group"), pursuant to which, among other things:

(a) the Group agreed to provide the asset management services, investment advisory services and ancillary services to China Minsheng Group, its associates or any third parties who are deemed to be connected with the Company under Rule 14A.20 of the Listing Rules;

(b) China Minsheng Group agreed to provide the distribution services to the Group;

(c) China Minsheng Group agreed to provide the underwriting referral services to the Group pursuant to the Service Agreement; and

(d) the Group agreed to provide the underwriting services for securities (including but not limited to securities issued by China Minsheng Group) to China Minsheng Group.

The Service Agreement and the services to be provided thereunder (including the proposed annual caps for the services) are subject to the approval by the independent shareholders of the Company at a special general meeting which will be held in due course.