



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



INTERIM REPORT 2020





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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 (HK) 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 2019
“Reporting Period”	the six months ended 30 June 2020
“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
Industrial and Commercial
Bank of China Limited
Shanghai Pudong Development
Bank Co., Ltd
CMB Wing Lung Bank Limited

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 HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, 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 provided to most of its existing and potential clients at current stage.

During the Reporting Period, the Group recorded a revenue of approximately HK\$501.6 million, representing a year-on-year growth of approximately 12.2%. The net profit amounted to approximately HK\$165.5 million, representing an increase of approximately 10.1% 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

In terms of investment, the Group is globally oriented and focuses on the Greater China region. It actively identifies enterprises with prominent core advantages and strong growth ability and profitability with products that are in a rising cycle, focuses on strategic industries and provides value-added services for enterprises. The Group aims at high-tech enterprises, medical and healthcare industry, big consumption fields and other investment hot spots that have high growth potential.

In terms of financing, the Group is committed to providing debt financing products with different structures and forms according to customer needs, including pre-IPO financing, project financing, M&A loans, mezzanine loans and bridge loans.

During the Reporting Period, in the face of the adverse environment brought by the global economic fluctuations to industrial investment, the investment and financing business team of the Group had appraised the situation and made timely and reasonable adjustment to the investment and financing strategy. The Group had adapted to the changes in the market and risk environment. During the Reporting Period, all the proprietary investments of the Group achieved rapid premium appreciation and maintained a sustainable and healthy growth momentum.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Securities

During the Reporting Period, the total volume of Chinese offshore bond issuance had decreased significantly compared with the Previous Period due to the impact of the outbreak and global spreading of COVID-19. Under such circumstances, the amount of the Chinese offshore bonds underwritten by the Group had decreased compared with the Previous Period, but maintained a steady and healthy development trend.

The Group continued to strictly control the underwriting risks, focus on high-quality issuers mainly covering enterprises owned by the central government, high-quality local state-owned enterprises, large commercial banks and non-bank financial institutions, and continuously improve its brand in offshore bond underwriting business under the premise of controlling risks.

Asset management

While the Group's asset management team faced with the complex and volatile conditions of the capital market during the Reporting Period, it had increased the research on the fundamentals of investment targets and paid more attention to the establishment and improvement of investment and trading capabilities. Based on the principle of "being market-sensitive, loyal to the trend, good at trading, dare to take responsibility and strict self-discipline", the asset management team had actively responded to the market, continuously optimised the portfolio, and achieved a long-term stable performance returns for its customers. One of its fixed income funds was awarded the title of the global "top 10 long-short position fixed-income strategy funds with the highest net investment return in 2019" for its net investment return in an assessment conducted by BarclayHedge, a leading global fund research firm, on 6 February 2020. The Group's products had been favored and trusted by all kinds of investors because of its stable performance. The Group had focused on research and development of new products and market expansion and had gradually diversified customer source and product structure. In particular, the asset management team had applied to the SFC for the fund, CMBC Aggregate Fund, and its sub-fund, CMBC Aggregate Greater China Select Bond Fund, to be an Authorised Fund, and the application was approved by the SFC on 27 July 2020. It is believed that the establishment and the launching of the fund will further help enhance the brand and influence of the Group's asset management business.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Corporate finance and advisory

During the Reporting Period, the global economy was faced with great uncertainty due to the adverse impact of the COVID-19 outbreak and the political and economic events such as Sino-US relations. Despite the unfavorable market atmosphere, the Group's corporate finance team had overcome the difficulties and successfully completed the listing of a company on the main board of the Stock Exchange during the Reporting Period. Also, the Group had submitted applications to the Stock Exchange for listing on the main board for two sponsor projects during the Reporting Period. The industries covered by these projects include toy manufacturing, chip research and development, manufacturing and logistics. The Group expects that the stock market may continue to fluctuate in the second half of the year, and it will continue to make solid preparations and plan ahead. In addition to the sponsor projects, the Group also acted as financial advisor on the M&A project to a listed company (as purchaser) in its acquisition of a social streaming application development and operation company during the Reporting Period. The Group was also the IPO sponsor of the listed company in 2019. The subsequent appointment of the Group as a financial adviser on the M&A project demonstrated a high degree of recognition by its clients for the Group's professional competence. With respect to stock underwriting, despite the unsatisfactory market environment, the Group's equity capital market team, with its excellent underwriting ability, completed a total of 11 IPO underwriting projects during the Reporting Period, representing a significant increase compared with one underwriting project in the Previous Period, and the industries of these projects covered technology companies in new economy industry.

PROSPECTS AND DEVELOPMENT STRATEGIES

Prospect

With COVID-19 hitting the global and local economic activities hard, Hong Kong's overall economy was very weak in the first half of 2020. Looking ahead, the COVID-19 pandemic will continue to be a major threat to the global economic outlook. While the US and Eurozone economies appear to have bottomed out, the path to recovery is likely to be slow and bumpy until an effective vaccine or cure is available. Coupled with evolving Sino-US relations and rising geopolitical tensions, the challenging external environment is expected to constrain Hong Kong's economic performance in the short term.

Although the Group has achieved satisfactory results during the Reporting Period and is optimistic about the long-term sustainable economic growth in Hong Kong and Mainland China, and that the Group has committed to further develop its business, it should continue to act cautiously and keep an eye on the possible risks in the second half of the year. For these reasons, the Group will adopt the following development strategies.

Management Discussion and Analysis

PROSPECTS AND DEVELOPMENT STRATEGIES (continued)

Development strategy

The Company will further develop bond issuance and underwriting business, corporate financing and advisory services and asset management business by developing investment and financing business, so as to continue to improve its profitability. Specifically, the Group will adopt the following measures:

- (1) improving the structure of investment and financing businesses. The Company will continue to optimise the customer selection strategy according to the changes in the economic and market environment, with a focus on developing high-quality customers from the industries with good prospects;
- (2) further developing bond underwriting and issuance business. The Company will continue to develop offshore bond financing channels for high-quality customers, including continuing to utilise customer resources of China Minsheng Group;
- (3) further developing corporate finance and advisory services. The Company will continue to expand customer base by leveraging China Minsheng's customer sources and identifying customers who may need cross-border listing and advisory services;
- (4) promoting the asset management business by providing innovative products and services;
- (5) strengthening the development of the Group. The Group will pay close attention to any potential investment targets or China Minsheng's partners that can create synergies with the Group. The Company intends to promote development by establishing close relationships with such targets or partners; and
- (6) enhancing risk management. To continuously improve risk management and internal control, the Group will select projects carefully, monitor projects regularly, assess project risks frequently, take prompt action to respond to any environmental changes and improve its internal control procedures.

In addition, the Group will continue to adhere to the upgraded basic strategy of "one body and two wings" with "one body" optimised, which is to further optimise the investment and financing business products and customer structure; and "two wings" emphasized, which is to fully commit to improving the revenue and market position of investment banking and asset management businesses. Further, the Group focuses on both business development and compliance risk control, advocating the improvement of the three abilities of all staff, namely, compliance and risk control ability, marketing and communication ability and investment and trading ability, while emphasizing the adherence to the principle of "three bottom lines", namely, legality and compliance bottom line, risk control bottom line and company interest bottom line, in order to comprehensively improve the sustainability and market image of the Company.

Management Discussion and Analysis

FINANCIAL RESULTS

During the Reporting Period, the Group's profit attributable to the owners of the Company increased to approximately HK\$165.5 million, representing an increase of approximately 10.1% when compared to profit for the Previous Period of approximately HK\$150.3 million. The Group's basic and diluted earnings per share were HK0.35 cents (30 June 2019: HK0.32 cents).

Revenue

The Group's revenue increased by approximately 12.2% to approximately HK\$501.6 million during the Reporting Period, compared to approximately HK\$447.1 million in the Previous Period. The increase was mainly due to the contribution from the investment and financing segment and the asset management 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 30 June		Segment Results For the 6 months ended 30 June	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Securities	33,664	61,604	18,315	42,778
Investment and financing	421,016	351,283	150,689	156,182
Asset management	62,226	15,252	42,914	607
Corporate finance and advisory	23,801	30,425	9,850	16,906
Other	–	–	(21,600)	(40,766)
Total	540,707	458,564	200,168	175,707

Securities segment

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

During the Reporting Period, the revenue and profit contributed by securities segment were approximately HK\$33.7 million and approximately HK\$18.3 million, respectively, compared to the revenue and profit of approximately HK\$61.6 million and approximately HK\$42.8 million, respectively in the Previous Period. The decrease in segment revenue and profit was mainly attributable to the decline of the Group's securities business.

Management Discussion and Analysis

FINANCIAL RESULTS (continued)

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 debt investments, as well as interest income from loans, amounted to approximately HK\$381.9 million as compared to approximately HK\$339.8 million in the Previous Period. The segment profit decreased from approximately HK\$156.2 million in the Previous Period to approximately HK\$150.7 million in the Reporting Period. The decrease in segment profit was mainly attributable to the increase in the provision of impairment loss.

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Investment		
Listed equities	2,725	25,454
Unlisted equity interests	308,575	290,790
Listed bonds (measured at FVOCI)	8,382,157	6,888,906
Listed bonds (measured at FVTPL)	151,461	94,071
Listed bonds (measured at amortised cost)	135,073	171,078
Unlisted funds	421,376	299,212
Unlisted convertible debt investments	–	242,526
Total	9,401,367	8,012,037
Financing		
Loans and advances	1,882,765	2,210,711

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.

As at 30 June 2020, the assets of the proprietary investment of the Company amounted to approximately HK\$9.4 billion (31 December 2019: HK\$8.0 billion), including bonds investment of approximately HK\$8.7 billion (31 December 2019: HK\$7.2 billion). During the Reporting Period, the Group's total investment portfolio increased by approximately HK\$1.4 billion. This was mainly due to the net purchase of listed bonds (measured at FVOCI and FVTPL) and unlisted funds.

Management Discussion and Analysis

FINANCIAL RESULTS (continued)

Investment and financing segment (continued)

During the Reporting Period, the investment portfolio generated income in an aggregate amount of approximately HK\$288.0 million (Previous Period: HK\$179.1 million), including interest income from debt securities investments of approximately HK\$238.0 million (Previous Period: HK\$127.9 million), interest income from FVTPL investments of approximately HK\$8.1 million (Previous Period: HK\$26.2 million) and dividend income and other investment income of approximately HK\$41.9 million (Previous Period: HK\$25.0 million).

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 and funds, mainly focused on trending industries, such as high-end technology, 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 monitored constantly. Thorough pre-, peri- and post- investment management measures were put in place to manage the credit risk of the Group practicably and effectively.

Management Discussion and Analysis

FINANCIAL RESULTS (continued)

Asset management segment

The Group's asset management segment recorded revenue of approximately HK\$62.2 million during the Reporting Period as compared to approximately HK\$15.3 million in the Previous Period and segment profit of approximately HK\$42.9 million during the Reporting Period as compared to approximately HK\$0.6 million in the Previous Period. The segment revenue and profit increased due to the increase in the asset management portfolio and the recognition of the performance fee.

Corporate finance and advisory segment

The Group's corporate finance and advisory segment recorded revenue of approximately HK\$23.8 million during the Reporting Period as compared to approximately HK\$30.4 million in the Previous Period and segment profit of approximately HK\$9.9 million during the Reporting Period as compared to approximately HK\$16.9 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.

Administrative expenses and finance costs

Administrative expenses and finance costs for the Reporting Period amounted to approximately HK\$236.5 million in aggregate as compared to approximately HK\$258.4 million in the Previous Period. The analysis is set out below:

	For the 6 months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
Staff costs	33,553	45,738
Depreciation and amortisation	13,856	15,897
Other administrative expenses	25,942	29,540
Finance costs	163,167	167,234
Total	236,518	258,409

The decrease in staff costs was mainly due to the decrease in the number of staff.

The decrease in depreciation and amortisation was mainly due to decrease in depreciation for property, plant and equipment.

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

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Structure

As at 30 June 2020, the total number of the issued share capital with the par value of HK\$0.01 each was 47,658,307,729 (31 December 2019: 47,679,217,729) and total equity attributable to shareholders was approximately HK\$2,109.9 million (31 December 2019: HK\$2,222.2 million).

During the Reporting Period, 18,970,000 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 no share options have been granted under the Share Option Scheme.

Liquidity and Financial Resources

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

As at 30 June 2020, the Group had current assets of approximately HK\$12,455.9 million (31 December 2019: HK\$11,032.1 million) and liquid assets comprising cash (excluding cash held on behalf of customers) and investments in listed equity securities and listed debt securities (other than those measured at amortised cost) totaling approximately HK\$9,138.3 million (31 December 2019: HK\$7,409.1 million). The Group's current ratio, calculated based on current assets of approximately HK\$12,455.9 million (31 December 2019: HK\$11,032.1 million) over current liabilities of approximately HK\$10,812.3 million (31 December 2019: HK\$9,301.1 million), was at a ratio of approximately 1.2 as at 30 June 2020 (31 December 2019: 1.2).

The Group's finance costs for the Reporting Period mainly represented the effective interest on notes payable of approximately HK\$1.5 million (Previous Period: HK\$4.1 million), interest on loans from an intermediate holding company of approximately HK\$119.0 million (Previous Period: HK\$131.9 million), interest on financial assets sold under repurchase agreements of approximately HK\$40.0 million (Previous Period: HK\$26.1 million) and interest on lease liabilities of approximately HK\$2.7 million (Previous Period: HK\$3.0 million).

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (continued)

Liquidity and Financial Resources (continued)

As at 30 June 2020, the Group's indebtedness comprised loans from an intermediate holding company, notes payable and financial assets sold under repurchase agreements of approximately HK\$9,930.9 million (31 December 2019: HK\$8,887.1 million). The loans from an intermediate holding company of approximately HK\$6,247.6 million (31 December 2019: HK\$5,656.7 million) were denominated in Hong Kong dollars and United States dollars and borne interests at 4% per annum and were repayable within one year. The notes payable in the aggregate principal amount of HK\$50 million (31 December 2019: HK\$50 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% 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 approximately 82.5% (31 December 2019: 80.0%).

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 2020, 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 2020:

	Original intended use of the proceeds as disclosed	Actual use of the proceeds up to 30 June 2020	Remaining balance of the proceeds as at 30 June 2020
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\$81.3 million	approximately HK\$3.7 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

As at 30 June 2020, except item 3 in the table above, the proceeds had been fully utilised in accordance with the intended use.

Management Discussion and Analysis

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

(b) Unutilised Amount of the Proceeds

As shown in the table above (i.e., item 3), there remained an unutilised amount of approximately HK\$3.7 million.

As of 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 utilise the unutilised amount by the end of 2020.

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 2020, 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 2020:

	Original intended use of the proceeds as disclosed	Actual use of the proceeds up to 30 June 2020	Remaining balance of the proceeds as at 30 June 2020
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\$69.5 million	Nil
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\$64.5 million	approximately HK\$5 million

(b) Unutilised amount of the Proceeds

As shown in the table above (i.e. item 5), approximately HK\$5 million had 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 unutilised proceeds around the end of 2020.

Management Discussion and Analysis

PLEDGE OF ASSETS

Except as otherwise disclosed, as at 30 June 2020, the Group had no other pledge or charge on assets (31 December 2019: Nil).

CONTINGENT LIABILITY

As at 30 June 2020, the Group had no significant contingent liability (31 December 2019: Nil).

CAPITAL COMMITMENT

As at 30 June 2020, the Group had no significant capital commitment (31 December 2019: Nil).

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 2020, the Group had 69 (30 June 2019: about 80) employees including Directors. For the Reporting Period, total staff costs, including Directors' remuneration, was approximately HK\$33.6 million (Previous Period: HK\$45.7 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 27 July 2020 and the circular dated 3 August 2020, the Company proposed to revise the annual caps of the asset management services, investment advisory services and ancillary services provided by the Group to China Minsheng Group, and the distribution services to be provided by China Minsheng Group to the Group pursuant to the service agreement dated 23 July 2019 for the years ending 31 December 2020 and 2021.

The proposed revised annual caps were approved by the independent shareholders of the Company at the special general meeting held on 26 August 2020.

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.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (Previous Period: Nil).

Other Information

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 share options have been granted to the selected persons of the Group under the Share Option Scheme. As at 30 June 2020, there was no outstanding share options (31 December 2019: Nil).

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 authorised 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 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.

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

Other Information

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

As at 30 June 2020, 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 2020, 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, 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, which was recorded in the register of interests kept by the Company under section 336 of the SFO, 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	30,142,919,093 (Note 1)	63.22%	Long position
CMBCI	Interest of controlled corporation	30,142,919,093 (Note 1)	63.22%	Long position
CMBCI Investment HK	Interest of controlled corporation	29,943,919,093 (Note 1)	62.80%	Long position
CMBCI Investment	Beneficial Owner	29,943,919,093 (Note 1)	62.80%	Long position
Central Wealth Group Holdings Limited	Interest of controlled corporation	3,243,485,829 (Note 2)	6.80%	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. Central Wealth Infrastructure Investment Limited, Desert Gold Limited and Central Wealth Securities Investment Limited were indirect wholly owned subsidiaries of Central Wealth Group Holdings Limited. Central Wealth Infrastructure Investment Limited, Desert Gold Limited and Central Wealth Securities Investment Limited held 1,368,105,829 Shares, 1,415,380,000 Shares, 460,000,000 Shares, respectively. As such, Central Wealth Group Holdings Limited was deemed to be interested in the Shares held by Central Wealth Infrastructure Investment Limited, Desert Gold Limited and Central Wealth Securities Investment Limited.

Other Information

CORPORATE GOVERNANCE

The Company had 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 deviations 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.

Attendance of the Annual General Meeting

Code Provision E.1.2

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

Deviation

The chairmen and members of the audit committee, the nomination committee and the remuneration committee were unable to attend the annual general meeting of the Company held on 30 June 2020 (the “2019 AGM”) due to their other business engagement. However, the chairman of the Board chaired the 2019 AGM and answered questions from the shareholders of the Company. The 2019 AGM has provided a channel for communication between the Board and the shareholders.

Other Information

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 had 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, 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 unaudited 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

The Board considers that the redemption of Shares could increase the net asset value and/or earnings per share, so the Company repurchased a total of 18,970,000 Shares on the Stock Exchange, with the total consideration of approximately HK\$2.6 million for the six months ended 30 June 2020. As at the date of this interim report, all repurchased Shares have been cancelled.

Details of repurchase are as follow:

Month of Repurchase	Total shares repurchased	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Total consideration paid (HK\$'000)
March 2020	1,760,000	0.138	0.127	233
April 2020	8,560,000	0.145	0.116	1,131
May 2020	5,020,000	0.145	0.113	655
June 2020	3,630,000	0.170	0.164	612
Total	18,970,000	-	-	2,631

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 2020

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 27 to 62, 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 2020 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 2020

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	Notes	Six months ended	
		30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)
Revenue	4	501,578	447,101
Net gains on financial assets at fair value through profit or loss ("FVTPL")		48,204	22,177
Net losses on financial assets at fair value through other comprehensive income ("FVOCI")		(9,075)	(10,714)
Other income	5	7,483	3,017
Other gains and losses	6	(3,815)	(4,823)
Impairment losses	7	(107,689)	(22,642)
Staff costs		(33,553)	(45,738)
Depreciation and amortisation		(13,856)	(15,897)
Other operating expenses		(25,942)	(29,540)
Finance costs	8	(163,167)	(167,234)
Profit before taxation	9	200,168	175,707
Taxation	10	(34,718)	(25,392)
Profit for the period attributable to owners of the Company		165,450	150,315
Earnings per share attributable to owners of the Company (HK cents)	11		
– Basic		0.35	0.32
– Diluted		0.35	0.32

The notes on pages 33 to 62 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 2020

	Six months ended	
	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company	165,450	150,315
Other comprehensive (loss)/income		
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)	(34,241)	41,642
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)	(83,631)	158,248
Other comprehensive (loss)/income for the period, net of tax	(117,872)	199,890
Total comprehensive income for the period attributable to owners of the Company	47,578	350,205

The notes on pages 33 to 62 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Notes	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		10,867	11,926
Right-of-use asset		105,106	116,785
Goodwill		16,391	16,391
Intangible assets		2,788	3,474
Loans and advances	13	353,323	357,822
Financial assets at amortised cost	15	76,944	77,574
Deferred tax assets		7,589	13,520
Other assets		10,185	10,184
		583,193	607,676
Current assets			
Accounts receivable	14	528,004	601,243
Prepayments, deposits and other receivables		145,945	55,773
Interest receivable		151,516	147,676
Amount due from an intermediate holding company		2,002	4,109
Loans and advances	13	1,529,442	1,852,889
Financial assets at fair value through other comprehensive income	16	8,382,157	6,888,906
Financial assets at amortised cost	15	58,129	93,504
Financial assets at fair value through profit or loss	17	884,137	952,053
Cash held on behalf of customers		172,661	35,279
Cash and cash equivalents		601,929	400,708
		12,455,922	11,032,140

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2020

	Notes	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Current liabilities			
Accounts payable	18	185,214	38,958
Other payables and accruals		229,826	145,329
Bank and other borrowings	19	6,457,813	5,748,468
Notes payable		50,000	50,000
Financial assets sold under repurchase agreements	20	3,633,292	3,180,420
Financial liabilities at fair value through profit or loss	21	27,413	27,977
Lease liabilities		27,388	27,388
Dividend payable		157,272	–
Tax payable		44,065	82,510
		10,812,283	9,301,050
Net current assets		1,643,639	1,731,090
Total assets less current liabilities		2,226,832	2,338,766
Non-current liabilities			
Lease liabilities		79,983	91,012
Deferred tax liabilities		36,922	25,511
		116,905	116,523
Net assets		2,109,927	2,222,243
Capital and reserves			
Share capital	22	476,583	476,792
Reserves		1,633,344	1,745,451
Total equity		2,109,927	2,222,243

The notes on pages 33 to 62 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Notes	Attributable to owners of the Company							Total HK\$'000
		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	
At 1 January 2020 (audited)		476,792	1,766,218	2,223,351	(229,548)	3,214	479	(2,018,263)	2,222,243
Profit for the period		-	-	-	-	-	-	165,450	165,450
Other comprehensive (loss)/income		-	-	-	(83,631)	(38,481)	-	4,240*	(117,872)
Total comprehensive income		-	-	-	(83,631)	(38,481)	-	169,690	47,578
Shares repurchased and cancelled	22(i)	(209)	(2,694)	-	-	-	281	-	(2,622)
Dividend approved in respect of the previous year	12	-	-	(157,272)	-	-	-	-	(157,272)
At 30 June 2020 (unaudited)		476,583	1,763,524	2,066,079	(313,179)	(35,267)	760	(1,848,573)	2,109,927

	Notes	Attributable to owners of the Company							Total HK\$'000
		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	
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 (loss)/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		(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

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

Amounts reclassified to accumulated profit/(losses) upon disposal of equity investments at fair value through other comprehensive income.

The notes on pages 33 to 62 form part of these condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020

	Six months ended	
	30 June 2020	30 June 2019
	HK\$'000 (Unaudited)	(Re-presented) HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities	(397,882)	902,747
Net cash used in investing activities		
Purchases of property, plant and equipment	(432)	(12,580)
	(432)	(12,580)
Net cash generated from/(used in) financing activities		
Repurchase of shares	(2,622)	(490)
New borrowings raised	1,480,553	1,041,050
Repayments of borrowings	(864,800)	(2,450,557)
Principal and interest elements of lease payments	(13,693)	(11,412)
	599,438	(1,421,409)
Net increase/(decrease) in cash and cash equivalents	201,124	(531,242)
Cash and cash equivalents at the beginning of the period	400,708	887,579
Effect of foreign exchange rate changes, net	97	4,873
Cash and cash equivalents at the end of the period	601,929	361,210

The notes on pages 33 to 62 form part of these condensed consolidated financial statements.

Note: For the year ended 31 December 2019, the respective cash flows relating to financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss (previously presented under 'Investing activities'), and financial assets sold under repurchase agreements (previously presented under 'Financing activities') were presented under 'Operating activities' due to its change in business circumstances during the year. Comparative figures for the six-month period ended 30 June 2019 have been re-presented correspondingly to conform with the current period's presentation. However, there was no impact to the cash and cash equivalents for the period ended 30 June 2019.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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 ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They were authorised for issue on 26 August 2020.

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 2019 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 2019 annual financial statements.

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.

There was no major change in the current period to the critical accounting estimates and judgements applied in 2019, which are stated in note 3 of the Annual Report 2019. However, the level of estimation uncertainty and judgement for the calculation of expected credit losses has increased since 31 December 2019 as a result of the economic effects of the COVID-19 outbreak. There have been no significant changes in the methodology used to determine the expected credit losses estimate, but the probability weightings of the upside, base and downside scenarios have been adjusted to reflect the change in management's view of the deteriorating economic outlook since 31 December 2019.

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 25 and 26.

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with HKFRSs.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

2 CHANGES IN ACCOUNTING POLICIES

A number of new or amended standards became applicable for the current reporting period, and the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

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

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

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

3 SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the Group's management, being the chief operating decision makers, for the purpose of resources allocation and assessment of segment performance focusing on types of services provided. In 2020, "Asset management" and "Corporate finance and advisory" segments are now presented separately to align with the Group's internal reporting information. Comparatives have been re-presented accordingly.

- the securities segment representing the business line of provision of brokerage services, securities margin financing services to clients and securities underwriting/placing;
- the investment and financing segment representing investment and trading activities in equity securities, bonds, funds and provision of loan financing services;
- the asset management segment representing provision of asset management services to clients;
- the corporate finance and advisory segment representing provision of sponsorship, financial advisory and financial arrangement services to clients; and
- the 'Others' segment primarily includes head office operations as well as interest income and interest expense incurred for generating working capital for general operations.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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 2020 HK\$'000	30 June 2019 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Commission income from brokerage and related services	365	937
– Commission income from underwriting, sub-underwriting, placing and sub-placing	17,052	23,610
– Financing advisory, sponsorship, arrangement fee and other service income	14,483	33,509
– Asset management services fee income	62,226	15,252
	94,126	73,308
Revenue from other sources		
Loan and financing		
– Interest income from provision of finance and securities margin financing	119,490	194,667
Financial investments		
– Interest income from debt securities investments	237,962	127,940
– Interest income from FVTPL investments	8,125	26,190
– Dividend income and other investment income	41,875	24,996
	287,962	179,126
	501,578	447,101

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 2020

3 SEGMENT INFORMATION (continued)

Disaggregation of revenue (continued)

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 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019 (Re-presented)	30 June 2020	30 June 2019 (Re-presented)	30 June 2020	30 June 2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15	8,099	27,631	-	-	62,226	15,252	23,801	30,425	94,126	73,308
Revenue from other sources										
Loan and financing										
- Interest income from provision of finance and securities margin financing	25,565	33,973	93,925	160,694	-	-	-	-	119,490	194,667
Financial investments										
- Interest income from debt securities investments	-	-	237,962	127,940	-	-	-	-	237,962	127,940
- Interest income from FVTPL investments	-	-	8,125	26,190	-	-	-	-	8,125	26,190
- Dividend income and other investment income	-	-	41,875	24,996	-	-	-	-	41,875	24,996
	-	-	287,962	179,126	-	-	-	-	287,962	179,126
Reportable segment revenue	33,664	61,604	381,887	339,820	62,226	15,252	23,801	30,425	501,578	447,101

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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 2020					
	Securities HK\$'000	Investment and financing HK\$'000	Asset management HK\$'000	Corporate finance and advisory HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue and investment gains/(losses)						
– Reportable segment revenue	33,664	381,887	62,226	23,801	–	501,578
– Net gains on financial assets at fair value through profit or loss	–	48,204	–	–	–	48,204
– Net losses on financial assets at fair value through other comprehensive income	–	(9,075)	–	–	–	(9,075)
	33,664	421,016	62,226	23,801	–	540,707
Other income	1,523	191	456	633	4,680	7,483
Other gains and losses	(1,460)	8,236	(328)	115	(10,378)	(3,815)
Segment expenses	(15,412)	(278,754)	(19,440)	(14,699)	(15,902)	(344,207)
Segment results	18,315	150,689	42,914	9,850	(21,600)	200,168

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3 SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

	Six months ended 30 June 2019					Total HK\$'000
	Securities HK\$'000	Investment and financing HK\$'000	Asset management (Re- presented) HK\$'000	Corporate finance and advisory (Re- presented) HK\$'000	Others HK\$'000	
Segment revenue and investment gains/(losses)						
– Reportable segment revenue	61,604	339,820	15,252	30,425	–	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	15,252	30,425	–	458,564
Other income	637	1,080	1	310	989	3,017
Other gains and losses	(711)	505	(4)	10	(4,623)	(4,823)
Segment expenses	(18,752)	(196,686)	(14,642)	(13,839)	(37,132)	(281,051)
Segment results	42,778	156,182	607	16,906	(40,766)	175,707

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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 2020					
	Securities HK\$'000	Investment and financing HK\$'000	Asset management HK\$'000	Corporate finance and advisory HK\$'000	Others HK\$'000	Total HK\$'000
Assets						
Segment assets	820,814	11,755,003	56,982	5,308	401,008	13,039,115
Liabilities						
Segment liabilities	642,612	9,906,797	20,070	-	359,709	10,929,188

	As at 31 December 2019					
	Securities HK\$'000	Investment and financing HK\$'000	Asset management (Re- presented) HK\$'000	Corporate finance and advisory (Re- presented) HK\$'000	Others HK\$'000	Total HK\$'000
Assets						
Segment assets	749,591	10,553,869	30,578	27,002	278,776	11,639,816
Liabilities						
Segment liabilities	545,222	8,625,644	12,140	3,447	231,120	9,417,573

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

4 REVENUE

	Six months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
Commission income from brokerage and related services	365	937
Commission income from underwriting, sub-underwriting, placing and sub-placing	17,052	23,610
Interest income from debt securities investments	237,962	127,940
Interest income from FVTPL investments	8,125	26,190
Interest income from provision of finance and securities margin financing	119,490	194,667
Dividend income and other investment income	41,875	24,996
Financing advisory, sponsorship, arrangement fee and other service income	14,483	33,509
Asset management services fee income	62,226	15,252
	501,578	447,101

5 OTHER INCOME

	Six months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
Bank interest income	1,065	424
Office sharing fee income	4,440	740
Other income	1,978	1,853
	7,483	3,017

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

6 OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
Loss on disposal of property, plant and equipment	–	(134)
Net exchange loss	(3,815)	(4,689)
	(3,815)	(4,823)

7 IMPAIRMENT LOSSES

	Six months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
Impairment losses		
– Loans and advances (Note 13)	6,813	642
– Accounts receivable (Note 14)	1,555	–
– Financial assets at fair value through other comprehensive income (Note 16)	64,352	22,000
– Financial assets at amortised cost (Note 15)	34,969	–
	107,689	22,642

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

8 FINANCE COSTS

	Six months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
Interest expense on:		
Margin loan	4	–
Notes payable	1,521	4,137
Bank borrowings	–	2,027
Loans from an intermediate holding company	118,986	131,892
Financial assets sold under repurchase agreements	39,992	26,137
Lease liabilities	2,664	3,041
	163,167	167,234

9 PROFIT BEFORE TAXATION

	Six months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
The Group's profit before taxation is arrived at after charging:		
Depreciation of property, plant and equipment	1,491	3,533
Depreciation of right-of-use asset	11,679	11,678
Amortisation of intangible assets	686	686
Lease payments in respect of short-term leases	–	6,043

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

10 TAXATION

	Six months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
Current period – Hong Kong Profits Tax	(17,376)	(25,181)
Deferred tax provided for the period	(17,342)	(211)
	(34,718)	(25,392)

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 2020 HK\$'000	30 June 2019 HK\$'000
Earnings		
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	165,450	150,315

	Six months ended	
	30 June 2020 '000	30 June 2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	47,673,449	47,705,863

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 2020

12 DIVIDENDS

The Board of Directors does not recommend the payment of interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

The final dividend of HK0.33 cents per share for the year ended 31 December 2019 had been approved by the shareholders of the Company on 30 June 2020 and was paid on 24 July 2020 in an aggregated amount of approximately HK\$157,272,000 (2018: 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 2020 HK\$'000	As at 31 December 2019 HK\$'000
Loans and advances	1,896,679	2,217,812
Less: Allowance for expected credit losses	(13,914)	(7,101)
	1,882,765	2,210,711
Less: Amount due within one year shown under current assets	(1,529,442)	(1,852,889)
Amount shown under non-current assets	353,323	357,822
Loans and advances (non-current)	357,342	359,384
Less: Allowance for expected credit losses	(4,019)	(1,562)
	353,323	357,822
Loans and advances (current)	1,539,337	1,858,428
Less: Allowance for expected credit losses	(9,895)	(5,539)
	1,529,442	1,852,889

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

13 LOANS AND ADVANCES (continued)

At 30 June 2020, loans and advances included loans to independent third parties with effective interest rates ranging from 5% to 14% (31 December 2019: 5% to 14%) 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 2020, allowance for expected credit losses of HK\$6,813,000 was recognised (for the six months ended 30 June 2019: HK\$642,000) in the condensed consolidated statement of profit or loss.

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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

14 ACCOUNTS RECEIVABLE

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Accounts receivable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Clearing houses	221	770
– Cash clients	101	5
– Margin clients	525,094	584,642
	525,416	585,417
Accounts receivable arising from the ordinary course of business of securities underwriting	3,290	11,988
Accounts receivable arising from the ordinary course of business of advisory services	2,015	5,000
	530,721	602,405
Less: Allowance for expected credit losses	(2,717)	(1,162)
	528,004	601,243

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 2020, the Group has concentration risk on its accounts receivable as the balance with the largest client represent 41% (31 December 2019: 35%) of the total accounts receivable from cash and margin clients. The Group has no other significant concentration risk.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

14 ACCOUNTS RECEIVABLE (continued)

Accounts receivable arising from the business of dealing in securities (continued)

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 2020 (during the year ended 31 December 2019: Hong Kong Prime Rate to Hong Kong Prime Rate plus 12.75%). The fair values of the pledged securities as at 30 June 2020 approximately at HK\$755,592,000 (31 December 2019: HK\$936,840,000).

As at 30 June 2020, approximately 99% (31 December 2019: approximately 99%) of the margin clients receivable balance were secured by sufficient collaterals on an individual basis. During the period ended 30 June 2020, allowance for expected credit losses of HK\$1,555,000 was recognised (for the six months ended 30 June 2019: Nil) in the condensed consolidated statement of profit or loss.

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 2020 HK\$'000	As at 31 December 2019 HK\$'000
Neither past due nor impaired	3,569	11,471
Less than 31 days past due	232	117
31 – 60 days past due	–	2,077
61 – 90 days past due	–	1,403
Over 90 days past due	1,504	1,920
	5,305	16,988
Allowance for expected credit losses	–	–
Total	5,305	16,988

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 2020

15 FINANCIAL ASSETS AT AMORTISED COST

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Listed debt investments	193,764	194,800
Less: Allowance for expected credit losses	(58,691)	(23,722)
	135,073	171,078
Less: Amount due within one year shown under current assets	(58,129)	(93,504)
Amount shown under non-current assets	76,944	77,574
Financial assets at amortised cost (non-current)	77,506	77,920
Less: Allowance for expected credit losses	(562)	(346)
	76,944	77,574
Financial assets at amortised cost (current)	116,258	116,880
Less: Allowance for expected credit losses	(58,129)	(23,376)
	58,129	93,504

During the period ended 30 June 2020, allowance for expected credit losses of HK\$34,969,000 was recognised (for the six months ended 30 June 2019: Nil) in the condensed consolidated statement of profit or loss.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Listed debt investments, at fair value (Note)	6,755,119	5,814,815
Listed equity instruments, at fair value	1,627,038	1,074,091
	8,382,157	6,888,906

Note: The Group has further recognised expected credit losses amounted to HK\$64,352,000 in the condensed consolidated statement of profit or loss during the period (for the six months ended 30 June 2019: HK\$22,000,000). As at 30 June 2020, allowance for expected credit losses amounted HK\$170,443,000 (31 December 2019: HK\$106,091,000) has been included in fair value reserve (recycling).

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Listed equity investments	2,725	25,454
Unlisted equity investments	308,575	290,790
Listed debt investments	151,461	94,071
Unlisted investment funds	421,376	299,212
Unlisted convertible debt investments	–	242,526
	884,137	952,053

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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

18 ACCOUNTS PAYABLE

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Accounts payable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Cash clients	134,398	29,805
– Margin clients	10,546	7,084
– Clearing houses	–	2,069
– Broker	40,270	–
	185,214	38,958

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.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

19 BANK AND OTHER BORROWINGS

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Loans from an intermediate holding company	6,457,813	5,748,468
The carrying amounts of the above borrowings are repayable: Within one year	6,457,813	5,748,468

As at 30 June 2020, the Group had loans amounting to approximately HK\$6,247,562,000 (31 December 2019: HK\$5,656,678,000) from CMBC International Holdings Limited, an intermediate holding company and interest payable amounting to approximately HK\$210,251,000 (31 December 2019: HK\$91,790,000). The loans bear interests at 4% per annum (31 December 2019: 4% to 4.24% per annum) and are repayable within one year (31 December 2019: within one year).

During the year ended 31 December 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 31 December 2019.

20 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Bonds	3,633,292	3,180,420

As at 30 June 2020, the Group entered into repurchase agreements with financial institutions to sell bonds recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost with aggregate carrying amount of approximately HK\$5,538,054,000 (31 December 2019: approximately HK\$5,590,071,000), which are subject to the simultaneous agreements to repurchase these investments at the agreed dates and prices.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

20 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

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.

21 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Payables to interest holder of unlisted consolidated investment fund, designated at FVTPL	27,413	27,977

As at 30 June 2020, the Company held 60% (31 December 2019: 60%) interest of CMBCC Co-High Medical Investment Fund SP (the “Medical Fund”). As the Group has control over the Medical Fund, it is accounted for as a subsidiary. Accordingly, the interests of the non-controlling shareholder are classified as financial liabilities designated as at fair value through profit or loss of approximately HK\$27,413,000 as at 30 June 2020. (31 December 2019: HK\$27,977,000).

During the year ended 31 December 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

22 SHARE CAPITAL

	Note	Number of shares		Amount	
		As at 30 June 2020 '000	As at 31 December 2019 '000	As at 30 June 2020 HK\$'000	As at 31 December 2019 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		47,679,218	47,705,978	476,792	477,059
Cancellation for shares repurchased	(i)	(20,910)	(26,760)	(209)	(267)
At the end of the period/year		47,658,308	47,679,218	476,583	476,792

Note:

- (i) During the period ended 30 June 2020, the Company repurchased an aggregate of 18,970,000 ordinary shares of the Company on market at prices ranging from HK\$0.113 to HK\$0.17 per share at a total consideration of approximately HK\$2,622,000 (before transaction costs). These shares were cancelled during the period ended 30 June 2020.

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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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 2020:

- 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 2020

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 2020 HK\$'000	31 December 2019 HK\$'000			
Financial assets					
Financial assets at fair value through profit or loss					
- Listed equity investments	2,725	25,454	Level 1	Quoted market closing prices in an active market	N/A
- Unlisted equity investments	308,575	290,790	Level 3	Recent transaction price/Binomial Model	Discount rate for lack of marketability/ Forward Price-to-Earnings ratio
- Listed debt investments	151,461	94,071	Level 2	Quoted price from broker/ financial institution	N/A
- Unlisted investment funds	421,376	299,212	Level 3	Recent transaction price/Trending on stock price movement/Equity allocation model	Stock price movement/ Scenario probability
- Unlisted convertible debt investments	-	242,526	Level 3	Discounted cash flow	Discount rate
Financial assets at fair value through other comprehensive income					
- Listed debt investments	6,755,119	5,814,815	Level 2	Quoted price from broker/financial institution	N/A
- Listed equity instruments	1,627,038	1,074,091	Level 2	Quoted price from broker/financial institution	N/A
Financial liabilities					
Financial liabilities at fair value through profit or loss	27,413	27,977	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

For the six months ended 30 June 2020

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 2020 and 2019:

(a) Compensation of key management personnel of the Group

	Six months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
Short-term employee benefits	7,075	7,085
Post-employment benefits	27	25
Total compensation to key management personnel	7,102	7,110

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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 2020, the Group had the following material transactions with related parties.

	Six months ended	
	30 June 2020 HK\$'000	30 June 2019 HK\$'000
Interest expense to an intermediate holding company (Note (i))	118,986	131,892
Interest income from a branch of the ultimate holding company	1	–
Interest expense to a branch of the ultimate holding company	–	2,027
Distribution fee paid to a subsidiary of an intermediate holding company (Note (ii))	4,500	–
Asset management fee income from an intermediate holding company and segregated portfolios invested by an intermediate holding company (Note (iii))	44,431	15,034
Performance fee income from a segregated portfolios invested by an intermediate holding company (Note (iii))	17,482	–
Office sharing fee income from an intermediate holding company	4,440	740

Notes:

- (i) At 30 June 2020, an intermediate holding company provided loans in an aggregate amount of approximately HK\$6,247,562,000 (31 December 2019: HK\$5,656,678,000) to the Group. The loans bear annual interest rate of 4% (31 December 2019: 4.0% to 4.24%) and repayable within one year (31 December 2019: within one year). Interest payable of approximately HK\$210,251,000 (31 December 2019: HK\$91,790,000) has been accrued from the loans as at 30 June 2020.
- (ii) During the period, the Group paid distribution fee for the distribution services provided by a subsidiary of an intermediate holding company.
- (iii) 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, and earned performance fee income for the asset management services provided to a segregated portfolios invested by an intermediate holding company.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

24 RELATED PARTY TRANSACTIONS (continued)

(c) Material balances with related parties

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Bank balances at a branch of the ultimate holding company		
– House accounts	25,226	26,322
– Segregated accounts	58,885	238
Amount due from an intermediate holding company	2,002	4,109
Loans from an intermediate holding company	6,457,813	5,748,468
Accounts payable to the immediate holding company	478	605

(d) Service agreements with related parties

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.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

24 RELATED PARTY TRANSACTIONS (continued)

(d) Service agreements with related parties (continued)

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. On 31 December 2019, the Company entered into the renewed office sharing agreement with CMBCI to renew the existing office sharing agreement and also entered into the renewed deposit services agreement with CMBC HK Branch to renew the existing deposit services agreement.

On 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, (i) 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; (ii) China Minsheng Group agreed to provide the distribution services to the Group; (iii) China Minsheng Group agreed to provide the underwriting referral services to the Group pursuant to the Service Agreement; and (iv) 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 transactions contemplated thereunder, and the Proposed Annual Caps were approved at the special general meeting on 23 September 2019.

During the period ended 30 June 2020 and 2019, there were transactions relating to provision of asset management services, provision of deposit services and office sharing.

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25 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Unlisted investment funds	421,376	299,212

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

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For the six months ended 30 June 2020

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 2020	
	Number of investment funds	Carrying amount included in financial assets at fair value through profit or loss HK\$'000
Unlisted investment funds	4	421,376

	31 December 2019	
	Number of investment funds	Carrying amount included in financial assets at fair value through profit or loss HK\$'000
Unlisted investment funds	3	299,212

During the six months ended 30 June 2020, 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 2020

26 EVENT AFTER THE REPORTING PERIOD

As disclosed in the Company's announcement dated 27 July 2020 and the circular dated 3 August 2020, the Company proposed to revise the annual caps of the asset management services, investment advisory services and ancillary services provided by the Group to the China Minsheng Banking Corp., Ltd. and its subsidiaries, excluding the members of the Group ("China Minsheng Group"), and the distribution services to be provided by China Minsheng Group to the Group pursuant to the service agreement dated 23 July 2019 for the years ending 31 December 2020 and 2021.

The proposed revised annual caps were approved by the independent shareholders of the Company at the special general meeting held on 26 August 2020.