



中薇金融

CHINA VÊRED FINANCIAL

China Vered Financial
Holding Corporation Limited

中薇金融控股有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 245



2021

Interim Report

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Tomohiko Watanabe

(Chairman and Chief Executive Officer)

Ni Xinguang *(Vice Chairman)*

Li Wei

Non-executive Director

Zhang Yang

Independent Non-executive Directors

Zhou Hui

Wang Yongli

Dong Hao

Audit Committee

Zhou Hui *(Chairperson)*

Wang Yongli

Dong Hao

Nomination Committee

Tomohiko Watanabe *(Chairman)*

Zhou Hui

Wang Yongli

Dong Hao

Remuneration Committee

Wang Yongli *(Chairman)*

Zhou Hui

Dong Hao

Company Secretary

Wong Wai Yee Ella

Principal Bankers

Bank of China (Hong Kong) Limited

China Construction Bank (Asia)

Corporation Limited

China Everbright Bank, Hong Kong Branch

China Merchants Bank, Hong Kong Branch

China Minsheng Bank, Hong Kong Branch

Chong Hing Bank Limited

CMB Wing Lung Bank Limited

Industrial Bank, Hong Kong Branch

Cathay Bank, Hong Kong Branch

Far Eastern International Bank,

Hong Kong Branch

Solicitors

Hong Kong Law

Herbert Smith Freehills

Independent Auditor

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

Registered Office

22/F, China Taiping Tower

8 Sunning Road

Causeway Bay

Hong Kong

Share Registrar and Transfer Office

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

Stock Code

245 HK

Website

www.chinavered.com

MANAGEMENT DISCUSSION AND ANALYSIS

Review

In the first half of 2021, the COVID-19 pandemic continued to spread around the world. As the vaccination progress and economic stimulus policy of various economies differ, the speed of economic recovery has apparently diverged among the economies. In general, the economic recovery of developed economies was significantly faster than that of most of the emerging and developing economies.

The disparity between demand and supply caused by the pandemic and liquidity easing around the world has led to a significant rise in commodities prices and a significant surge in global inflationary pressures. Subject to the varying pace of economic recovery in various economies and their degree of tolerance for inflation, the exit progress of the monetary easing policy in response to the negative economic impact of the pandemic has also demonstrated divergence. Major developed economies are still using monetary easing policies while some emerging and developing economies have stopped easing and have begun austerity. Owing to this, our investment strategy will remain prudent in the second half of 2021, focusing on industries affected by the pandemic and macroeconomics, and accelerating the digital transformation and upgrade of our business.

Looking back on the first half of 2021, the Company continued to optimize its asset allocation structure, further adjusted the business mix of buy-side and sell-side businesses, and increased the proportion of equity investments. These measures lowered asset concentration risks and increased the value of the asset portfolio. We continued to monitor the risks of invested projects and reduced exposure in US dollar bonds which experienced high volatility in the first half of the year. Also, recovery of impaired assets was effective, which further contributed to profits.

For the investment banking business, the Company is negotiating with internationally reputable investment banking experts for future collaboration, and will focus on cross-border mergers and acquisitions and investment bank capitalization businesses in the future. For the investment business, the Company will focus on investment opportunities in consumption upgrades, the internet, high-end manufacturing and other pro-cyclical industry leaders, and will follow up the listing plan of key invested projects. For the securities brokerage business, the Company regards the digital transformation of the securities brokerage business as its key strategy, and strives to build a brokerage brand on the internet with market influence and great user experience. For the asset management business, the Company will further recruit talents and strengthen investment and research team building and collaborate with external partners while raising the risk management standard and product development capabilities of the asset management team.

Prospect

Looking forward to the second half of this year, the global economic recovery will continue to progress gradually. Nevertheless, with the global pandemic situation remains severe and vaccination rate remains uneven, the pace of recovery between different economies is expected to be diverging. At the same time, the rising global asset prices and high leverage have exacerbated financial fragility around the globe. As the U.S. Federal Reserve (Fed)'s exit from the Quantitative Easing is getting near, the global financial market will face challenges. The double impact of slower economic recovery and high inflation rate could result in forced interest rate hikes, hence the debt risks of some emerging and developing economies may increase. In the case of China, the spread of the pandemic, high global inflation data, and the expected acceleration of the Fed's exit from Quantitative Easing will all increase the external uncertainty of economic development in China, therefore domestic economic recovery is still facing greater risks and challenges.

The Company will continue its prudent strategic development direction to expand its business scale, strengthen its own strength, improve its financial performance, and create greater value for its customers, shareholders and partners. Meanwhile, we will continue to expand its business in the Asia-Pacific region including Mainland China, Japan and Canada, etc. Leveraging on low-cost funds and our resource advantages in Hong Kong to meet the needs of customers in China and the Asia-Pacific region, we aim at providing cross-regional international financial services and strengthening the investment and financing capabilities covering the Asia-Pacific market.

In the second half of this year, the Company is expected to establish industrial investment funds and real estate funds in Mainland China and Japan to actively utilise the superior financial resources at the local level, thereby enhancing its fundraising and investment capabilities.

Looking forward, "Setting a Foothold in Hong Kong, Covering Asia, Focusing on the Future Globalization Process" as its long-term goal, the Company will rely on the position of Hong Kong as an international financial centre to seize the opportunities arising from the establishment of Guangdong-Hong Kong-Macau Greater Bay Area, the integration of Shenzhen, Hong Kong and Macau, and the connection between capital markets of China and Hong Kong, aggressively expand and push forward the businesses in leading economies of Asia. Adhering to the traditional financial business and innovative financial technology business to go hand in hand, the Company will grasp market opportunities for steady business expansion, hence maximizing the interests of all our shareholders and investors.

Significant Investments

As at 30 June 2021, the Group had investments in financial assets at fair value through profit or loss, finance assets at fair value through other comprehensive income and financial assets at amortised cost with an aggregate carrying amount of approximately HK\$4,209,578,000 (at 31 December 2020: HK\$4,809,020,000). The details of significant investments (each of which carrying value more than 3% of the total assets of the Group) as at 30 June 2021 are as follows:

Name of investee company/fund	Nature of investments	Investee's principal businesses	Number and percentage of shares/units held	Investment costs	Fair value/Carrying value as at		Unrealised gain/(loss) on	
					30 June 2021	30 June 2021	change in fair value for the period ended	Realised gain/(loss) for the period ended
				HK\$000	HK\$000	30 June 2021	30 June 2021	30 June 2021
eToro Group Ltd.	Investment in unlisted preferred shares [^]	Social investment trading network	1,196,438 (6.92%)	385,508	920,010	15.8%	267,422	9,425
Wison (Nantong) Heavy Industry Co., Ltd.	Investment in unlisted shares [#]	Marine engineering	Not applicable (4.75%)	298,167	295,025	5.1%	426	-
Kaisa Group Holdings Ltd.	Investment in listed bond [^]	Real estate	336,000 (Not applicable)	266,845	266,903	4.6%	(627)	(1,427)
Zensun Enterprises Ltd.	Investment in listed bond [^]	Real estate	290,000 (Not applicable)	224,668	218,175	3.7%	332	-
Ronshine China Holdings Ltd.	Investment in listed bond [^]	Real estate	225,000 (Not applicable)	176,105	175,476	3.0%	(1,058)	-
Oakwise Innovation Fund SPC — SP3	Investment in unlisted investment fund [*]	A diversified portfolio of investments, including but not limited to debt securities and equity securities	701,734 (81.70%)	544,150	274,489	4.7%	-	-
<i>Other significant investment as disclosed in 2020^o</i>								
Yangjo Justice International Ltd.	Investment in listed bond [^]	Real estate	220,000 (Not applicable)	169,687	170,362	2.9%	(2,932)	352

[^] Classified as financial assets at fair value through profit or loss

[#] Classified as financial assets at fair value through profit or loss/financial assets at fair value through other comprehensive income

^{*} Classified as financial assets at fair value through other comprehensive income

^o Also included treasury bonds reverse repurchase which were fully disposed during the current reporting period with no gain or loss recognised

Looking ahead, the investment market will remain volatile. The performance of proprietary investment will be affected by unstable market conditions. The Group will continue to implement stringent risk control measures to minimise the impact of market volatility and will seek potential investment opportunities to diversify its investment portfolio with an aim to maximise value for the shareholders of the Company.

Financial Review

For the six months ended 30 June 2021, the unaudited condensed consolidated revenue of the Group was approximately HK\$134,766,000 (six months ended 30 June 2020: HK\$157,030,000), representing a decrease of approximately 14%, mainly due to a decrease in interest income from debt investments for the period under review.

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

Six months ended 30 June 2021 and 2020

	2021 HK\$'000	2020 HK\$'000	Change
Interest income	114,725	140,051	(18)%
Commission and fee income	15,669	11,968	31%
Investment income	4,372	5,011	(13)%
Total revenue	134,766	157,030	(14)%

The Group recorded a profit of approximately HK\$255,765,000 for the six months ended 30 June 2021, as compared to HK\$67,423,000 for the six months ended 30 June 2020 ("Corresponding Period"). The significant increase in net profit was primarily attributable to a significant net gain on investments recognised in the current interim period.

The total costs (including staff costs, premises expenses, finance costs, trading costs, expected credit losses and other operating costs) for the six months ended 30 June 2021 was approximately HK\$123,432,000 (six months ended 30 June 2020: HK\$115,701,000), representing an increase of approximately 7% which was mainly due to the expansion of business operations planned by the Group in the area of additional staff costs incurred as well as an increase in expected credit losses on financial assets provided for the period under review.

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

For the financial position as at 30 June 2021, total assets of the Group were approximately HK\$5,832,385,000 (31 December 2020: HK\$6,187,043,000), representing a decrease of approximately 6%. Net cash inflow/(outflow) from operating activities, investing activities and financing activities for the period under review were approximately HK\$180,962,000, HK\$(15,449,000) and HK\$(290,855,000) (six months ended 30 June 2020: HK\$(1,557,928,000), HK\$(3,683,000) and HK\$(226,322,000)), respectively. The depreciation for property, plant and equipment for the period under review was approximately HK\$5,494,000 (six months ended 30 June 2020: HK\$6,203,000).

Employee relations

As at 30 June 2021, the Group had 79 employees (as at 30 June 2020: 71 employees).

Total staff costs and related expenses for the six months ended 30 June 2021 were approximately HK\$47,181,000 (six months ended 30 June 2020: HK\$38,810,000).

The employees are remunerated based on their work performance, professional experience and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the Group's management. In addition, the Group adopts a share option scheme and a share award plan for eligible employees (including Directors) to provide incentives to participants for their contributions and continuing efforts to promote the interests of the Group.

Liquidity and financial resources

As at 30 June 2021, the Group's cash and bank balances (including time deposits but excluding pledged bank deposits) amounted to approximately HK\$524,269,000 (as at 31 December 2020: HK\$626,976,000). The gearing ratio as at 30 June 2021 (total debts to total equity) was approximately 4.6% (as at 31 December 2020: 9.9%), which indicated that the Group's overall financial position remained strong.

Segment information

The details of segment information are set out in Note 6 to the condensed consolidated financial statements.

Capital structure

There were no changes to the Group's capital structure during the six months ended 30 June 2021.

Material acquisitions and disposals of subsidiaries and associates

During the period under review, the Group disposed of 100% equity interest in Vered Asset Management Limited (formerly known as CM Securities Asset Management Limited) to Vered Holdings (Hong Kong) Limited, a related company of the Group.

Save as disclosed, the Group had no other material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2021.

Charges on Group's assets

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Financial assets at fair value through profit or loss	–	510,373
Financial assets at fair value through other comprehensive income	413,701	747,857
Financial assets at amortised cost	138,106	135,064
Pledged bank deposits	337	328
Total charges on Group's assets	552,144	1,393,622

Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost are bonds and stocks pledged as collateral for the Group's borrowings.

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

Exposure to exchange rate fluctuation and related hedging

The Directors considered that the Group has certain exposures to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of the respective group entities such as Renminbi. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2021 (as at 31 December 2020: Nil).

On behalf of the Board

China Vered Financial Holding Corporation Limited

Tomohiko Watanabe

Chairman

Hong Kong, 27 August 2021

DIRECTORS' INTEREST IN SHARES

As at 30 June 2021, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "SFO") as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out below:

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

Name of director	Number of shares held		Total	Percentage of the issued share capital (Note (b))
	Personal interests	Corporate interests		
Ni Xinguang ("Mr. Ni")	46,068,000	416,004,000 (Note (a))	462,072,000	1.33%

Notes:

- 416,004,000 shares were owned by Group First Limited, a private company wholly owned by Mr. Ni, representing approximately 1.20% of the issued share capital of the Company. By virtue of the SFO, Mr. Ni is deemed to have interest in the shares held by Group First Limited.
- The percentage was calculated based on the total number of 34,714,459,250 ordinary shares of the Company in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2021, none of the Directors or chief executive of the Company, had any short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS AND SHARE AWARDS

Share Options

The Company adopted a new share options scheme on 9 December 2013 (the “2013 Share Option Scheme”) to replace the share option scheme adopted on 28 May 2004 (the “2004 Share Option Scheme”).

On 5 June 2015, an ordinary resolution was duly passed in an extraordinary general meeting to approve the refreshment of 2013 Share Option Scheme limit to 241,365,125 being 10% of the then total number of shares in issue.

There is no outstanding share options under the 2004 Share Option Scheme and the 2013 Share Option Scheme and no share options were granted or exercised during the period under review.

Share Awards

On 19 December 2018, the Company adopted a share award plan (“Share Award Plan”). The purpose of the plan is to recognise and reward the contributions of certain eligible participants to the growth and development of the Group and to give incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

No shares have been granted under the Share Award Plan up to the date of this report.

Details of the Share Award Plan are set out in the Company’s announcement dated 19 December 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2021, so far as was known to the Directors of the Company, the following persons, other than the Directors and chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company, which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Percentage of the issued share capital (Note (e))
薔薇控股股份有限公司	Interest of controlled corporation (Note (a))	10,049,310,000	28.95%
薔薇控股(深圳)有限公司	Interest of controlled corporation (Note (a))	10,049,310,000	28.95%
Vered Holdings (Hong Kong) Limited ("Vered Hong Kong")	Interest of controlled corporation (Note (a))	10,049,310,000	28.95%
Vered Investment Co., Ltd ("Vered Investment")	Interest of controlled corporation (Note (a))	10,049,310,000	28.95%
Vered Holdings Group Ltd ("Vered Holdings")	Beneficial owner (Note (a))	10,049,310,000	28.95%
Liu Xueyi	Interest of controlled corporation (Note (b))	5,034,511,390	14.50%
Prosper Ascend Limited	Beneficial owner (Note (b))	5,034,511,390	14.50%
Zhao Xinlong	Interest of controlled corporation (Note (c))	3,500,000,000	10.08%
Hong Kong Baohui Toda Limited	Beneficial owner (Note (c))	3,500,000,000	10.08%
China Minsheng Investment Group Corporation Ltd.	Interest of controlled corporation (Note (d))	2,072,618,610	5.97%
China Minsheng Asia Asset Management Co, Ltd	Interest of controlled corporation (Note (d))	1,430,000,000	4.12%
	Beneficial owner (Note (d))	642,618,610	1.85%

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Percentage of the issued share capital (Note (e))
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CMI Financial Holding Company Limited	Interest of controlled corporation (Note (d))	1,430,000,000	4.12%
CMI Financial Holding Corporation	Beneficial owner (Note (d))	1,430,000,000	4.12%

Notes:

- (a) 10,049,310,000 shares were held by Vered Holdings, which is wholly owned by Vered Investment, and which in turn is wholly owned by Vered Hong Kong. Vered Hong Kong is wholly owned by 蔷薇控股(深圳)有限公司, which in turn is wholly owned by 蔷薇控股股份有限公司.
- (b) 5,034,511,390 shares were held by Prosper Ascend Limited, which is wholly owned by Mr. Liu Xueyi. By virtue of the SFO, Mr. Liu Xueyi was deemed to have interest in the shares held by Prosper Ascend Limited.
- (c) 3,500,000,000 shares were held by Hong Kong Baohui Toda Limited, which is wholly owned by Mr. Zhao Xinlong. By virtue of the SFO, Mr. Zhao Xinlong is deemed to have interest in the shares held by Hong Kong Baohui Toda Limited.
- (d) 1,430,000,000 shares were held by CMI Financial Holding Corporation, which is wholly owned by CMI Financial Holding Company Limited, and which in turn is wholly owned by China Minsheng Asia Asset Management Co, Ltd ("CM Asia"). CM Asia is wholly owned by China Minsheng Investment Group Corporation Ltd. CM Asia also directly holds 642,618,610 shares.
- (e) The percentage has been calculated based on the total number of 34,714,459,250 ordinary shares of the Company in issue as at 30 June 2021.

All the interests disclosed under this section represent long position in the shares of the Company.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at 30 June 2021, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the sections headed "Directors' Interest in Shares" and "Share Options and Share Awards" above, at no time during the period under review was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices of the Listing Rules

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

Throughout the period under review, the Company has complied with most of the Code Provisions of the CG Code, save for the deviation from Code Provision A.2.1 which is explained below.

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

Review of Accounts

Disclosure of financial information in this report complies with Appendix 16 of the Listing Rules.

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and has discussed with the management the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2021.

The Company's independent auditor, PricewaterhouseCoopers has reviewed the interim financial information for the six months ended 30 June 2021 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. All the Directors of the Board have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2021.

OTHER INFORMATION

Pre-emptive Rights

There is no provision for pre-emptive rights under the articles of association of the Company which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Note	Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Interest income		114,725	140,051
Commission and fee income		15,669	11,968
Investment income		4,372	5,011
Total revenue	7	134,766	157,030
Net gain on financial assets/(liabilities)	8	288,150	17,629
Other income		4,956	80
Trading costs		(11,167)	(10,030)
Commission expenses		–	(59)
Staff costs and related expenses		(47,181)	(38,810)
Premises expenses		(11,838)	(11,661)
Legal and professional fees		(4,425)	(8,591)
Depreciation	6	(5,494)	(6,203)
Information technology expenses		(2,455)	(2,466)
Expected credit losses	10	(19,843)	(8,120)
Other operating expenses		(13,132)	(22,737)
Share of post-tax profit of associates	15	10,192	23,320
Finance costs	11	(7,897)	(7,024)
Profit before income tax	6	314,632	82,358
Income tax expense	9	(58,867)	(14,935)
Profit for the period		255,765	67,423

		Six months ended 30 June	
		2021	2020
	Note	HK\$'000	HK\$'000
Profit attributable to:			
— Owners of the Company		257,268	68,050
— Non-controlling interests		(1,503)	(627)
		255,765	67,423
		HK Cents per share	HK Cents per share
Earnings per share attributable to owners of the Company			
Basic earnings per share	13	0.78	0.20
Diluted earnings per share	13	0.78	0.20

The notes on pages 26 to 50 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Profit for the period	255,765	67,423
Other comprehensive (loss)/income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Net change in fair value of equity instruments at fair value through other comprehensive income, net of tax	(307,041)	(36,589)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net change in fair value of debt instruments at fair value through other comprehensive income, net of tax	(32,729)	(11,496)
Net change in expected credit losses allowances ("ECL allowances") on financial assets at fair value through other comprehensive income	17,331	–
Exchange differences on translation of foreign operations	(91)	(4,179)
Other comprehensive loss for the period, net of tax	(322,530)	(52,264)
Total comprehensive (loss)/income for the period	(66,765)	15,159
Total comprehensive (loss)/income for the period attributable to:		
— Owners of the Company	(68,351)	11,056
— Non-controlling interests	1,586	4,103
	(66,765)	15,159

The notes on pages 26 to 50 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 30 JUNE 2021

	Note	30 June 2021 HK\$'000	31 December 2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	16,310	20,986
Right-of-use assets		14,054	17,783
Goodwill		15,871	15,871
Other intangible assets		700	700
Investments in associates	15	117,892	106,365
Rental and other deposits		3,215	3,215
Financial assets at fair value through profit or loss	16	1,594,534	1,283,393
Financial assets at fair value through other comprehensive income	17	999,407	1,686,335
Financial assets at amortised cost	18	35,047	172,078
Deferred tax assets	9	76,603	88,265
Total non-current assets		2,873,633	3,394,991
Current assets			
Margin receivables and other trade receivables	20	66,977	62,351
Financial assets at fair value through profit or loss	16	909,436	1,145,741
Financial assets at fair value through other comprehensive income	17	466,158	249,686
Financial assets at amortised cost	18	204,996	271,787
Loan and interest receivables	19	52,338	179,801
Other interest receivables		58,181	65,960
Tax receivables		715	715
Other receivables, prepayments and deposits		111,819	17,737
Pledged bank deposits		337	328
Time deposits with original maturity more than three months		15,717	–
Deposits with brokers		563,526	170,970
Cash and cash equivalents		508,552	626,976
Total current assets		2,958,752	2,792,052
Total assets		5,832,385	6,187,043

		30 June 2021 HK\$'000	31 December 2020 HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	6,154,374	6,154,374
Other reserves		104,671	430,290
Accumulated losses		(777,250)	(1,034,730)
		5,481,795	5,549,934
Non-controlling interests		(259,726)	(261,312)
Total equity		5,222,069	5,288,622
LIABILITIES			
Non-current liabilities			
Loan and interest payables	22	–	74,437
Lease liabilities		5,801	8,660
Total non-current liabilities		5,801	83,097
Current liabilities			
Accruals and other payables		91,921	136,761
Loan and interest payables	22	176,636	243,520
Margin payables	23	62,869	205,958
Financial liabilities at fair value through profit or loss	16	142,482	145,037
Current tax liabilities		120,984	74,054
Lease liabilities		9,623	9,994
Total current liabilities		604,515	815,324
Total liabilities		610,316	898,421
Total equity and liabilities		5,832,385	6,187,043

The notes on pages 26 to 50 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the Company											
	Share capital	Share based payments reserve	Shares held for share award plan	Special reserve	Foreign currency translation reserve	Statutory surplus reserve	Investment revaluation reserve non-recycling	Investment revaluation reserve recycling	Accumulated losses	Total	Non-controlling Interests	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	6,154,374	7,108	(178,300)	726,699	53,240	7,328	(188,095)	2,310	(1,034,730)	5,549,934	(261,312)	5,288,622
Comprehensive income/(loss)												
Profit for the period	-	-	-	-	-	-	-	-	257,268	257,268	(1,503)	255,765
Other comprehensive (loss)/income												
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(307,041)	(32,729)	-	(339,770)	-	(339,770)
Change in ECL allowances on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	17,331	-	17,331	-	17,331
Exchange differences on translation of foreign operations	-	-	-	-	(3,180)	-	-	-	-	(3,180)	3,089	(91)
Total comprehensive (loss)/income for period ended 30 June 2021	-	-	-	-	(3,180)	-	(307,041)	(15,398)	257,268	(68,351)	1,586	(66,765)
Total transactions with owners, recognised directly in equity												
Change in ownership interests in a subsidiary without change of control	-	-	-	-	-	-	-	-	212	212	-	212
At 30 June 2021	6,154,374	7,108	(178,300)	726,699	50,060	7,328	(495,136)	(13,088)	(777,250)	5,481,795	(259,726)	5,222,069

	Attributable to owners of the Company											
	Share capital	Share-based	Shares held	Special	Foreign	Statutory	Investment	Investment	Accumulated	Total	Non-	Total equity
		payments	for share	capital	currency	surplus	revaluation	revaluation			controlling	
		reserve	award plan	reserve	translation	reserve	non-recycling	reserve			interests	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2020	6,154,374	7,108	-	726,699	15,807	7,328	(109,572)	(288)	(1,359,470)	5,441,986	(244,366)	5,197,620
Comprehensive income/(loss)												
Profit for the period	-	-	-	-	-	-	-	-	68,050	68,050	(627)	67,423
Other comprehensive income/(loss)												
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(36,589)	(11,496)	-	(48,085)	-	(48,085)
Exchange differences on translation of foreign operations	-	-	-	-	(8,909)	-	-	-	-	(8,909)	4,730	(4,179)
Total comprehensive income/(loss) for period ended 30 June 2020	-	-	-	-	(8,909)	-	(36,589)	(11,496)	68,050	11,056	4,103	15,159
Total transactions with owners, recognised directly in equity												
Acquisition of shares for share award plan	-	-	(178,300)	-	-	-	-	-	-	(178,300)	-	(178,300)
At 30 June 2020	6,154,374	7,108	(178,300)	726,699	6,898	7,328	(146,161)	(11,784)	(1,291,420)	5,274,742	(240,263)	5,034,479

The notes on pages 26 to 50 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash used in operations	(467,371)	(486,659)
Purchases of financial assets at fair value through other comprehensive income	(7,101,278)	(5,853,188)
Purchases of financial assets at fair value through profit or loss	(110,000)	(701,529)
Purchases of financial assets at amortised cost	–	(286,491)
Proceeds from disposals of financial assets at fair value through profit or loss	7,326,366	5,403,969
Proceeds from disposals of financial assets at fair value through other comprehensive income	215,798	202,034
Proceeds from redemption of financial assets at amortised cost	201,568	46,502
Bank and other interest received	118,196	125,556
Dividend received	4,372	5,006
Interest paid	(6,437)	(7,708)
Income tax paid	(252)	(5,420)
Net cash flows from/(used in) operating activities	180,962	(1,557,928)

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Cash flows from investing activities		
Increase in investments in associates	(1,335)	(2,312)
Purchases of property, plant and equipment	(768)	(1,371)
Net proceeds from disposal of a subsidiary	2,371	–
Increase in time deposits with original maturity more than three months	(15,717)	–
	(15,449)	(3,683)
Net cash flows used in investing activities	(15,449)	(3,683)
Cash flows from financing activities		
Acquisition of shares for share award plan	–	(178,300)
Repayment of loan payables	(142,542)	(237,411)
Net (repayment of)/proceeds from margin payables	(143,089)	197,877
Principal elements of lease rentals paid	(5,224)	(8,488)
	(290,855)	(226,322)
Net cash flows used in financing activities	(290,855)	(226,322)
Net decrease in cash and cash equivalents	(125,342)	(1,787,933)
Cash and cash equivalents at the beginning of the period	626,976	2,117,233
Effect of exchange rate changes	6,918	(13,741)
	508,552	315,559
Cash and cash equivalents at the end of the period	508,552	315,559

The notes on pages 26 to 50 form an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1 General information

China Vered Financial Holding Corporation Limited (the “Company”) was incorporated in Hong Kong with limited liability. The address of the Company’s registered and business office is 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong.

The Company has its primary listing on the Main Board of the Stock Exchange of Hong Kong Limited.

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

These condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

The financial information relating to the year ended 31 December 2020 that is included in the condensed consolidated financial statements for the six months ended 30 June 2021 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2 Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the “Group”).

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated financial statements were reviewed by the Audit Committee. The Board of Directors of the Company has approved the condensed consolidated financial statements for issue on 27 August 2021.

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The condensed consolidated financial statements are unaudited, but has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standards on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by HKICPA. PricewaterhouseCoopers’s independent review report to the Board of Directors is included on pages 51 to 52.

3 Accounting policies

The accounting policies applied in preparing these condensed consolidated financial statements are the same as those applied in preparing the consolidated financial statements for the year ended 31 December 2020, as disclosed in the Annual Report for 2020.

(a) *New and amended standards adopted by the Group*

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

		Effective for annual periods beginning on or after
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2	1 January 2021

3 Accounting policies (Continued)

(b) *New standards and interpretations not yet adopted by the Group*

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

4 Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

The accounting policies, basis of presentation and methods of computation used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the new or amended Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs which are first effective or available for early adoption for accounting periods beginning on or after 1 January 2021.

5 Financial risk management and financial instruments

5.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

There have been no material changes in the risk management policies since year end.

5 Financial risk management and financial instruments (Continued)

5.2 Credit risk

The gross carrying amount of loan and interest receivables, margin receivables, financial assets at amortised cost, and financed assets at fair value through other comprehensive income and thus the maximum exposure to loss, is as follows:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Loan and interest receivables		
Stage 1 — Unimpaired and without significant increase in credit risk	52,344	180,000
Stage 2 — Significant increase in credit risk	—	—
Stage 3 — Credit-impaired	253,706	264,375
Total gross loan and interest receivables	306,050	444,375
Less: ECL allowances	(253,712)	(264,574)
Loan and interest receivables, net of ECL allowances	52,338	179,801
Margin receivables		
Stage 1 — Unimpaired and without significant increase in credit risk	53,746	52,570
Stage 2 — Significant increase in credit risk	—	—
Stage 3 — Credit-impaired	68,821	63,563
Total gross margin receivables	122,567	116,133
Less: ECL allowances	(68,826)	(63,601)
Margin receivables, net of ECL allowances	53,741	52,532
Financial assets at amortised cost		
Stage 1 — Unimpaired and without significant increase in credit risk	240,122	444,670
Stage 2 — Significant increase in credit risk	—	—
Stage 3 — Credit-impaired	—	—
Total gross financial assets at amortised cost	240,122	444,670
Less: ECL allowances	(79)	(805)
Financial assets at amortised cost, net of ECL allowances	240,043	443,865

5 Financial risk management and financial instruments (Continued)

5.2 Credit risk (Continued)

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Financial assets at fair value through other comprehensive income classified as debt instruments		
Stage 1 — Unimpaired and without significant increase in credit risk	873,916	1,120,331
Stage 2 — Significant increase in credit risk	—	—
Stage 3 — Credit-impaired	18,766	45,765
Total financial assets at fair value through other comprehensive income classified as debt instruments	892,682	1,166,096
ECL allowances for financial assets at fair value through other comprehensive income classified as debt instruments	62,373	36,167

5 Financial risk management and financial instruments (Continued)

5.3 Liquidity risk

Compared to 31 December 2020, the contractual undiscounted cash outflows for financial liabilities of the Group as at 30 June 2021 are as follows:

As at 30 June 2021

	On demand or less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Other payables	10,835	-	-	-	10,835
Loan and interest payables	179,110	-	-	-	179,110
Margin payables	62,869	-	-	-	62,869
Financial liabilities at fair value through profit or loss	142,482	-	-	-	142,482
Lease liabilities	10,178	2,473	3,797	-	16,448
	405,474	2,473	3,797	-	411,744

As at 31 December 2020

	On demand or less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Other payables	11,707	-	-	-	11,707
Loan and interest payables	251,623	75,041	-	-	326,664
Margin payables	205,958	-	-	-	205,958
Financial liabilities at fair value through profit or loss	145,037	-	-	-	145,037
Lease liabilities	10,547	4,604	4,692	-	19,843
	624,872	79,645	4,692	-	709,209

5 Financial risk management and financial instruments (Continued)

5.4 Fair value of financial assets and liabilities

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June 2021 and 31 December 2020.

As at 30 June 2021

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Finance assets at fair value through profit or loss				
— Unlisted equity investments	—	—	1,215,235	1,215,235
— Unlisted investment funds	—	—	456,135	456,135
— Convertible bonds and loan	—	—	49,154	49,154
— Listed equity investments	304,995	—	—	304,995
— Listed debt investments	—	265,837	—	265,837
— Unlisted notes	—	—	212,614	212,614
Total	304,995	265,837	1,933,138	2,503,970
Finance assets at fair value through other comprehensive income				
— Listed debt investments	—	954,973	18,766	973,739
— Unlisted investment funds	—	64,970	426,856	491,826
Total	—	1,019,943	445,622	1,465,565
Total assets	304,995	1,285,780	2,378,760	3,969,535
Liabilities				
Financial liabilities at fair value through profit or loss				
— Payable to holders of non-controlling interests in unlisted consolidated investment fund	—	142,482	—	142,482
Total liabilities	—	142,482	—	142,482

5 Financial risk management and financial instruments (Continued)

5.4 Fair value of financial assets and liabilities (Continued)

As at 31 December 2020

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through profit or loss				
— Unlisted equity investments	—	—	953,768	953,768
— Unlisted investment funds	—	—	392,142	392,142
— Convertible bonds and loan	—	—	101,591	101,591
— Listed equity investments	193,384	—	—	193,384
— Listed debt investments	—	571,638	—	571,638
— Unlisted notes	—	—	216,611	216,611
Total	193,384	571,638	1,664,112	2,429,134
Financial assets at fair value through other comprehensive income				
— Listed debt investments	—	1,203,425	45,765	1,249,190
— Unlisted investment funds	—	64,602	622,229	686,831
Total	—	1,268,027	667,994	1,936,021
Total assets	193,384	1,839,665	2,332,106	4,365,155
Liabilities				
Financial liabilities at fair value through profit or loss				
— Payable to holders of non-controlling interests in unlisted consolidated investment fund	—	145,037	—	145,037
Total liabilities	—	145,037	—	145,037

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as financial assets at fair value through profit or loss.

5 Financial risk management and financial instruments (Continued)

5.4 Fair value of financial assets and liabilities (Continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Unlisted investment funds classified as level 2 is mainly because they are open-ended investment fund and their underlying investments are listed equity investments.

Unlisted investment funds classified as level 3 is principally due to their underlying investments are unlisted equity or unlisted debt investments.

Below is the table setting out quantitative information about fair value measurements using significant unobservable inputs (Level 3).

Investments	Fair value	Valuation techniques	Unobservable inputs		Relationship of unobservable inputs to fair value
	as at 30 June 2021 HK\$'000			Range	
Unlisted equity investments	920,010	Recent transaction	n/a	n/a	n/a
	295,025	Market approach	Books multiples	1.85x	The higher the multiples, the higher the fair value
			Discount rate for lack of marketability	16.71%	The higher the discount rate, the lower the fair value
Unlisted investment funds	131,985	Market approach	Sales multiples	3.39x	The higher the multiples, the higher the fair value
			Discount rate for lack of marketability	25.11%	The higher the discount rate, the lower the fair value
	735,478	Net asset value (note a)	n/a	n/a	n/a
	15,528	Recent transaction	n/a	n/a	n/a
Convertible bond and loan	49,154	Recent transaction	n/a	n/a	n/a
Unlisted notes	174,686	Recent transaction	n/a	n/a	n/a
	37,928	Broker quotation	n/a	n/a	n/a

5 Financial risk management and financial instruments (Continued)

5.4 Fair value of financial assets and liabilities (Continued)

Investments	Fair value as at 31 December 2020 HK\$'000	Valuation techniques	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Unlisted equity investments	658,971	Market approach	Sales multiples	3.2x	The higher the multiples, the higher the fair value
			Discount rate for lack of marketability	25.02%	The higher the discount rate, the lower the fair value
	294,599	Market approach	Books multiples	2.2x	The higher the multiples, the higher the fair value
			Discount rate for lack of marketability	17.12%	The higher the discount rate, the lower the fair value
Unlisted investment funds	100,784	Market approach	Sales multiples	2.8x	The higher the multiples, the higher the fair value
			Discount rate for lack of marketability	21.23%	The higher the discount rate, the lower the fair value
	913,587	Net asset value (note a)	n/a	n/a	n/a
Convertible bonds and loan	49,000	Recoverable amount	Books multiples	1.0x	The higher the multiples, the higher the fair value
			Discount rate for lack of marketability	16.98%	The higher the discount rate, the lower the fair value
	52,591	Recent transaction	n/a	n/a	n/a
Unlisted notes	174,434	Recent transaction	n/a	n/a	n/a
			42,177	Broker quotation	n/a

- (a) The Group has determined that the reported net asset value represents fair value at the end of the reporting period/year.

5 Financial risk management and financial instruments (Continued)

5.4 Fair value of financial assets and liabilities (Continued)

There have been no significant transfers between level 1, level 2 and level 3 for the period ended 30 June 2021.

There is no significant inter-relationship between unobservable inputs that materially affect fair values.

The following table presents the changes in level 3 items for the period/year ended 30 June 2021 and 31 December 2020 for recurring fair value measurements:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Opening balance as at beginning of the period/year	2,332,082	935,806
Purchases	125,528	1,017,562
Disposals	(107,212)	(30,000)
Transfer from level 2	–	133,216
Amounts recognised in profit or loss		
Currency translation difference	2	11
Net gain recognised from financial assets at fair value through profit or loss	360,707	285,183
Expected credit losses	(26,975)	(35,025)
Net (loss)/gain recognised in other comprehensive income	(305,372)	25,329
Closing balance as at end of the period/year	2,378,760	2,332,082
* includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period/year	312,316	285,183

5 Financial risk management and financial instruments (Continued)

5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Margin receivables and other trade receivables
- Financial assets at amortised cost
- Loan and interest receivables
- Deposits with brokers
- Cash and bank balances
- Pledged bank deposits
- Other interest receivables
- Other payables
- Margin payables
- Loan and interest payables
- Lease liabilities

6 Segment information

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

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2021 and 2020 is as follows:

Six months ended 30 June 2021

	Reportable segment					Unallocated amount HK\$'000 (Note)	Total HK\$'000
	Asset management HK\$'000	Securities brokerage HK\$'000	Investment holding HK\$'000	Investment banking HK\$'000	Total HK\$'000		
Revenue from external customers	14,932	8,845	110,786	-	134,563	203	134,766
Net gain/(loss) on financial assets/ (liabilities)	-	-	289,683	-	289,683	(1,533)	288,150
	14,932	8,845	400,469	-	424,246	(1,330)	422,916
Segment profit/(loss) before income tax	4,743	(5,272)	361,685	(845)	360,311	(45,679)	314,632
Other segment information:							
Interest income	-	8,108	106,414	-	114,522	203	114,725
Depreciation	(28)	(228)	(252)	-	(508)	(4,986)	(5,494)
Staff costs and related expenses	(5,740)	(6,336)	(9,045)	(780)	(21,901)	(25,280)	(47,181)

6 Segment information (Continued)

Six months ended 30 June 2020

	Reportable segment					Unallocated amount HK\$'000 (Note)	Total HK\$'000
	Asset management HK\$'000	Securities brokerage HK\$'000	Investment holding HK\$'000	Investment banking HK\$'000	Total HK\$'000		
Revenue from external customers	23	11,575	141,206	-	152,804	4,226	157,030
Net gain on financial assets/(liabilities)	-	-	14,620	-	14,620	3,009	17,629
	23	11,575	155,826	-	167,424	7,235	174,659
Segment profit/(loss) before income tax	(9,292)	(11,818)	152,020	(1,131)	129,779	(47,421)	82,358
Other segment information:							
Interest income	2	8,103	127,720	-	135,825	4,226	140,051
Depreciation	(120)	(1,376)	(5)	-	(1,501)	(4,702)	(6,203)
Staff costs and related expenses	(5,123)	(6,839)	(2,376)	(1,026)	(15,364)	(23,446)	(38,810)

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

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

Six months ended 30 June 2021

	Hong Kong HK\$'000	The PRC HK\$'000	Japan HK\$'000	Canada HK\$'000	Total HK\$'000
Revenue from external customers	130,008	2,028	2,668	62	134,766
Net gain/(loss) on financial assets/ (liabilities)	336,818	(48,668)	-	-	288,150
	466,826	(46,640)	2,668	62	422,916

Six months ended 30 June 2020

	Hong Kong HK\$'000	The PRC HK\$'000	Japan HK\$'000	Canada HK\$'000	Total HK\$'000
Revenue from external customers	151,948	3,703	1,379	-	157,030
Net gain on financial assets/(liabilities)	8,590	9,039	-	-	17,629
	160,538	12,742	1,379	-	174,659

7 Revenue

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<i>Interest income:</i>		
Interest income from loan lending business	8,208	8,610
Interest income from margin financing business	7,835	7,966
Interest income from investments in debt instruments classified as financial assets at amortised cost	14,798	29,353
Interest income from financial assets at fair value through other comprehensive income	57,825	64,851
Interest income from financial assets at fair value through profit or loss	24,993	24,776
Other interest income	1,066	4,495
	114,725	140,051
<i>Commission and fee income:</i>		
Advisory fee income	696	116
Commission income from securities brokerage	158	1,485
Loan arrangement fee income	-	5,374
Fee income from asset management, net	14,815	(95)
Underwriting fee income	-	5,088
	15,669	11,968
<i>Investment income:</i>		
Dividend income	4,372	5,011
	4,372	5,011
	134,766	157,030

8 Net gain on financial assets/(liabilities)

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Net gain on financial assets/(liabilities) at fair value through profit or loss	304,161	3,568
Net (loss)/gain on financial assets at fair value through other comprehensive income	(16,011)	14,061
	288,150	17,629

9 Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period and taxation on profits assessable elsewhere have been calculated at the rates of income tax prevailing in the countries in which the Group operates respectively.

The PRC Enterprise Income Tax rate is 25% (2020: 25%).

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
— charge for the period	47,233	10,715
— underprovision for prior year	509	1,468
PRC Enterprise Income Tax		
— charge for the period	2	220
— overprovision for prior year	(55)	—
Overseas income tax		
— charge for the period	8	185
— overprovision for prior year	(492)	—
Deferred tax		
— charge for the period	11,662	2,347
Income tax expense	58,867	14,935

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the end of the reporting period.

The following is the analysis of the deferred tax balances for financial reporting purpose:

	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Deferred tax assets		
— Tax losses	76,603	88,265
	76,603	88,265

10 Expected credit losses

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Expected credit losses recognised/(reversed) in profit or loss during the period		
— Loan and interest receivables	(10,862)	24
— Margin receivables	5,225	4,850
— Financial assets at amortised cost	(726)	2,662
— Financial assets at fair value through other comprehensive income	26,206	584
	19,843	8,120

11 Finance costs

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Finance costs on leverage note	1,998	3,272
Finance costs on loan payables	1,526	–
Finance costs on repurchase agreements	1,499	2,223
Finance costs on margin payables	2,396	871
Finance costs on lease liabilities	453	552
Loan arrangement fee	25	106
	7,897	7,024

12 Dividends

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

13 Earnings per share

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$257,268,000 (six months ended 30 June 2020: HK\$68,050,000) and the weighted average number of ordinary shares of approximately 32,984,549,000 (six months ended 30 June 2020: 33,348,034,000) in issue during the period (excluding the ordinary shares purchased by the Company under the share award plan).

Diluted earnings per share

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the six-month period ended 30 June 2021 and 30 June 2020.

14 Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment with a cost of approximately HK\$768,000 (six months ended 30 June 2020: HK\$1,371,000).

No property, plant and equipment has been disposed or written off by the Group during the six months ended 30 June 2021. For the six months ended 30 June 2020, property, plant and equipment with a net book value of approximately HK\$272,000 were written off by the Group, resulting in a net loss on write-off of approximately HK\$272,000.

15 Investments in associates

Set out below are the associates of the Group as at 30 June 2021 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business	Country of incorporation	Percentage of ownership interest	Nature of the relationship	Measurement method
Grand Flight Holding Company Limited	The PRC	Cayman Islands	30%	Note 1	Equity
Grand Flight Hooyoung Investment L.P.	The PRC	Cayman Islands	30%	Note 2	Equity

Note 1: Grand Flight Holding Company Limited is a company registered in Cayman Islands.

Note 2: Grand Flight Hooyoung Investment L.P. is an investment fund registered in Cayman Islands.

15 Investments in associates (Continued)

The total capital contributions for the investment was US\$25,087,000 (approximately HK\$200,229,000). There is no quoted market price available for both associates.

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Investments in associates	117,892	106,365

The following table shows financial information of the associates of the Group.

	Grand Flight Holding Company Limited HK\$'000	Grand Flight Hooyoung Investment L.P. HK\$'000
At 30 June 2021:		
Current assets	20,623	379,249
Current liabilities	(3,661)	(3,237)
Net current assets	16,962	376,012
Six months ended 30 June 2021:		
Revenue	7,064	-
Profit	290	33,161
Total comprehensive income	290	33,161
Opening net assets at 1 January 2021	16,648	337,903
Increase in equity interest	-	4,448
Profit for the period	290	33,161
Currency translation difference	24	500
Closing net assets at 30 June 2021	16,962	376,012
Interest in associates (30%)	5,089	112,803

16 Financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss include the following:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Financial assets at fair value through profit or loss		
Unlisted investment funds	456,135	392,142
Unlisted equity investments	1,215,235	953,768
Convertible bonds and loan	49,154	101,591
Listed equity investments	304,995	193,384
Listed debt investments	265,837	571,638
Unlisted notes	212,614	216,611
	2,503,970	2,429,134
Classified as:		
Non-current assets	1,594,534	1,283,393
Current assets	909,436	1,145,741
	2,503,970	2,429,134

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Financial liabilities at fair value through profit or loss		
Payable to holders of non-controlling interests in unlisted consolidated investment fund	142,482	145,037
	142,482	145,037
Classified as:		
Non-current liabilities	-	-
Current liabilities	142,482	145,037
	142,482	145,037

17 Financial assets at fair value through other comprehensive income

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Financial assets at fair value through other comprehensive income		
Unlisted investment funds	491,826	686,831
Listed debt investments	973,739	1,249,190
	1,465,565	1,936,021
Classified as:		
Non-current assets	999,407	1,686,335
Current assets	466,158	249,686
	1,465,565	1,936,021

ECL allowances attributable to financial assets at fair value through other comprehensive income as at 30 June 2021 amounted to HK\$62,373,000 (31 December 2020: HK\$36,167,000). The increase in ECL allowances of HK\$26,206,000 was recognised in the condensed consolidated statement of profit or loss.

18 Financial assets at amortised cost

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Financial assets at amortised cost	240,122	444,670
Less: ECL allowances	(79)	(805)
	240,043	443,865
Classified as:		
Non-current assets	35,047	172,078
Current assets	204,996	271,787
	240,043	443,865

18 Financial assets at amortised cost (Continued)

As at 30 June 2021, these financial assets at amortised cost bear interest at fixed rate ranged from 7.0% to 10.0% per annum (31 December 2020: 6.1% to 10.0% per annum). Interest income derived from financial assets at amortised cost was recognised and presented under "Interest income from investments in debt instruments classified as financial assets at amortised cost" in Note 7.

ECL allowances attributable to financial assets at amortised cost as at 30 June 2021 amounted to HK\$79,000 (31 December 2020: HK\$805,000). The decrease in ECL allowances of HK\$726,000 was recognised in the condensed consolidated statement of profit or loss.

19 Loan and interest receivables

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Not past due or less than 1 month past due	52,344	180,000
1–3 months past due	–	–
3–6 months past due	–	–
6–12 months past due	–	–
Over 12 months past due	253,706	264,375
	306,050	444,375
Less: ECL allowances	(253,712)	(264,574)
	52,338	179,801

As at 30 June 2021, these loans receivable bear interest at fixed rate ranged from 8.9% to 10.0% per annum (31 December 2020: 8.9% to 16.0% per annum). Interest income derived from loan receivables was recognised and presented under "Interest income from loan lending business" in Note 7. The carrying values of the loan receivables approximate to their fair values.

ECL allowances attributable to loan and interest receivables as at 30 June 2021 amounted to HK\$253,712,000 (31 December 2020: HK\$264,574,000). The decrease in ECL allowances of HK\$10,862,000 was recognised in the condensed consolidated statement of profit or loss.

20 Margin receivables and other trade receivables

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Margin receivables	122,567	116,133
Less: ECL allowances	(68,826)	(63,601)
	53,741	52,532
Trade receivables arising from the business of asset management	13,197	9,664
Trade receivables arising from the business of underwriting	39	155
	66,977	62,351

Loans to margin clients are secured by client's pledged Hong Kong-listed securities at fair value of HK\$254,865,000 (2020: HK\$292,414,000) which can be sold at the discretion of a subsidiary of the Group to settle margin call requirements imposed by their respective securities transactions. The loans are repayable on demand and bear interest at commercial rates.

ECL allowances attributable to margin receivables as at 30 June 2021 amounted to HK\$68,826,000 (31 December 2020: HK\$63,601,000). The increase in ECL allowances of HK\$5,225,000 was recognised in the condensed consolidated statement of profit or loss.

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

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
0-90 days	7,338	7,137
91 days to 1 year	5,898	2,682
	13,236	9,819

The carrying amounts of the margin receivables and other trade receivables approximate to their fair values.

21 Share capital

Ordinary shares, issued and fully paid:

	Number of shares '000	Share capital HK\$'000
At 31 December 2020, 1 January 2021 and 30 June 2021	34,714,459	6,154,374

22 Loan and interest payables

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Repurchase agreements	74,545	74,437
Leverage note	99,560	99,416
Other loan payables	–	142,579
Interest payables	2,531	1,525
	176,636	317,957

As at 30 June 2021, loan payables bear interest at fixed rate ranging from 4.00% to 4.58% per annum (31 December 2020: 3.60% to 4.58% per annum).

The above borrowings are repayable as follows:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Within 1 year	176,636	243,520
Between 1 year to 2 years	–	74,437
	176,636	317,957

As at 30 June 2021, the carrying amount of the pledged bonds classified at fair value through other comprehensive income were approximately HK\$201,858,000 (31 December 2020: HK\$243,876,000) and the carrying amount of the pledged bonds at amortised cost were approximately HK\$138,106,000 (31 December 2020: HK\$135,064,000).

23 Margin payables

As at 30 June 2021, the carrying amount of the pledged bonds classified at fair value through other comprehensive income were approximately HK\$211,843,000 (31 December 2020: the carrying amount of the pledged bonds classified at fair value through other comprehensive income were approximately HK\$503,981,000 and the carrying amounts of the pledged bonds and stocks classified at fair value through profit or loss were approximately HK\$510,373,000).

All margin payables are classified under current liabilities.

24 Related party transactions

(a) In addition to those related party transactions disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Commission income (Note i)	3	67
Interest income (Note ii)	–	1,104
Fee income received from asset management, net (Note iii)	3,045	(95)
Underwriting fee income (Note iv)	–	100
Gain on disposal of a subsidiary (Note 26)	2,000	–

Note i: During the period ended 30 June 2021, the Group has received commission fee income of HK\$3,000 from related parties (2020: HK\$67,000). Commission fee income is determined with reference to market rate offered to other third party clients.

Note ii: During the period ended 30 June 2021, the Group has not received any interest income from related party. In 2020, the Group lent unsecured loans to a related party of the Company and received interest income at an interest rate of 11.5% per annum. The loan had been settled during 2020.

Note iii: During the period ended 30 June 2021, the Group provides fund management service to a related party fund and has recognised an aggregate fund management fee and performance fee of HK\$3,045,000 (2020: net reversal of HK\$95,000). The fund management fee and performance fee are determined with reference to the market rate offered to other third party investor of the fund.

Note iv: During the period ended 30 June 2021, the Group has not received any underwriting fee from related party (2020: HK\$100,000). In 2020, a related party issued additional corporate bonds and a subsidiary of the Company acted as one of the sole lead arranger in the offering. The Group received relevant underwriting commission income in accordance with the terms of relevant subscription agreements.

25 Contingent liabilities

There are no significant contingent liabilities relating to the Group as at 30 June 2021 (31 December 2020: Nil).

26 Disposal of a subsidiary

On 28 July 2020, the Group entered into a sale and purchase agreement with Vered Holdings (Hong Kong) Limited (the "Purchaser") to dispose 100% equity interest in Vered Asset Management Limited (formerly known as CM Securities Asset Management Limited) to the Purchaser at a total consideration of approximately HK\$2.5 million (the "Disposal"). The Purchaser is a related company of the Group, which indirectly holds approximately 28.95% of the issued share capital of the Company. Completion of the Disposal took place in April 2021 and resulted in a gain on disposal of HK\$2.0 million for the six months ended 30 June 2021.

27 Events after the reporting period

On 21 May 2021, the Company proposed to implement the capital reduction by reducing the credit standing to the share capital account of the Company by an amount of HK\$1,700,000,000 from approximately HK\$6,154,374,000 to approximately HK\$4,454,374,000 (the "Capital Reduction"). The credit arising from the Capital Reduction would be applied to eliminate the accumulated losses with the remaining balance to be transferred to the capital reduction reserve account of the Company or other reserve account of the Company which may be utilised by the Directors as a distributable reserve in accordance with the articles of association of the Company and the Companies Ordinance.

On 12 August 2021, the return of reduction of share capital has been registered with Registrar of Companies in Hong Kong. All conditions of the Capital Reduction have been fulfilled, and the Capital Reduction has become effective on the same date. The Company has made announcements on 21 May 2021, 25 June 2021 and 12 August 2021 and circular on 27 May 2021 in relation to the Capital Reduction.

28 Reclassification

Certain comparative figures have been reclassified to conform with the current period presentation.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF

CHINA VERED FINANCIAL HOLDING CORPORATION LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 17 to 50, which comprises the condensed consolidated statement of financial position of China Vered Financial Holding Corporation Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows 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 interim financial information 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 this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information 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 interim financial information 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.

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 August 2021