



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

# INTERIM REPORT 2021



# Contents

	Page
Abbreviations	2
Corporate Information	3
Management Discussion and Analysis	4
Other Information	16
Report on Review of Condensed Consolidated Financial Statements	21
Condensed Consolidated Statement of Profit or Loss	23
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	24
Condensed Consolidated Statement of Financial Position	25
Condensed Consolidated Statement of Changes in Equity	27
Condensed Consolidated Statement of Cash Flows	28
Notes to the Condensed Consolidated Financial Statements	29



## Abbreviations

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

“Board”	Board of Directors
“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)
“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”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“Previous Period”	the six months ended 30 June 2020
“Reporting Period”	the six months ended 30 June 2021
“Shareholders”	holder(s) of the Share(s)
“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. Yang Kunpeng  
(appointed as a non-executive  
Director on 29 June 2021)  
Mr. Li Wenshi  
(appointed as a non-executive  
Director on 29 June 2021)  
Mr. Ren Hailong  
(retired as a non-executive  
Director on 29 June 2021)  
Mr. Liao Zhaohui  
(retired as a non-executive  
Director on 29 June 2021)

### 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. Li Wenshi  
Mr. Wang Lihua

## NOMINATION COMMITTEE

Mr. Wu Bin (*Chairman*)  
Mr. Li Wenshi  
Mr. Wang Lihua

## COMPANY SECRETARY

Mr. Ho Yau Cheung

## TRADING OF SHARES

The Stock Exchange of Hong Kong  
Limited

## STOCK CODE

1141

## 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

## 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  
Registered Public Interest Entity Auditor

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
4th Floor North, Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
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, the licensed money lending business, market-making business and has all material licenses required for services provided to most of its existing and potential clients at the current stage.

During the Reporting Period, the Group recorded revenue of approximately HK\$461.0 million, representing a year-on-year decrease of approximately 8.1%. The net profit amounted to approximately HK\$201.2 million, representing an increase of approximately 21.6% compared to the Previous Period. During the Reporting Period, the Group continued to seize market opportunities while striking a balance between the development of various business segments with a watchful eye on risk management.

## Investment and Financing

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

# Management Discussion and Analysis

## BUSINESS REVIEW (continued)

### Securities

During the Reporting Period, the offshore bond underwriting of the Group achieved steady and healthy development, and the amount and scale of bonds underwritten had a significant increase compared to the Previous Period. At the same time, the bonds denominated in multiple currencies were issued, including United States dollar, Hong Kong dollar, offshore Renminbi, Singapore dollar and Euro. With a steady growth of its bond underwriting, the Group strictly controls the underwriting risks and fosters and maintains a high-quality issuers base, covering issuers such as banks, non-banking financial institutions, central government-owned enterprises, large local state-owned enterprises, urban investment enterprises with a good rating, with investment-grade bond issuance accounting for over 50% of the total underwriting volume.

### Asset Management

During the Reporting Period, facing a complex and changeable capital market, the Group paid a closer attention to the development and improvement of its investing and trading ability while putting more efforts in the research on the fundamentals of investment targets, and managed to make investments while being “sensitive to market, loyal to trends, skilled at trading, ready to assume responsibility and strictly self-disciplined”, responded to the market, constantly optimised investment portfolio, to achieve long-term stable performance returns for our clients. During the Reporting Period, the first public bond fund of the Group - CMBC Aggregate Greater China Select Bond Fund - hit a new record high in net value, and has had positive return performance for six consecutive months. As of 30 June 2021, the net value of the fund are 2.89% (Class I USD), 2.59% (Class R USD) and 2.61% (Class R HKD). The fund 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, thereby gradually diversifying its client source and the product structure, and further enhancing 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 uncertainties due to the adverse impact of the recurrent outbreaks of the COVID-19 pandemic, and the political and economic events such as Sino-US relations. Despite the unfavorable market atmosphere, the Group had overcome the difficulties and completed the listing of two companies on the Main Board of the Stock Exchange during the Reporting Period. Also, the Group had submitted applications to the Stock Exchange for the listing on the Main Board for three sponsor projects during the Reporting Period. The industries covered by these projects include chip research and development and manufacturing, artificial intelligence data analysis, digital marketing, paper making, blanket manufacturing, and E-commerce. 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 plans ahead. In addition to the sponsor projects, the Group also acted as financial advisor to the listed companies in the asset sales project, and financial advisor to the listed companies in the spin-off listing project. With respect to stock underwriting, despite the unstable market environment, the Group, with its excellent underwriting ability, completed a total of 9 stock underwriting projects during the Reporting Period, and these projects covered the industries that have attracted investors' attention recently, such as Internet finance, 5G communication products, property management and big health.

## PROSPECTS AND DEVELOPMENT STRATEGIES

### Prospects

With the improvement in global economic conditions and the slowdown of local COVID-19 pandemic, Hong Kong's economy is on the road to recovery, with the real local Gross Domestic Product (GDP) recording a solid year-on-year growth of approximately 7.8% in the first half of 2021 as a whole. Looking ahead, it is believed that the recovery of the global economy, the stabilisation of the local COVID-19 pandemic and the launch of the consumer voucher scheme will help stimulate local consumption, and in the short term will continue to support the economic improvement of Hong Kong. However, the recent spread of the more contagious COVID-19 new variants in many countries has added further uncertainties to the global economic outlook for the rest of 2021. Other risk factors, such as Sino-US relations, geopolitical tensions, and changes in the monetary policy by the major central banks, will also impact the future of the local economy.

Although the Group is optimistic about the long-term sustainable economic growth in Hong Kong and Mainland China, and that the Group has committed itself to further developing 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 Strategies

The Company is globally oriented with the focus on Asia, and aims to build a leading comprehensive international investment banking platform focusing on investment banking and wealth management and serving China Minsheng and its clientele. Specifically, the Group will adopt the following measures, inter alia:

- (1) actively promoting the development of listing sponsor and stock underwriting businesses, strengthening the business synergy and the channel for acquiring new clients, optimising the business synergy system mechanism, assisting targeted clients in gaining access to the Hong Kong investment banking business, expanding client resources and exploring potential project cooperation opportunities;
- (2) further strengthening the high-quality bond business, increasing cooperation with leading financial institutions, the domestic branches and business units, developing new client resources, further enhancing the bond sales capacity and gradually building a professional sales team;
- (3) with the three core orientations of creating an efficient sales model, accurate product development and providing quality services, the Group will seize the magnificent development opportunities of the integration of the Greater Bay Area to build a comprehensive and diversified asset management platform;
- (4) developing market-making business with the focus on high-quality urban investment bonds, financial bonds and real estate bonds;
- (5) building an offshore wealth management center, overseas service center and product center to provide customized offshore investment and wealth management service solutions for high-net-worth individuals and wealth management clients; and
- (6) to continuously strengthen and improve risk management and internal control, the Group will select projects carefully, monitor the status regularly, assess the risks frequently, promptly respond to any environmental change and improve its internal control procedures.



## Management Discussion and Analysis

### PROSPECTS AND DEVELOPMENT STRATEGIES (continued)

#### Development Strategies (continued)

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 optimize the investment and financing business products and client structure; and “two wings” emphasised, 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 emphasising the adherence to the principle of “three bottom lines”, namely, legality and compliance bottom line, risk control bottom line and company interest bottom line, in order to comprehensively improve the sustainability and market image of the Company.

### FINANCIAL RESULTS

During the Reporting Period, the Group’s profit attributable to the owners of the Company increased to approximately HK\$201.2 million, representing an increase of approximately 21.6% as compared to approximately HK\$165.5 million in the Previous Period. The Group’s basic and diluted earnings per share were HK0.42 cents (30 June 2020: HK0.35 cents).

#### Revenue

The Group’s revenue decreased by approximately 8.1% to approximately HK\$461.0 million during the Reporting Period, as compared to approximately HK\$501.6 million in the Previous Period. The decrease was mainly due to the risk appetite adjustment and an increase in the size of highly-rated assets which led to the decrease in the interest income from investment and financing 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 and Net Gains or Losses from Investment For the six months ended 30 June		Segment Results For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Securities	65,311	33,664	41,936	18,315
Fixed-income Direct Investment	122,527	267,451	33,409	47,195
Other Investment and Financing	146,853	153,565	90,067	103,494
Asset Management	69,587	62,226	55,420	42,914
Corporate Finance and Advisory	27,797	23,801	14,586	9,850
Others	–	–	(1,610)	(21,600)
<b>Total</b>	<b>432,075</b>	<b>540,707</b>	<b>233,808</b>	<b>200,168</b>

# Management Discussion and Analysis

## FINANCIAL RESULTS (continued)

### Securities Segment

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

During the Reporting Period, the revenue and profit contributed by the securities segment increased to approximately HK\$65.3 million and HK\$41.9 million, respectively, compared to the revenue and profit of approximately HK\$33.7 million and HK\$18.3 million, respectively in the Previous Period. The increase of the segment revenue and profit was mainly due to the growth of the bond underwriting.

### Investment and Financing Segment

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 in the industries that are on the growth or expansion phase of the cycle, focuses on strategic industries and provides value-added services for enterprises. The Group also aims at high-tech innovative enterprises, medical and healthcare enterprises, and other enterprises that have large growth potential.

With respect to financing, the Group is committed to providing comprehensive financing solutions with different structures and forms according to customer needs, and providing transactional structural design, financing distribution and other services. The specific products include but not limited to asset-secured loans, M&A loans, convertible bond financing, equity pledge financing, and bridge financing.

During the Reporting Period, in the face of the adverse environment brought by the global economic fluctuations to industrial investment, the Group had appraised the situation constantly 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, the proprietary investments of the Group achieved rapid premium appreciation and maintained a sustainable and healthy growth momentum.

## Management Discussion and Analysis

### FINANCIAL RESULTS (continued)

#### Investment and Financing Segment (continued)

##### Fixed-income Direct Investment

During the Reporting Period, revenue and net investment losses from the fixed-income direct investment segment, which included but not limited to coupons from the listed bonds under direct investment, amounted to an aggregate of approximately HK\$122.5 million as compared to approximately HK\$267.5 million in the Previous Period. The segment profit decreased from approximately HK\$47.2 million in the Previous Period to approximately HK\$33.4 million in the Reporting Period. The decrease in segment profit was mainly attributable to risk appetite adjustment and increase in the size of highly-rated assets which led to the decrease in interest income from bond investment as well as the exchange loss incurred during the Reporting Period.

##### Other Investment and Financing

During the Reporting Period, revenue and net investment gains from the other investment and financing segment, which included but not limited to coupons, dividends and distribution income from listed bonds (other than those under fixed-income direct investment), listed equities, unlisted equity interests, unlisted funds, and unlisted notes, as well as interest income from loans, amounted to an aggregate of approximately HK\$146.9 million as compared to approximately HK\$153.6 million in the Previous Period. The segment profit decreased from approximately HK\$103.5 million in the Previous Period to approximately HK\$90.1 million in the Reporting Period. The decrease in segment profit was mainly attributable to the decrease in interest income from loans and the increase in the segment expenses.

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

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
<b>Investment</b>		
Listed equities	<b>208,620</b>	–
Unlisted equity interests	<b>302,769</b>	230,715
Listed bonds (measured at fair value through other comprehensive income (“FVOCI”))	<b>8,137,320</b>	6,835,510
Listed bonds (measured at fair value through profit or loss (“FVTPL”))	<b>966,164</b>	241,417
Listed bonds (measured at amortised cost)	<b>61,906</b>	77,272
Unlisted funds	<b>841,130</b>	700,113
Derivative financial instrument – credit derivative	–	68,563
Total	<b>10,517,909</b>	8,153,590
<b>Financing</b>		
Loans and advances	<b>774,234</b>	1,485,217

# Management Discussion and Analysis

## FINANCIAL RESULTS (continued)

### Investment and Financing Segment (continued)

#### *Other Investment and Financing (continued)*

As at 30 June 2021, the Group's investment portfolio mainly included but not limited to listed equity, listed bonds, unlisted equity interests and unlisted funds, covering a wide range of sectors such as industry, pharmaceuticals, technology, consumer goods, real estate and finance.

As at 30 June 2021, the assets of the proprietary investment of the Group amounted to approximately HK\$10.5 billion (31 December 2020: approximately HK\$8.2 billion), including bonds investment of approximately HK\$9.2 billion (31 December 2020: approximately HK\$7.2 billion). During the Reporting Period, the Group's total investment portfolio increased by approximately HK\$2.3 billion, which was mainly due to the net purchase of listed bonds and listed equity. The future performance of such a portfolio will depend on many factors, including uncertainties of the financial markets, the economic development trend in both Hong Kong and Mainland China and investors' sentiment.

During the Reporting Period, the Group's investment portfolio generated an income of approximately HK\$244.4 million (Previous Period: HK\$288.0 million) in total, including interest income of approximately HK\$150.9 million (Previous Period: HK\$238.0 million) from debt securities investments, interest income of approximately HK\$17.1 million (Previous Period: HK\$8.1 million) from FVTPL investments and dividend income and other investment income of approximately HK\$76.3 million (Previous Period: HK\$41.9 million).

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

The Group maintains a consistent robust principle for its proprietary bond investment, and adopts a revenue-based (including charging fixed contractual interest and receiving gains on disposal) trading strategy. Adopting a top-down/bottom-up approach in its investment analysis, the Group is committed to identifying investment opportunities with sustainable and high-level revenue within limited volatility. The Group adopts prudent risk management strategy and makes a reasonable risk estimate for its investments in order to strike a balance between risk management and revenue generation. At the same time, the Group adheres to the principle of diversified investment and has established explicit guidelines which stipulate that the position in any single bond shall not account for more than 5% of the overall position, and the portfolio shall be diversified by investing in various issuers in a wide range of sectors, thereby avoiding the risk of adjustment in any particular industry.

# Management Discussion and Analysis

## FINANCIAL RESULTS (continued)

### Investment and Financing Segment (continued)

#### *Other Investment and Financing (continued)*

The unlisted direct investment business of the Group, which included equity interests and funds, mainly focuses on high-tech innovative enterprises and medical and healthcare enterprises that have large growth potential. The unlisted direct investment projects the Group held achieved rapid premium appreciation and maintained a sustainable and healthy growth momentum during the Reporting Period.

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

#### **Asset Management Segment**

The Group's asset management represents the provision of asset management services to clients. The Group's asset management segment recorded revenue of approximately HK\$69.6 million during the Reporting Period as compared to approximately HK\$62.2 million in the Previous Period and segment profit of approximately HK\$55.4 million during the Reporting Period as compared to approximately HK\$42.9 million in the Previous Period. The segment revenue and profit increased due to the increase in the asset management portfolio.

#### **Corporate Finance and Advisory Segment**

During the Reporting Period, the Group's revenue of approximately HK\$27.8 million and profit of approximately HK\$14.6 million were recorded for the corporate finance and advisory segment, as compared to revenue of approximately HK\$23.8 million and profit of approximately HK\$9.9 million in the Previous Period. The segment revenue and profit increased due to the increase in the number of sponsor projects as compared to the Previous Period.

# Management Discussion and Analysis

## FINANCIAL RESULTS (continued)

### Administrative Expenses and Finance Costs

Administrative expenses and finance costs for the Reporting Period amounted to approximately HK\$170.2 million in aggregate as compared to approximately HK\$236.5 million in the Previous Period. The analysis is set out below:

	For the six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Staff costs	38,552	33,553
Depreciation and amortisation	13,875	13,856
Other administrative expenses	25,852	25,942
Finance costs	91,879	163,167
Total	170,158	236,518

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

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

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

### Capital Structure

As at 30 June 2021, the total number of the issued share capital with the par value of HK\$0.01 each was 47,553,717,729 (31 December 2020: 47,627,927,729) and the total equity attributable to the Shareholders was approximately HK\$2,738.4 million (31 December 2020: HK\$2,600.0 million).

During the Reporting Period, the Company repurchased an aggregate of 79,930,000 Shares. Of these repurchased Shares, 71,030,000 Shares were cancelled during the Reporting Period, and the remaining 8,900,000 repurchased Shares were cancelled on 30 July 2021.

During the Reporting Period, no Shares had been purchased or granted to the selected persons of the Group under the Share Award Scheme or no share options had been granted under the Share Option Scheme.

# Management Discussion and Analysis

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (continued)

### Liquidity and Financial Resources

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

As at 30 June 2021, the Group had current assets of approximately HK\$14,242.2 million (31 December 2020: HK\$ 10,955.1 million) and liquid assets comprising cash (excluding cash held on behalf of clients), investment in listed equity securities and listed debt investments (other than those measured at amortised cost) totaling approximately HK\$10,253.2 million (31 December 2020: HK\$7,455.1 million). The Group's current ratio, calculated based on current assets of approximately HK\$14,242.2 million (31 December 2020: HK\$10,955.1 million) over current liabilities of approximately HK\$11,642.0 million (31 December 2020: HK\$8,427.8 million), was approximately 1.2 on 30 June 2021 (31 December 2020: 1.3).

The Group's finance costs for the Reporting Period mainly represented the interest on notes payable of approximately HK\$5.2 million (Previous Period: HK\$1.5 million), interest on loans from an intermediate holding company of approximately HK\$65.6 million (Previous Period: HK\$119.0 million), interest on financial assets sold under repurchase agreements of approximately HK\$18.4 million (Previous Period: HK\$40.0 million) and interest on lease liabilities of approximately HK\$2.2 million (Previous Period: HK\$2.7 million).

As at 30 June 2021, the Group's indebtedness comprised loans from an intermediate holding company, notes payable and financial assets sold under repurchase agreements of approximately HK\$10,690.7 million (31 December 2020: HK\$7,735.0 million). The loans principal from an intermediate holding company of approximately HK\$4,102.4 million (31 December 2020: HK\$4,344.2 million) were denominated in Hong Kong dollars and United States dollars and borne interests at 3.5% per annum (2020: 4% per annum) and were repayable within one year. The notes payable in the aggregate principal amount of US\$180.0 million (31 December 2020: Nil) were denominated in the United States dollars, due within one year from the respective issue dates of the notes, and borne interest at 1% to 1.8% 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 79.6% (31 December 2020: 74.8%).

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.

# Management Discussion and Analysis

## PLEDGE OF ASSETS

Except as otherwise disclosed, as at 30 June 2021, the Group had no other pledge or charge on assets (31 December 2020: Nil).

## CONTINGENT LIABILITY

As at 30 June 2021, the Group had no significant contingent liability (31 December 2020: Nil).

## CAPITAL COMMITMENT

As at 30 June 2021, the Group had no significant capital commitment (31 December 2020: Nil).

## SIGNIFICANT INVESTMENTS HELD

During 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

During 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 2021, the Group had 85 (30 June 2020: about 69) employees including the Directors. For the Reporting Period, the total staff costs, including the Directors' remuneration, was approximately HK\$38.6 million (Previous Period: HK\$33.6 million). Remuneration packages for the employees and the Directors are structured by reference to market terms, individual competence, performance and experience. Benefits plans maintained by the Group include the mandatory provident fund scheme, subsidised training program, share option scheme, share award scheme and discretionary bonuses.



## Other Information

### EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this interim report, no major subsequent events affecting the Group had occurred since the end of the Reporting Period and up to the date of this report.

### RISK MANAGEMENT CAPABILITIES

The Board recognises risk management as one of the key elements to the success of the Company, and endeavors to improve the 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 risks, reputation, liquidity, IT and country risks. As at the date of this report, the Group has improved various risk management policies and procedures covering different business sectors. The Group has also established a 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 the internal control system and to 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 2021 (Previous Period: Nil).

### SHARE OPTION SCHEME

The existing Share Option Scheme was adopted by the Company at the annual general meeting of the Company held on 24 September 2012. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Share Option Scheme shall provide an 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 had been granted to the selected persons of the Group under the Share Option Scheme. As at 30 June 2021, there were no outstanding share options (31 December 2020: Nil).

## Other Information

### 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) shall 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 of 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 had been purchased or granted to the selected persons of the Group under the Share Award Scheme.

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

As at 30 June 2021, 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 2021, 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 the general meeting of any other member of the Group or had any option in respect of such capital:

Name of Shareholder	Capacity in which the Shares were held	Number of Shares held	Approximate percentage of the issued share capital of the Company	Long position/ Short position
China Minsheng	Interest of controlled corporation	30,523,539,093 (Note 1)	64.14%	Long position
CMBCI	Interest of controlled corporation	30,523,539,093 (Note 1)	64.14%	Long position
CMBCI Investment HK	Interest of controlled corporation	30,027,039,093 (Note 1)	63.03%	Long position
CMBCI Investment	Beneficial Owner	30,027,039,093 (Note 1)	63.03%	Long position

Note:

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.

### 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 deviation with reasons as explained:

## Other Information

### CORPORATE GOVERNANCE (continued)

#### Appointment of Directors

##### *Code Provision A.4.1*

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

##### *Deviation*

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

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

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

### AUDIT COMMITTEE

The 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 condensed consolidated financial statements are not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

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

The Board considers that the repurchase of Shares could increase the net asset value and/or earnings per Share, so the Company repurchased a total of 79,930,000 Shares on the Stock Exchange, with a total consideration of approximately HK\$8.4 million for the six months ended 30 June 2021. As at the date of this interim report, all repurchased Shares have been cancelled.

## Other Information

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES (continued)

Details of repurchase are as follows:

Month of repurchase	Total Shares repurchased	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Total consideration paid (HK\$'000)
January 2021	8,540,000	0.129	0.112	1,011
February 2021	16,160,000	0.116	0.108	1,787
March 2021	940,000	0.107	0.107	101
April 2021	9,730,000	0.108	0.103	1,034
May 2021	18,130,000	0.104	0.099	1,841
June 2021	26,430,000	0.101	0.095	2,586
Total	79,930,000	–	–	8,360

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.

### FURTHER INFORMATION ON THE ANNUAL REPORT OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2020 ("ANNUAL REPORT 2020")

#### 1) CONNECTED TRANSACTIONS

All related party transactions referred to in Note 41(a) to the Annual Report 2020 constitute connected transactions or continuing connected transactions defined in Chapter 14A of the Listing Rules ("Chapter 14A"). The Company has complied with the provisions of Chapter 14A for the year ended 31 December 2020.

#### 2) RETIREMENT BENEFITS SCHEMES

For the year ended 31 December 2020, no forfeited contributions were available for utilisation by the Company to reduce the existing level of contributions.

**Li Jinze**  
Chairman

Hong Kong, 30 August 2021

# 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 23 to 60, 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 2021 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 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 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, 30 August 2021

## Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

	Notes	Six months ended	
		30 June 2021 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited)
Revenue	4	<b>461,012</b>	501,578
Net gains on financial assets at fair value through profit or loss ("FVTPL")		<b>77,208</b>	48,204
Net losses on financial assets at fair value through other comprehensive income ("FVOCI")		<b>(106,221)</b>	(9,075)
Net gains on financial assets at amortised cost		<b>76</b>	–
Other income	5	<b>6,648</b>	7,483
Other gains and losses	6	<b>11</b>	(3,815)
Impairment losses	7	<b>(34,768)</b>	(107,689)
Staff costs		<b>(38,552)</b>	(33,553)
Depreciation and amortisation		<b>(13,875)</b>	(13,856)
Other operating expenses		<b>(25,852)</b>	(25,942)
Finance costs	8	<b>(91,879)</b>	(163,167)
Profit before taxation	9	<b>233,808</b>	200,168
Taxation	10	<b>(32,619)</b>	(34,718)
Profit for the period attributable to owners of the Company		<b>201,189</b>	165,450
Earnings per share attributable to owners of the Company (HK cents)	11		
– Basic		<b>0.42</b>	0.35
– Diluted		<b>0.42</b>	0.35

The notes on pages 29 to 60 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 2021

	Six months ended	
	30 June 2021 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited)
<b>Profit for the period attributable to owners of the Company</b>	<b>201,189</b>	165,450
<b>Other comprehensive income/(loss)</b>		
Item that will not be reclassified to profit or loss:		
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	<b>9,202</b>	(34,241)
Item that may be reclassified subsequently to profit or loss:		
– Financial assets at fair value through other comprehensive income – net movement in fair value reserve (recycling)	<b>93,346</b>	(83,631)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>102,548</b>	(117,872)
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>303,737</b>	47,578

The notes on pages 29 to 60 form part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		8,305	9,418
Right-of-use asset		81,749	93,428
Goodwill		16,391	16,391
Intangible assets		1,417	2,103
Loans and advances	13	77,821	–
Financial assets at amortised cost	15	61,906	77,272
Deferred tax assets		2,052	1,383
Other assets		10,505	10,138
		<b>260,146</b>	210,133
<b>Current assets</b>			
Accounts receivable	14	1,496,266	502,816
Prepayments, deposits and other receivables		244,219	35,339
Interest receivable		165,478	119,836
Amount due from an intermediate holding company		12,269	–
Loans and advances	13	696,413	1,485,217
Financial assets at fair value through other comprehensive income	16	8,137,320	6,835,510
Financial assets at fair value through profit or loss	17	2,318,683	1,240,808
Cash held on behalf of customers		230,454	357,370
Cash and cash equivalents		941,100	378,170
		<b>14,242,202</b>	10,955,066

## Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2021

	Notes	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
<b>Current liabilities</b>			
Accounts payable	18	268,089	359,441
Other payables and accruals		276,659	83,147
Amount due to an intermediate holding company		–	5,927
Loans from an intermediate holding company	19	4,270,438	4,446,443
Notes payable	20	1,403,126	–
Financial assets sold under repurchase agreements	21	5,190,368	3,390,747
Financial liabilities at fair value through profit or loss	22	345	93,922
Lease liabilities		27,388	27,388
Dividend payable		157,001	–
Tax payable		48,563	20,831
		<b>11,641,977</b>	8,427,846
Net current assets		<b>2,600,225</b>	2,527,220
Total assets less current liabilities		<b>2,860,371</b>	2,737,353
<b>Non-current liabilities</b>			
Lease liabilities		57,426	66,670
Deferred tax liabilities		64,583	70,715
		<b>122,009</b>	137,385
Net assets		<b>2,738,362</b>	2,599,968
<b>Capital and reserves</b>			
Share capital	23	475,537	476,279
Reserves		2,262,825	2,123,689
Total equity		<b>2,738,362</b>	2,599,968

The notes on pages 29 to 60 form part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

Notes	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus* HK\$'000	Fair value reserve (recycling) HK\$'000	Fair value reserve (non-recycling) HK\$'000	Other reserve HK\$'000	Accumulated profit/(losses) HK\$'000	Total HK\$'000
At 1 January 2021 (audited)	476,279	1,759,825	2,066,081	(115,278)	19,826	373	(1,607,138)	2,599,968
Profit for the period	-	-	-	-	-	-	201,189	201,189
Other comprehensive income	-	-	-	93,346	9,202	-	-	102,548
Total comprehensive income	-	-	-	93,346	9,202	-	201,189	303,737
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	(3,615)	-	3,615*	-
Shares repurchased but not yet cancelled	-	-	-	-	-	(847)	-	(847)
Shares repurchased and cancelled 23(i)	(742)	(7,140)	-	-	-	387	-	(7,495)
Dividend approved in respect of the previous year 12	-	-	(157,001)	-	-	-	-	(157,001)
At 30 June 2021 (unaudited)	475,537	1,752,685	1,909,080	(21,932)	25,413	(87)	(1,402,334)	2,738,362

Notes	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus* HK\$'000	Fair value reserve (recycling) HK\$'000	Fair value reserve (non-recycling) HK\$'000	Other reserve HK\$'000	Accumulated profit/(losses) HK\$'000	Total HK\$'000
At 1 January 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 (loss)/income	-	-	-	(83,631)	(38,481)	-	169,690	47,578
Shares repurchased and cancelled	(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

\* 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 29 to 60 form part of these condensed consolidated financial statements.

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Note	Six months ended	
		30 June 2021 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited)
Net cash used in operating activities		<b>(567,661)</b>	(397,882)
Net cash used in investing activities			
Purchases of property, plant and equipment		<b>(397)</b>	(432)
		<b>(397)</b>	(432)
Net cash generated from financing activities			
Repurchase of shares		<b>(8,342)</b>	(2,622)
New borrowings raised		<b>12,093,196</b>	1,480,553
Repayments of borrowings		<b>(12,337,273)</b>	(864,800)
Issuance of notes	20	<b>1,395,867</b>	–
Principal and interest elements of lease payments		<b>(11,412)</b>	(13,693)
		<b>1,132,036</b>	599,438
Net increase in cash and cash equivalents		<b>563,978</b>	201,124
Cash and cash equivalents at the beginning of the period		<b>378,170</b>	400,708
Effect of foreign exchange rate changes, net		<b>(1,048)</b>	97
Cash and cash equivalents at the end of the period		<b>941,100</b>	601,929

The notes on pages 29 to 60 form part of these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 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 30 August 2021.

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 2020 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 2020 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.

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 21 and 22.

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with HKFRSs.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 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 2021:

- Covid-19-related Rent Concessions – amendments to HKFRS 16
- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 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. "Investment and Financing", which was previously presented in the 2020 condensed consolidated financial statements, has been presented as two segments "Fixed-income direct investment" and "Other Investment and financing" in 2020 annual financial statements. Therefore, the comparatives have been re-presented accordingly to align with the Group's current internal reporting information.

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



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 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 2021 HK\$'000	30 June 2020 HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by service lines		
– Commission income from brokerage and related services	4,422	365
– Commission income from underwriting, sub-underwriting, placing and sub-placing	39,439	17,052
– Financial advisory, sponsorship, arrangement fee and other service income	23,807	14,483
– Asset management fee, investment advisory services fee and performance fee income	69,587	62,226
	<b>137,255</b>	94,126
<b>Revenue from other sources</b>		
Loan and financing		
– Interest income from provision of finance and securities margin financing	79,365	119,490
Financial investments		
– Interest income from debt securities investments	150,942	237,962
– Interest income from FVTPL investments	17,144	8,125
– Dividend income and other investment income	76,306	41,875
	<b>244,392</b>	287,962
	<b>461,012</b>	501,578

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 3 SEGMENT INFORMATION (continued)

### Disaggregation of revenue (continued)

Disaggregation of revenue is set out below:

For the six months ended	Securities		Fixed-income direct investment		Other investment and financing		Asset management		Corporate finance and advisory		Total	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	HK\$'000	HK\$'000	HK\$'000	(Re-presented) HK\$'000	HK\$'000	(Re-presented) 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	39,871	8,099	-	-	-	-	69,587	62,226	27,797	23,801	137,255	94,126
<b>Revenue from other sources</b>												
Loan and financing												
- Interest income from provision of finance and securities margin financing	25,440	25,565	-	-	53,925	93,925	-	-	-	-	79,365	119,490
Financial investments												
- Interest income from debt securities investments	-	-	150,942	237,962	-	-	-	-	-	-	150,942	237,962
- Interest income from FVTPL investments	-	-	22	-	17,122	8,125	-	-	-	-	17,144	8,125
- Dividend income and other investment income	-	-	58,826	37,668	17,480	4,207	-	-	-	-	76,306	41,875
	-	-	209,790	276,630	34,602	12,332	-	-	-	-	244,392	287,962
<b>Reportable segment revenue</b>	<b>65,311</b>	<b>33,664</b>	<b>209,790</b>	<b>276,630</b>	<b>88,527</b>	<b>106,257</b>	<b>69,587</b>	<b>62,226</b>	<b>27,797</b>	<b>23,801</b>	<b>461,012</b>	<b>501,578</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 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 2021						Total HK\$'000
	Securities HK\$'000	Fixed- income direct investment HK\$'000	Other investment and financing HK\$'000	Asset management HK\$'000	Corporate finance and advisory HK\$'000	Others HK\$'000	
Segment revenue and investment gains/(losses)							
- Reportable segment revenue	65,311	209,790	88,527	69,587	27,797	-	461,012
- Net gains on financial assets at fair value through profit or loss	-	18,882	58,326	-	-	-	77,208
- Net losses on financial assets at fair value through other comprehensive income	-	(106,221)	-	-	-	-	(106,221)
- Net gains on financial assets at amortised cost	-	76	-	-	-	-	76
	65,311	122,527	146,853	69,587	27,797	-	432,075
Other income	1,880	12	-	40	256	4,460	6,648
Other gains and losses	307	(5,852)	1,299	93	-	4,164	11
Segment expenses	(25,562)	(83,278)	(58,085)	(14,300)	(13,467)	(10,234)	(204,926)
Segment results	41,936	33,409	90,067	55,420	14,586	(1,610)	233,808

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 3 SEGMENT INFORMATION (continued)

### Segment revenue and results (continued)

	Six months ended 30 June 2020						
	Securities	Fixed-income direct investment (Re-presented)	Other investment and financing (Re-presented)	Asset management	Corporate finance and advisory	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue and investment gains/(losses)							
- Reportable segment revenue	33,664	275,630	106,257	62,226	23,801	-	501,578
- Net gains on financial assets at fair value through profit or loss	-	896	47,308	-	-	-	48,204
- Net losses on financial assets at fair value through other comprehensive income	-	(9,075)	-	-	-	-	(9,075)
	33,664	267,451	153,565	62,226	23,801	-	540,707
Other income	1,523	178	13	456	633	4,680	7,483
Other gains and losses	(1,460)	9,110	(874)	(328)	115	(10,378)	(3,815)
Segment expenses	(15,412)	(229,544)	(49,210)	(19,440)	(14,699)	(15,902)	(344,207)
Segment results	18,315	47,195	103,494	42,914	9,850	(21,600)	200,168

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 3 SEGMENT INFORMATION (continued)

### Segment assets and liabilities

	As at 30 June 2021						
	Securities HK\$'000	Fixed- income direct investment HK\$'000	Other investment and financing HK\$'000	Asset management HK\$'000	Corporate finance and advisory HK\$'000	Others HK\$'000	Total HK\$'000
<b>Assets</b>							
Segment assets	2,031,539	8,581,677	3,631,172	69,490	25,970	162,500	14,502,348
<b>Liabilities</b>							
Segment liabilities	1,640,331	7,015,461	2,803,279	21,239	-	283,676	11,763,986

	As at 31 December 2020						
	Securities HK\$'000	Fixed- income direct investment HK\$'000	Other investment and financing HK\$'000	Asset management HK\$'000	Corporate finance and advisory HK\$'000	Others HK\$'000	Total HK\$'000
<b>Assets</b>							
Segment assets	985,583	6,955,357	2,947,028	48,656	26,750	201,825	11,165,199
<b>Liabilities</b>							
Segment liabilities	776,097	6,383,045	1,236,604	14,106	-	155,379	8,565,231

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 4 REVENUE

	Six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Commission income from brokerage and related services	4,422	365
Commission income from underwriting, sub-underwriting, placing and sub-placing	39,439	17,052
Interest income from debt securities investments	150,942	237,962
Interest income from FVTPL investments	17,144	8,125
Interest income from provision of finance and securities margin financing	79,365	119,490
Dividend income and other investment income	76,306	41,875
Financial advisory, sponsorship, arrangement fee and other service income	23,807	14,483
Asset management fee, investment advisory services fee and performance fee income	69,587	62,226
	<b>461,012</b>	501,578

## 5 OTHER INCOME

	Six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Bank interest income	33	1,065
Office sharing fee income	4,440	4,440
Other income	2,175	1,978
	<b>6,648</b>	7,483

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 6 OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Net exchange gain/(loss)	11	(3,815)
	11	(3,815)

## 7 IMPAIRMENT LOSSES

	Six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Impairment losses		
– Loans and advances (Note 13)	21,391	6,813
– Accounts receivable (Note 14)	503	1,555
– Financial assets at fair value through other comprehensive income (Note 16)	12,861	64,352
– Financial assets at amortised cost (Note 15)	13	34,969
	34,768	107,689

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 8 FINANCE COSTS

	Six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Interest expense on:		
Margin loan	–	4
Notes payable	5,189	1,521
Bank borrowings	551	–
Loans from an intermediate holding company	65,610	118,986
Financial assets sold under repurchase agreements	18,361	39,992
Lease liabilities	2,168	2,664
	<b>91,879</b>	163,167

## 9 PROFIT BEFORE TAXATION

	Six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
The Group's profit before taxation is arrived at after charging:		
Depreciation of property, plant and equipment	1,510	1,491
Depreciation of right-of-use asset	11,679	11,679
Amortisation of intangible assets	686	686



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 10 TAXATION

	Six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Current period – Hong Kong Profits Tax	(39,420)	(17,376)
Deferred tax credited/(provided) for the period	6,801	(17,342)
	(32,619)	(34,718)

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 2021 HK\$'000	30 June 2020 HK\$'000
<b>Earnings</b>		
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	201,189	165,450

	Six months ended	
	30 June 2021 '000	30 June 2020 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	47,601,858	47,673,449

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 12 DIVIDENDS

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

The final dividend of HK0.33 cents per share (2019: HK0.33 cents per share) for the year ended 31 December 2020 had been approved by the shareholders of the Company on 29 June 2021 and was paid on 30 July 2021 in an aggregated amount of approximately HK\$157,001,000 (For the year ended 31 December 2019: approximately HK\$157,272,000).

## 13 LOANS AND ADVANCES

	<b>As at 30 June 2021 HK\$'000</b>	As at 31 December 2020 HK\$'000
Loans and advances	<b>785,671</b>	1,492,193
Less: Allowance for expected credit losses	<b>(11,437)</b>	(6,976)
	<b>774,234</b>	1,485,217
Less: Amount due within one year shown under current assets	<b>(696,413)</b>	(1,485,217)
Amount shown under non-current assets	<b>77,821</b>	–
Loans and advances (non-current)	<b>77,882</b>	–
Less: Allowance for expected credit losses	<b>(61)</b>	–
	<b>77,821</b>	–
Loans and advances (current)	<b>707,789</b>	1,492,193
Less: Allowance for expected credit losses	<b>(11,376)</b>	(6,976)
	<b>696,413</b>	1,485,217

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 13 LOANS AND ADVANCES (continued)

At 30 June 2021, loans and advances included loans to independent third parties with effective interest rates ranging from 6% to 13% (31 December 2020: 5% to 13%) per annum. Certain loans and advances were secured and/or backed by guarantees or collaterals. Regular reviews on these loans are conducted by the risk management department based on the latest status of these loans, and the latest available information about the borrowers and the underlying collaterals held.

During the period ended 30 June 2021, allowance for expected credit losses of HK\$21,391,000 was recognised (for the six months ended 30 June 2020: HK\$6,813,000) in the condensed consolidated statement of profit or loss.

## 14 ACCOUNTS RECEIVABLE

	<b>As at 30 June 2021 HK\$'000</b>	As at 31 December 2020 HK\$'000
Accounts receivable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Clearing houses	111	2,828
– Cash clients	15,748	2
– Margin clients	403,138	480,286
– Clients for subscription of new shares in IPO	1,060,894	–
	<b>1,479,891</b>	483,116
Accounts receivable arising from the ordinary course of business of securities underwriting	9,826	12,639
Accounts receivable arising from the ordinary course of business of advisory services	9,666	9,675
	<b>1,499,383</b>	505,430
Less: Allowance for expected credit losses	<b>(3,117)</b>	(2,614)
	<b>1,496,266</b>	502,816

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 14 ACCOUNTS RECEIVABLE (continued)

### Accounts receivable arising from the business of dealing in securities

The normal settlement terms of accounts receivable from clients and clearing houses, except for accounts receivable due from margin clients, arising from the ordinary course of business of securities brokerage services are two trading days after the trade date. No ageing analysis is disclosed as, in the opinion of directors of the Company, an ageing analysis does not give additional value in view of the nature of this business.

Accounts receivable due from margin clients are repayable on demand and carry interest at 5% to 18% per annum during the six months ended 30 June 2021 (during the year ended 31 December 2020: accounts receivable due from margin clients are repayable on demand and carry interest at 5.25% to 18% per annum). The fair value of the pledged securities as at 30 June 2021 is approximately HK\$617,737,000 (31 December 2020: HK\$797,944,000).

During the period ended 30 June 2021, allowance for expected credit losses of HK\$503,000 was recognised (for the six months ended 30 June 2020: HK\$1,555,000) in the condensed consolidated statement of profit or loss.

Accounts receivable from clients arising from financing of IPO subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules. As at 30 June 2021, the settlement dates are in the range of 2 to 7 days.

As at 30 June 2021, the Group has concentration risk on its accounts receivable as the balance with the largest client represent 34% (31 December 2020: 41%) of the total accounts receivable from cash clients, margin clients and clients for subscription of new shares in IPO. The Group has no other significant concentration risk.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 14 ACCOUNTS RECEIVABLE (continued)

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

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

	<b>As at 30 June 2021 HK\$'000</b>	As at 31 December 2020 HK\$'000
Neither past due nor impaired	<b>10,680</b>	11,458
31 – 60 days past due	<b>3,985</b>	8,126
61 – 90 days past due	<b>2,000</b>	2,559
Over 90 days past due	<b>2,827</b>	171
	<b>19,492</b>	22,314
Allowance for expected credit losses	–	–
<b>Total</b>	<b>19,492</b>	22,314

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. The directors have assessed and considered that there is no recoverability issue.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 15 FINANCIAL ASSETS AT AMORTISED COST

	<b>As at 30 June 2021 HK\$'000</b>	As at 31 December 2020 HK\$'000
Listed debt investments	<b>62,130</b>	77,536
Less: Allowance for expected credit losses	<b>(224)</b>	(264)
	<b>61,906</b>	77,272

The above amount is due more than one year and shown under non-current assets.

During the period ended 30 June 2021, allowance for expected credit losses of HK\$13,000 (for the six months ended 30 June 2020: HK\$34,969,000) was recognised in the condensed consolidated statement of profit or loss.

## 16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>As at 30 June 2021 HK\$'000</b>	As at 31 December 2020 HK\$'000
Listed debt investments, at fair value (Note)	<b>5,086,190</b>	5,173,757
Listed equity instruments, at fair value	<b>3,051,130</b>	1,661,753
	<b>8,137,320</b>	6,835,510

Note: The Group has further recognised expected credit losses amounted to HK\$12,861,000 in the condensed consolidated statement of profit or loss during the period (for the six months ended 30 June 2020: HK\$64,352,000). As at 30 June 2021, allowance for expected credit losses amounted HK\$42,453,000 (31 December 2020: HK\$94,597,000) has been included in fair value reserve (recycling).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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

	<b>As at 30 June 2021 HK\$'000</b>	As at 31 December 2020 HK\$'000
Listed equity investments	<b>208,620</b>	–
Unlisted equity investments	<b>302,769</b>	230,715
Listed debt investments	<b>966,164</b>	241,417
Unlisted investment funds	<b>841,130</b>	700,113
Derivative financial instrument – credit derivative	–	68,563
	<b>2,318,683</b>	1,240,808

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

As at 31 December 2020, the credit derivative was a non-qualified hedging derivative which comprises a total return swap held by the Group with notional value amounted to approximately HK\$187.3 million. During the period ended 30 June 2021, the credit derivative was unwound.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 18 ACCOUNTS PAYABLE

	<b>As at 30 June 2021 HK\$'000</b>	As at 31 December 2020 HK\$'000
Accounts payable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Cash clients	<b>133,234</b>	221,936
– Margin clients	<b>18,608</b>	54,537
– Clearing houses	<b>52</b>	82,968
– Brokers	<b>116,195</b>	–
	<b>268,089</b>	359,441

### 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.

## 19 LOANS FROM AN INTERMEDIATE HOLDING COMPANY

	<b>As at 30 June 2021 HK\$'000</b>	As at 31 December 2020 HK\$'000
Loans from an intermediate holding company	<b>4,270,438</b>	4,446,443
The carrying amounts of the above borrowings are repayable:		
Within one year	<b>4,270,438</b>	4,446,443

As at 30 June 2021, the Group had loans amounting to approximately HK\$4,102,445,000 (31 December 2020: HK\$4,344,207,000) from CMBC International Holdings Limited, an intermediate holding company and interest payable amounting to approximately HK\$167,993,000 (31 December 2020: HK\$102,236,000). The loans bear interests at 3.5% per annum (31 December 2020: 4% per annum) and are repayable within one year (31 December 2020: within one year).



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 20 NOTES PAYABLE

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

During the period ended 30 June 2021, the Company issued notes in the aggregate principal amount of US\$180,000,000 to independent third parties. The notes carry variable interest at 1% to 1.8% per annum and are to be redeemed within one year.

As at 30 June 2021, the aggregate principal amount of the notes payable was US\$180,000,000 (31 December 2020: Nil).

The movement of the notes payable for the period ended 30 June 2021 and for the year ended 31 December 2020 are set out below:

	<b>As at 30 June 2021 HK\$'000</b>	As at 31 December 2020 HK\$'000
At the beginning of the period/year	–	50,000
Issuance of notes	<b>1,395,867</b>	–
Interest charged	<b>5,189</b>	2,781
Repayment of note principal	–	(50,000)
Interest payable	–	(2,781)
Exchange realignment	<b>2,070</b>	–
At the end of the period/year	<b>1,403,126</b>	–
The carrying amounts of the above borrowings are repayable:		
Within one year	<b>1,403,126</b>	–

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 21 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	<b>As at 30 June 2021 HK\$'000</b>	As at 31 December 2020 HK\$'000
Bonds	<b>5,190,368</b>	3,390,747

As at 30 June 2021, the Group entered into repurchase agreements with financial institutions to sell bonds recognised as financial assets at fair value through other comprehensive income and financial assets at amortised cost with aggregate carrying amount of approximately HK\$6,859,456,000 (31 December 2020: approximately HK\$4,535,946,000), which are subject to the simultaneous agreements to repurchase these investments at the agreed dates and prices.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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

	<b>As at 30 June 2021 HK\$'000</b>	As at 31 December 2020 HK\$'000
Payables to interest holder of unlisted consolidated investment fund, designated at FVTPL	<b>345</b>	–
Derivative financial instrument – credit derivative	–	93,922
	<b>345</b>	93,922

As at 30 June 2021, the Company held 60% (31 December 2020: 60%) interest of CMBCC Co-High Medical Investment Fund SP (the “Medical Fund”). As the Group has control over the Medical Fund, it is accounted for as a subsidiary. Accordingly, the interests of the non-controlling shareholder are classified as financial liabilities designated as at fair value through profit or loss of approximately HK\$345,000 as at 30 June 2021 (31 December 2020: Nil).

As at 31 December 2020, the credit derivative was a non-qualified hedging derivative which comprises a total return swap held by the Group with notional value amounted to approximately HK\$187.7 million. During the period ended 30 June 2021, the credit derivative was unwound.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 23 SHARE CAPITAL

Note	Number of shares		Amount	
	As at 30 June 2021 '000	As at 31 December 2020 '000	As at 30 June 2021 HK\$'000	As at 31 December 2020 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	47,627,928	47,679,218	476,279	476,792
Cancellation for shares repurchased (i)	(74,210)	(51,290)	(742)	(513)
At the end of the period/year	47,553,718	47,627,928	475,537	476,279

Note:

- (i) During the period ended 30 June 2021, the Company repurchased an aggregate of 79,930,000 ordinary shares of the Company on market at prices ranging from HK\$0.095 to HK\$0.129 per share at a total consideration of approximately HK\$8,342,000 (before transaction costs). Of these repurchased shares, 71,030,000 shares were cancelled prior to period ended 30 June 2021. The premium of approximately HK\$7,140,000 paid on the repurchase of shares was debited to share premium account. Subsequent to end of the reporting period, the remaining 8,900,000 repurchased shares were cancelled on 30 July 2021.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 24 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 2021:

- 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 Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 24 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 2021 HK\$'000	31 December 2020 HK\$'000			
<b>Financial assets</b>					
Financial assets at fair value through profit or loss					
– Listed equity investments	208,620	–	Level 1	Quoted market closing prices in an active market	N/A
– Unlisted equity investments	302,769	230,715	Level 3	Recent transaction price/Binomial Model	Discount rate for lack of marketability/ Forward Price-to-Earnings ratio
– Listed debt investments	966,164	241,417	Level 2	Quoted price from brokers/financial institution	N/A
– Unlisted investment funds	841,130	700,113	Level 3	Recent transaction price/Trending on stock price movement/Equity allocation model	Stock price movement/ Scenario probability
– Derivative financial instrument–credit derivative	–	68,563	Level 2	Quoted price from broker/financial institution	N/A
Financial assets at fair value through other comprehensive income					
– Listed debt investments	5,086,190	5,173,757	Level 2	Quoted price from brokers/financial institution	N/A
– Listed equity instruments	3,051,130	1,661,753	Level 2	Quoted price from brokers/financial institution	N/A

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 24 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 2021 HK\$'000	31 December 2020 HK\$'000			
<b>Financial liabilities</b>					
Financial liabilities at fair value through profit or loss					
- Payables to interest holders of unlisted consolidated investment funds, designated at FVTPL	345	-	Level 3	Net asset value	N/A
- Derivative financial instrument-credit derivative	-	93,922	Level 2	Quoted price from broker/financial institution	N/A

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

### 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 25 RELATED PARTY TRANSACTIONS

The Group had the following related party transactions for the six months ended 30 June 2021 and 2020:

### (a) Compensation of key management personnel of the Group

	Six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Short-term employee benefits	10,067	7,075
Post-employment benefits	27	27
Total compensation to key management personnel	10,094	7,102



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 25 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 2021, the Group had the following material transactions with related parties.

	Six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Interest expense to an intermediate holding company (Note (ii))	65,610	118,986
Interest income from a branch of the ultimate holding company	–	1
Distribution fee to a subsidiary of an intermediate holding company and a branch of the ultimate holding company (Note (ii))	67	4,500
Underwriting fee income from a subsidiary of the ultimate holding company	1,745	–
Asset management fee and investment advisory services fee income from an intermediate holding company and segregated portfolios invested by an intermediate holding company and the ultimate holding company (Note (iii))	53,763	44,431
Performance fee income from an intermediate holding company and a segregated portfolio invested by an intermediate holding company and the ultimate holding company (Note (iii))	15,511	17,482
Office sharing fee income from an intermediate holding company	4,440	4,440

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 25 RELATED PARTY TRANSACTIONS (continued)

### (b) Material transaction with related parties (continued)

Notes:

- (i) At 30 June 2021, an intermediate holding company provided loans in an aggregate amount of approximately HK\$4,102,445,000 (31 December 2020: HK\$4,344,207,000) to the Group. The loans bear annual interest rate of 3.5% (31 December 2020: 4%) and repayable within one year (31 December 2020: within one year). Interest payable of approximately HK\$167,993,000 (31 December 2020: HK\$102,236,000) has been accrued from the loans as at 30 June 2021.
- (ii) During the period ended 30 June 2021, the Group accrued distribution fee for the distribution services provided by a branch of the ultimate holding company. During the prior period ended 30 June 2020, 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 and investment advisory services fee income for services provided to an intermediate holding company and segregated portfolios invested by an intermediate holding company and the ultimate holding company, and earned performance fee income for the asset management services provided to an intermediate holding company and a segregated portfolio invested by an intermediate holding company and the ultimate holding company.

### (c) Material balances with related parties

	<b>As at 30 June 2021 HK\$'000</b>	As at 31 December 2020 HK\$'000
Bank balances at a branch of the ultimate holding company		
– House accounts	<b>26,921</b>	19,686
– Segregated accounts	<b>55,806</b>	171,207
Amount due from an intermediate holding company	<b>12,269</b>	–
Amount due to an intermediate holding company	–	5,927
Loans from an intermediate holding company	<b>4,270,438</b>	4,446,443
Accounts payable to the immediate holding company	<b>3,822</b>	3

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 25 RELATED PARTY TRANSACTIONS (continued)

### (d) Service agreements with related parties

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.

On 27 July 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 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.

During the period ended 30 June 2021, there were transactions relating to provision of distribution services, provision of underwriting services, provision of asset management and investment advisory services, provision of deposit services and office sharing (2020: transactions relating to provision of asset management and investment advisory services, provision of distribution services, provision of deposit services and office sharing).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 26 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Unlisted investment funds	841,130	700,113

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

- the voting rights in the funds are not dominant rights in deciding who controls them as they relate to administrative tasks only;
- each fund's activities are restricted by its articles of associations; and/or
- the funds have narrow and well defined objectives to provide investment opportunities to investors.

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

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 26 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 2021	
	Number of investment funds	Carrying amount included in financial assets at fair value through profit or loss HK\$'000
Unlisted investment funds	9	841,130

	31 December 2020	
	Number of investment funds	Carrying amount included in financial assets at fair value through profit or loss HK\$'000
Unlisted investment funds	5	700,113

During the six months ended 30 June 2021 and 2020, the Group did not provide financial support to the unconsolidated structured entities and has no intention of providing financial or other support.

### 27 IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The immediate parent and ultimate controlling party are CMBC International Investment Limited, which is incorporated in British Virgin Islands and China Minsheng Banking Corp., Ltd. which is incorporated in People's Republic of China, respectively.