



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

INTERIM REPORT 2022



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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)
“China Minsheng Group”	China Minsheng and its subsidiaries, excluding members of the Group
“CMBCI”	CMBC International Holdings Limited
“CMBCI Investment”	CMBC International Investment Limited
“CMBCI Investment HK”	CMBC International Investment (HK) Limited
“Company”	CMBC Capital Holdings Limited
“Directors”	Directors of the Company
“Group”	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 2021
“Reporting Period”	the six months ended 30 June 2022
“Shareholders”	holder(s) of the Share(s)
“Shares”	the shares of the Company
“SFC”	the Securities and Futures Commission
“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
“US” or “United States”	the United States of America
“US\$”	United States dollar, the lawful currency in the United States
“%”	per cent

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Jinze (*Chairman*)
(resigned on 13 June 2022)
Mr. Ding Zhisuo (*General Manager*)
Mr. Ng Hoi Kam

Non-executive Directors

Mr. Yang Kunpeng
Mr. Li Wenshi

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
17/F, Far East Finance Centre
16, Harcourt Road
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 and market-making business and has all material licenses required for services provided to most of its existing and potential clients at the current stage.

Under the impact of multiple factors such as high inflation in the US, the Federal Reserve's interest rate hike and balance sheet reduction, war clouds between Russia and Ukraine, the ongoing global COVID-19 pandemic and the slowdown in China's economic growth, Hong Kong's capital markets experienced a turbulent situation in the first half of 2022 with a sharp drop in equity and bond prices not seen in more than two decades, which had a significant impact on the development of all the Group's businesses and posed challenges to revenue and profit.

During the Reporting Period, the Group recorded revenue of approximately HK\$417.1 million, representing a period-over-period decrease of approximately 9.5%. The net loss amounted to approximately HK\$278.6 million, compared to the net profit of approximately HK\$201.2 million in the Previous Period. The underlying losses were mainly attributable to the increase in the provision of allowance for expected credit losses on the Group's bond investments, loans and structured finance and the decrease in the carrying fair value of investments in equity securities as a result of the highly volatile capital market and asset prices and the significant increase in credit risk of certain market entities. Other than the above, the Group's operating performance and cash flows remained stable during the Reporting Period.

Investment and Financing

During the Reporting Period, negative sentiments persisted in the global capital markets, asset prices were highly volatile and risks continued to rise, especially the sharp fall in the prices of Chinese-issued US dollar-denominated bonds, which had a negative impact on the Group's bond investment gains. In addition, due to the impact of the ongoing COVID-19 pandemic and the greater pressure on economic development in the Mainland China, many enterprises experienced a significant decline in results, operational difficulties or debt crises. In this regard, the Group increased the provision of allowance for expected credit losses on bond investment, loans and structured finance and adjusted downwards the fair value of its investments in equity securities.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Securities

During the Reporting Period, the offshore bond underwriting business of the Group was affected by the rising cost of offshore US dollar-denominated bond financing for Chinese issuers as a result of the US Federal Reserve's interest rate hike. The amount and scale of bonds underwritten had decreased compared to the Previous Period. However, it maintained a steady development compared to the amount and size issued by market entities. During the Reporting Period, the Group completed the underwriting of 53 bond issues. The overall credit quality of the Group's bond underwriting entities remained relatively strong, comprising mainly financial institutions, central government-owned enterprises, large local state-owned enterprises and urban investment enterprises with high ratings. Investment-grade bond issuance accounted for over 70% of the total underwriting volume.

Asset Management

The Group's asset management business covers the SFC authorised funds (commonly known as “public funds”), private funds, discretionary managed accounts and investment advisory services, with a focus on providing multi-level asset management solutions to clients based on their needs.

During the Reporting Period, the Group's asset management team continued to abide by the principles of “sensitive to market, loyal to trends, skilled at trading, ready to assume responsibility and strictly self-disciplined” and pursue absolute returns at the core in the face of the recurrent outbreaks of the COVID-19 pandemic, accelerating global inflation, rising US bond rates, significant volatility in the capital markets and frequent credit risk events in US dollar-denominated Chinese real estate bonds. By continuously improving the quality of the portfolio's assets and strengthening the portfolio's duration management, the Group was able to better hedge the impact of credit events on the net worth of the portfolio. As at 30 June 2022, the scale of the Group's asset management business grew by more than 20% compared to that as at 31 December 2021, thanks to the increase in the directly managed asset management business and investment advisory business.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Corporate Finance and Advisory

During the Reporting Period, 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. Also, the Group's applications for the listing on the Main Board for three sponsor projects were in the process of being reviewed by the Stock Exchange during the Reporting Period. The industries covered by these projects include paper making, blanket manufacturing, E-commerce, social new retail, marketing services and special purpose acquisition companies. 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. With respect to stock underwriting, despite the unstable market environment, the Group, with its excellent underwriting ability, completed a total of five stock underwriting projects during the Reporting Period, and these projects covered the industries that have attracted investors' attention recently, such as biomedical, high-end manufacturing and IP operations.

PROSPECTS AND DEVELOPMENT STRATEGIES

Prospects

The slowing global demand growth and the COVID-19 pandemic-induced cross-boundary transportation disruptions posed significant drags to Hong Kong's exports. As the ongoing COVID-19 pandemic and restrictive measures have taken a heavy toll on general economic activities, the GDP of Hong Kong for the first half of 2022 contracted as compared to previous year. In addition, the volatile geopolitical situation has added uncertainty to the global economy and financial markets, resulting in significant fluctuations in asset prices. Looking ahead, the ongoing tensions between Russia and Ukraine are expected to keep international energy and commodity prices high, and major central banks are expected to continue to tighten monetary policy in the second half of 2022 to curb inflation, potentially dragging down the global economic recovery and increasing the risk of stagflation. The evolution of the global pandemic and the development of Sino-US relations will also add uncertainty. However, with the gradual relaxation of Hong Kong's social distancing measures and various government support measures, the recovery of domestic demand will support the recovery of Hong Kong's economic activities in the future.

Although the Group is optimistic about the long-term sustainable economic growth in Hong Kong and the Mainland China, in the short run, fixed income investment prices are expected to remain under greater downward pressure amid the US dollar interest rate hike cycle. The US dollar interest rate hike will also lead to an increase in the Group's financing costs, further exacerbating the pressure on profit. In the meantime, if the pandemic persists, economic growth pressure in the Mainland China and Hong Kong may further increase, which will pose continued challenges to the ongoing operations, profitability and financing ability of various companies, including the Group's clients. For these reasons, the Group will continue to carry forward the spirit of striving and swimming against the tide, uphold the established strategy that risk control and internal control and compliance are the top priorities, closely monitor the situation, reasonably control the capital leverage ratio, optimise the investment portfolio, seek potential investment opportunities, and seize opportunities to actively increase revenue while adhering to the bottom line of risk compliance.

Management Discussion and Analysis

PROSPECTS AND DEVELOPMENT STRATEGIES (continued)

Development Strategies

The Group will continue to leverage the advantages of the “merchant bank + investment bank” linkage, clearly position its core competitiveness and business characteristics, develop itself as a comprehensive and diversified investment banking platform with its own distinctive investment banking, capital management and equity investment services, offering international investment banking products and services to serve China Minsheng and its customers.

The Company will focus on the basic strategy of “one body and two wings”, with “one body” optimised, which is to further optimise 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. Specifically:

- (1) Actively promote the development of listing sponsorship and equity underwriting business, expand project marketing channels through multiple measures, optimise and improve the business synergy mechanism, and assist clients in opening up the investment banking business channels in Hong Kong in line with the Group's overall strategic planning. The Group will strengthen the exploration and marketing of medium and large investment banking projects to enhance market influence;
- (2) In the face of the complex and volatile capital market, the Group will further strengthen the sourcing of high-quality corporate bond business, enhance business synergies with China Minsheng Group, expand cooperation with high-quality financial peers, and explore new high-quality client resources. The Group will encourage and support customers to issue green bonds or other green financial products. The Group will further enhance our bond sales capabilities and progressively build a professional sales team;
- (3) To serve the strategic concept of “One Minsheng”, the Group will make full use of the advantages of our rich business platform resources, and gradually strengthen the marketing implementation of high-quality private equity projects with the aim of serving the national strategic development direction and Minsheng’s high-quality customers by building an internal and external private equity investment platform;
- (4) With efficient sales model, accurate product development and quality management services as the three core guidelines for asset management business development, the Group will continue to optimise the quality of our asset management portfolio and enhance our management scale and fee income. The Group will seize the historical development opportunities arising from the integration of the Greater Bay Area and the interconnection and interoperability of the two places, promote mutual recognition of funds, enhance product innovation and liberalisation, and build a comprehensive and diversified offshore asset management platform; and

Management Discussion and Analysis

PROSPECTS AND DEVELOPMENT STRATEGIES (continued)

Development Strategies (continued)

- (5) The Group actively respond to changes in the market environment and strengthen credit and market risk control and cost control. In response to the complex economic and financial environment and the continuously fluctuating capital market, the Group strengthens credit research on bond issuers, conducts all-dimensional structural adjustment and tracking and monitoring of each portfolio, further optimises the portfolio structure, optimises portfolio asset quality and enhances risk resistance. The Group also implements pre-investment risk prevention and control and post-investment management and disposal of loans and structured finance business. At the same time, the Group will constantly enhance cost management, effectively exhibit the guiding and restraining effects of financial contributions on business development.

The Company attaches great importance to both business development and compliance risk control, and has been building and optimising the Company's compliance internal control process on a regular basis, continuously strengthening its all-round risk management system, enhancing forward-looking forecasting of risk management through various means, with an efficient planning and rapid response mechanism to cope with complex environmental changes to ensure the Company's steady development. The Company is committed to enhancing its corporate governance capabilities, adhering to the strategic plan of the China Minsheng Group, building a quality talent pipeline based on sound operations, enhancing its revenue-generating business capabilities, promoting the continuous professional development of all employees and strengthening the "bottom-line awareness" mindset, promoting green finance and sustainable development, and enhancing its brand influence. The Company will continue to enhance its brand influence and create long-term value for customers, shareholders, employees and society.

FINANCIAL RESULTS

During the Reporting Period, the Group's loss attributable to the owners of the Company amounted to approximately HK\$278.6 million, as compared to the profit of approximately HK\$201.2 million in the Previous Period. The Group's basic and diluted loss per share was HK23.93 cents (Previous Period: basic and diluted earnings per share of HK16.91 cents (restated)).

Management Discussion and Analysis

FINANCIAL RESULTS (continued)

Revenue

The Group's revenue decreased by approximately 9.5% to approximately HK\$417.1 million during the Reporting Period, as compared to approximately HK\$461.0 million in the Previous Period. The decrease was mainly due to the extremely sluggish and volatile capital market in Hong Kong during the Reporting Period, with a decline in funding in the US dollar bond market and IPO market, as well as a decrease in the size of external loans, resulting in the decrease of investment banking income, such as sponsorship and underwriting, and interest income from loan and financing. The table below presents the breakdown of segment revenue (including net gains or losses from investment) and segment results during the Reporting Period with comparative figures in the Previous 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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Securities	18,849	65,311	(36,548)	41,936
Fixed-income direct investment	276,470	122,527	(150,585)	33,409
Other investment and financing	(97,677)	146,853	(158,531)	90,067
Asset management	63,533	69,587	49,396	55,420
Corporate finance and advisory	18,152	27,797	7,915	14,586
Others	-	-	13,103	(1,610)
Total	279,327	432,075	(275,250)	233,808

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 contributed by the securities segment decreased to approximately HK\$18.8 million, while segment results turned from a profit to a loss of approximately HK\$36.5 million, compared to the revenue and profit of approximately HK\$65.3 million and HK\$41.9 million, respectively, in the Previous Period. The decrease in segment revenue and the turn of segment results from profit to loss was mainly due to a decline in bond underwriting business and decrease in interest income from customers, coupled with the provision of allowance for expected credit losses during the Reporting Period in the margin financing business due to a decline in the market value of pledged assets that could not cover the financing exposure.

Management Discussion and Analysis

FINANCIAL RESULTS (continued)

Investment and Financing Segment

In terms of investment, the Group focuses on the Greater China region. It actively identifies enterprises with prominent core technical advantages and strong growth ability and profitability in the industries that are on the growth or expansion phase of the cycle. 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, coordinating financing arrangements and other services. The specific products include but not limited to asset-secured loans, M&A loans, equity pledge financing and bridge financing.

During the Reporting Period, negative sentiments persisted in the global capital markets, asset prices were highly volatile and risks continued to rise, especially the sharp fall in the prices of Chinese-issued US dollar-denominated bonds, which had a negative impact on the Group's bond investment gains. In addition, due to the impact of the ongoing COVID-19 pandemic and the greater pressure on economic development in the Mainland China, many enterprises experienced a significant decline in results, operational difficulties or debt crises. In this regard, the Group increased the provision of allowance for expected credit losses on bond investment, loans and structured finance and adjusted downwards the fair value of its investments in equity securities.

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 bonds under direct investment, amounted to an aggregate of approximately HK\$276.5 million as compared to approximately HK\$122.5 million in the Previous Period. Segment results turned from a profit to a loss of approximately HK\$150.6 million, compared to a profit of approximately HK\$33.4 million for the Previous Period. The increase in segment revenue was mainly due to the increase in coupon income as a result of the increase in the scale of bond investments during the Reporting Period and the significant decrease in investment loss period-over-period; the change from profit to loss in the segment results was mainly due to the significant decline in the prices of certain property bonds and private enterprise bonds during the Reporting Period, which resulted in a significant allowance for expected credit losses required to be provided during the Reporting Period, coupled with an increase in interest expenses due to the increase in the scale of financing corresponding to the bond investments and an increase in foreign exchange losses incurred during the Reporting Period.

Management Discussion and Analysis

FINANCIAL RESULTS (continued)

Investment and Financing Segment (continued)

Other Investment and Financing

During the Reporting Period, revenue and net investment gains and losses from the other investment and financing segment, which included but not limited to coupons, dividends and distribution income from bonds (other than those under fixed-income direct investment), listed equities, unlisted equity interests and unlisted funds, as well as interest income from loans, amounted to an aggregate of approximately HK\$-97.7 million as compared to approximately HK\$146.9 million in the Previous Period. The change from positive to negative in segment revenue and net investment gains and losses was mainly due to an overall decline in the fair value of investments and the decrease in interest income as a result of the reduction in the size of external loans. Segment results turned from a profit to a loss of approximately HK\$158.5 million, compared to a profit of approximately HK\$90.1 million for the Previous Period. The change from profit to loss in the segment results was mainly due to the change from positive to negative in segment revenue and net investment gains and losses, and the increase in allowance for expected credit losses provided in loans during the Reporting Period.

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Investment		
Listed equities (measured at FVTPL)	101,207	152,101
Listed equities (measured at FVOCI)	30,559	–
Unlisted equity interests	285,833	413,105
Bonds (measured at FVOCI)	10,732,496	9,610,682
Bonds (measured at FVTPL)	341,071	353,510
Bonds (measured at amortised cost)	62,750	62,172
Unlisted funds	775,114	852,198
Quoted investment fund	–	11,527
Total	12,329,030	11,455,295
Financing		
Loans and advances	812,535	841,160

Management Discussion and Analysis

FINANCIAL RESULTS (continued)

Investment and Financing Segment (continued)

Other Investment and Financing (continued)

As at 30 June 2022, the Group's investment portfolio mainly included but not limited to listed equity, 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 2022, the assets of the proprietary investment of the Group amounted to approximately HK\$12.3 billion (31 December 2021: HK\$11.5 billion), including bonds investment of approximately HK\$11.1 billion (31 December 2021: HK\$10.0 billion). During the Reporting Period, the Group's total investment portfolio increased by approximately HK\$0.8 billion, which was mainly due to the net purchase of bonds. The future performance of such a portfolio will depend on many factors, including uncertainties in the financial markets, the economic development trend in both Hong Kong and the Mainland China and investors' sentiment.

During the Reporting Period, the Group's investment portfolio generated an income of approximately HK\$295.0 million (Previous Period: HK\$244.4 million) in total, including interest income of approximately HK\$156.6 million (Previous Period: HK\$150.9 million) from debt securities investments, interest income of approximately HK\$9.0 million (Previous Period: HK\$17.1 million) from FVTPL investments and dividend income and other investment income of approximately HK\$129.4 million (Previous Period: HK\$76.3 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; (ii) net loss not recycled through profit or loss upon disposal of financial assets measured at FVOCI; and (iii) fair value losses recognised in fair value reserve through other comprehensive income.

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 investment diversification 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.

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 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, 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\$63.5 million during the Reporting Period as compared to approximately HK\$69.6 million in the Previous Period and segment profit of approximately HK\$49.4 million during the Reporting Period as compared to approximately HK\$55.4 million in the Previous Period. The decrease in segment revenue and profit was due to the decrease in asset management fee income as a result of the decrease in average asset management fee rate.

Corporate Finance and Advisory Segment

During the Reporting Period, the Group recorded a revenue of approximately HK\$18.2 million and segment profit of approximately HK\$7.9 million for the corporate finance and advisory segment, as compared to revenue of approximately HK\$27.8 million and segment profit of approximately HK\$14.6 million in the Previous Period. The segment revenue and profit decreased due to a lower amount raised by issuers amidst the unstable market condition.

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\$180.0 million in aggregate as compared to approximately HK\$170.2 million in the Previous Period. The analysis is set out below:

	For the six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Staff costs	38,934	38,552
Depreciation and amortisation	11,110	13,875
Other operating expenses	23,161	25,852
Finance costs	106,749	91,879
Total	179,954	170,158

The increase in finance costs was mainly due to the increase in the scale of financing.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Structure

As at 30 June 2022, the total number of the issued share capital with the par value of HK\$0.40 each was 1,144,021,693 (31 December 2021: 1,174,466,693) and the total equity attributable to the Shareholders was approximately HK\$1,812.2 million (31 December 2021: HK\$2,755.7 million).

During the Reporting Period, the Company repurchased an aggregate of 29,325,500 Shares. Of these repurchased Shares, 27,744,500 Shares were cancelled during the Reporting Period, and the remaining 1,581,000 repurchased Shares were cancelled on 26 August 2022.

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 2022, the Group had current assets of approximately HK\$14,942.8 million (31 December 2021: HK\$14,405.4 million) and liquid assets comprising cash (excluding cash held on behalf of clients), investment in listed equity securities and debt investments (other than those measured at amortised cost) totaling approximately HK\$12,095.9 million (31 December 2021: HK\$10,886.2 million). The Group's current ratio, calculated based on current assets of approximately HK\$14,942.8 million (31 December 2021: HK\$14,405.4 million) over current liabilities of approximately HK\$13,160.4 million (31 December 2021: HK\$11,667.2 million), was approximately 1.1 on 30 June 2022 (31 December 2021: 1.2).

The Group's finance costs for the Reporting Period mainly represented the interest on notes payable of approximately HK\$8.9 million (Previous Period: HK\$5.2 million), interest on loans from an intermediate holding company of approximately HK\$73.5 million (Previous Period: HK\$65.6 million), the interest of repurchase agreements of approximately HK\$22.7 million (Previous Period: HK\$18.4 million) and interest on lease liabilities of approximately HK\$1.6 million (Previous Period: HK\$2.2 million).

As at 30 June 2022, the Group's indebtedness comprised loans from an intermediate holding company and financial assets sold under repurchase agreements of approximately HK\$12,285.0 million (31 December 2021: HK\$10,772.8 million). The loans from an intermediate holding company of approximately HK\$6,608.7 million (31 December 2021: HK\$3,654.7 million) was denominated in Hong Kong dollars and United States dollars and borne interests at 2.5% per annum (2021: 2.5% to 3.5% per annum) and was repayable within one year. As at 30 June 2022, there were no notes payable (31 December 2021: Notes payable in the aggregate principal amount of US\$145 million were denominated in the United States dollars, due within one year, and borne interest at 1% to 1.8% per annum). As at 30 June 2022, the Group entered into repurchase agreements with financial institutions to sell financial assets at fair value through other comprehensive income and financial assets at amortised cost with carrying amount of approximately HK\$7,261.4 million (31 December 2021: HK\$7,820.5 million), which are subject to the simultaneous agreements to repurchase these investments at the agreed dates and prices.

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 87.1% (31 December 2021: 79.6%).

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 2022, the Group had no other pledge or charge on assets (31 December 2021: Nil).

CONTINGENT LIABILITY

Unless otherwise disclosed, as at 30 June 2022, the Group had no significant contingent liability (31 December 2021: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2022. In the event that the Group is engaged in any plan for material investments or capital assets, the Company will make announcement(s) and comply with relevant rules under the Listing Rules as and when appropriate.

CAPITAL COMMITMENT

As at 30 June 2022, the Group had no significant capital commitment (31 December 2021: 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 2022, the Group had 82 (30 June 2021: 85) employees including the Directors. For the Reporting Period, the total staff costs, including the Directors' remuneration, was approximately HK\$38.9 million (Previous Period: HK\$38.6 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 interim 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 interim 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 2022 (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 114,446,894 Shares (representing 10% of the Shares in issue as at the date of the 2017 AGM and taking into account the consolidation of every forty issued and unissued shares of HK\$0.01 each into one share of HK\$0.4 each effective on 29 December 2021 (the "Share Consolidation")).

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 2022, there were no outstanding share options (31 December 2021: 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 114,446,894 Shares, representing 10% of the issued share capital of the Company as at the date of the 2017 AGM, and taking into account the Share Consolidation. 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 2022, 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 2022, 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	760,535,477 (Note 1)	66.48%	Long position
CMBCI	Interest of controlled corporation	760,535,477 (Note 1)	66.48%	Long position
CMBCI Investment HK	Interest of controlled corporation	758,113,477 (Note 1)	66.27%	Long position
CMBCI Investment	Beneficial Owner	758,113,477 (Note 1)	66.27%	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)

The Role of Chairman

Pursuant to provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and shall not be performed by the same individual.

Deviation

Mr. Li Jinze, the former chairman of the Company, resigned on 13 June 2022. Due to the resignation of Mr. Li Jinze, Mr. Ding Zhisuo, the general manager of the Company, has been performing the duties of the chairman as approved by the Board until a new chairman is appointed by the Company. The Company is now seeking for a suitable candidate to take up the role of the chairman to ensure compliance with aforesaid provision of the CG Code.

Attendance at Annual General Meeting

Pursuant to provision F.2.2 of the CG Code, the chairman of the Board shall attend the annual general meeting and invite the chairman of the audit committee, the remuneration committee and the nomination committee and any other committees (as applicable) or, in the absence of the chairman of such committees, another committee member (or, in the absence of such committee member, his duly appointed delegate) to answer questions at the annual general meeting of the Company.

Deviation

Due to the resignation of Mr. Li Jinze on 13 June 2022 and the other business commitments of the chairman and members of the audit committee, the nomination committee and the remuneration committee, they were unable to attend the annual general meeting of the Company held on 29 June 2022 (the "AGM"). However, Mr. Ding Zhisuo had chaired the AGM and answered questions from the Shareholders of the Company. The AGM has provided a channel of communication between the Board and the Shareholders.

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.

Other Information

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, so the Company repurchased a total of 29,325,500 Shares on the Stock Exchange, with a total consideration (before transaction costs) of approximately HK\$66.3 million for the six months ended 30 June 2022. As at the date of this interim report, all repurchased Shares have been cancelled.

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 2022	5,958,500	3.91	2.61	19,908
February 2022	6,211,000	2.96	2.43	16,110
March 2022	814,000	1.75	1.67	1,408
April 2022	4,241,000	1.85	1.44	7,051
May 2022	4,293,000	1.78	1.55	7,216
June 2022	7,808,000	2.10	1.51	14,613
Total	29,325,500	-	-	66,306

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.

Ding Zhisuo
Executive Director

Hong Kong, 30 August 2022

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 24 to 64, which comprises the condensed consolidated statement of financial position of CMBC Capital Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2022 and 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 notes, comprising significant accounting policies and other explanatory information. 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 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

	Notes	Six months ended	
		30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Revenue	4	417,073	461,012
Net (losses)/gains on financial assets at fair value through profit or loss ("FVTPL")		(126,544)	77,208
Net losses on financial assets at fair value through other comprehensive income ("FVOCI")		(11,202)	(106,221)
Net gains on financial assets at amortised cost		–	76
Other income	5	5,423	6,648
Other gains and losses	6	(22,613)	11
Impairment losses	7	(357,433)	(34,768)
Staff costs		(38,934)	(38,552)
Depreciation and amortisation		(11,110)	(13,875)
Other operating expenses		(23,161)	(25,852)
Finance costs	8	(106,749)	(91,879)
(Loss)/profit before taxation	9	(275,250)	233,808
Taxation	10	(3,361)	(32,619)
(Loss)/profit for the period attributable to owners of the Company		(278,611)	201,189
		HK cents	(Restated) HK cents
(Loss)/earnings per share attributable to owners of the Company	11		
– Basic		(23.93)	16.91
– Diluted		(23.93)	16.91

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 (continued)

For the six months ended 30 June 2022

	Six months ended	
	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
(Loss)/profit for the period attributable to owners of the Company	(278,611)	201,189
Other comprehensive (loss)/income		
Item that will not be reclassified to profit or loss:		
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(187,075)	9,202
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)	(325,943)	93,346
Other comprehensive (loss)/income for the period, net of tax	(513,018)	102,548
Total comprehensive (loss)/income for the period attributable to owners of the Company	(791,629)	303,737

The notes on pages 30 to 64 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		6,073	7,386
Right-of-use asset		84,832	94,435
Goodwill		16,391	16,391
Intangible assets		960	960
Deferred tax assets		–	2,035
Other assets		10,708	8,732
		118,964	129,939
Current assets			
Accounts receivable	14	181,490	214,017
Prepayments, deposits and other receivables		232,874	390,560
Interest receivable		164,094	140,625
Amount due from an intermediate holding company		–	13,752
Loans and advances	13	812,535	841,160
Financial assets at fair value through other comprehensive income	16	10,763,055	9,610,682
Financial assets at amortised cost	15	62,750	62,172
Financial assets at fair value through profit or loss	17	1,503,225	1,782,441
Financial assets held under resale agreements		3,051	–
Cash held on behalf of customers		329,221	580,088
Cash and cash equivalents		890,530	769,875
		14,942,825	14,405,372

Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2022

	Notes	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Current liabilities			
Accounts payable	18	353,991	640,528
Other payables and accruals		233,105	171,106
Amount due to an intermediate holding company		49,516	–
Loans from an intermediate holding company	19	6,725,481	3,697,591
Notes payable	20	–	1,139,938
Financial assets sold under repurchase agreements	21	5,676,336	5,978,218
Financial liabilities at fair value through profit or loss	22	8,083	244
Lease liabilities		20,801	20,801
Dividend payable		85,573	–
Tax payable		7,526	18,751
		13,160,412	11,667,177
Net current assets		1,782,413	2,738,195
Total assets less current liabilities		1,901,377	2,868,134
Non-current liabilities			
Lease liabilities		66,919	75,725
Deferred tax liabilities		22,270	36,712
		89,189	112,437
Net assets		1,812,188	2,755,697
Capital and reserves			
Share capital	23	457,608	469,786
Reserves		1,354,580	2,285,911
Total equity		1,812,188	2,755,697

The notes on pages 30 to 64 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

Note	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus* HK\$'000	Fair value reserve (recycling) HK\$'000	Fair value reserve (non- recycling) HK\$'000	Other reserve HK\$'000	Accumulated profit/ (losses) HK\$'000	
At 1 January 2022 (audited)	469,786	1,703,289	1,909,183	(17,752)	7,195	(7,464)	(1,308,540)	2,755,697
Loss for the period	-	-	-	-	-	-	(278,611)	(278,611)
Other comprehensive loss	-	-	-	(325,943)	(187,075)	-	-	(513,018)
Total comprehensive loss	-	-	-	(325,943)	(187,075)	-	(278,611)	(791,629)
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	23,576 [#]	-	(23,576) [#]	-
Shares repurchased but not yet cancelled	-	-	-	-	-	(3,228)	-	(3,228)
Shares repurchased and cancelled	(12,178)	(59,126)	-	-	-	8,225	-	(63,079)
Dividend approved in respect of the previous year	-	-	(85,573)	-	-	-	-	(85,573)
At 30 June 2022 (unaudited)	457,608	1,644,163	1,823,610	(343,695)	(156,304)	(2,467)	(1,610,727)	1,812,188

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus* HK\$'000	Fair value reserve (recycling) HK\$'000	Fair value reserve (non- recycling) HK\$'000	Other reserve HK\$'000	Accumulated profit/ (losses) HK\$'000	
At 1 January 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	(742)	(7,140)	-	-	-	387	-	(7,495)
Dividend approved in respect of the previous year	-	-	(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

* 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 30 to 64 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended	
	30 June 2022 HK\$'000 (Unaudited)	30 June 2021 HK\$'000 (Unaudited)
Net cash used in operating activities	(1,619,334)	(567,661)
Net cash used in investing activities		
Purchases of property, plant and equipment	(194)	(397)
	(194)	(397)
Net cash generated from financing activities		
Repurchase of shares	(66,306)	(8,342)
New borrowings raised	3,207,291	12,093,196
Repayments of borrowings	(283,221)	(12,337,273)
Issuance of notes	–	1,395,867
Repayment of notes	(1,130,765)	–
Principal and interest elements of lease payments	(10,401)	(11,412)
	1,716,598	1,132,036
Net increase in cash and cash equivalents	97,070	563,978
Cash and cash equivalents at the beginning of the period	769,875	378,170
Effect of foreign exchange rate changes, net	23,585	(1,048)
Cash and cash equivalents at the end of the period	890,530	941,100

The notes on pages 30 to 64 form part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 2022.

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 2021 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 2021 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 22 and 23.

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with HKFRSs.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 2022:

- Covid-19-related Rent Concessions – Amendments to HKFRS 16
- Property, Plant and Equipment: Proceeds before intended use – Amendments to HKAS 16
- Reference to the Conceptual Framework – Amendments to HKFRS 3
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37
- Annual Improvements to HKFRS Standards 2018–2020
- Amendments to AG 5 Merger Accounting for Common Control Combinations

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 2022

3 SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the Group's management, being the chief operating decision makers, for the purpose of resources allocation and assessment of segment performance focusing on types of services provided.

- the "securities" segment representing the business line of provision of brokerage services, securities margin financing services 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 2022

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 2022 HK\$'000	30 June 2021 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Commission income from brokerage and related services	141	4,422
– Commission income from underwriting, sub-underwriting, placing and sub-placing	16,689	39,439
– Financial advisory, sponsorship, arrangement fee and other service income	12,578	23,807
– Asset management fee, investment advisory services fee and performance fee income	63,533	69,587
	92,941	137,255
Revenue from other sources		
Loan and financing		
– Interest income from provision of finance and securities margin financing	29,096	79,365
Financial investments		
– Interest income from debt securities investments	156,617	150,942
– Interest income from FVTPL investments	8,999	17,144
– Dividend income and other investment income	129,420	76,306
	295,036	244,392
	417,073	461,012

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 2022

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 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15	11,256	39,871	-	-	-	-	63,533	69,587	18,152	27,797	92,941	137,255
Revenue from other sources												
Loan and financing												
- Interest income from provision of finance and securities margin financing	7,593	25,440	-	-	21,503	53,925	-	-	-	-	29,096	79,365
Financial investments												
- Interest income from debt securities investments	-	-	156,617	150,942	-	-	-	-	-	-	156,617	150,942
- Interest income from FVTPL investments	-	-	-	22	8,999	17,122	-	-	-	-	8,999	17,144
- Dividend income and other investment income	-	-	126,909	58,826	2,511	17,480	-	-	-	-	129,420	76,306
	-	-	283,526	209,790	11,510	34,602	-	-	-	-	295,036	244,392
Reportable segment revenue	18,849	65,311	283,526	209,790	33,013	88,527	63,533	69,587	18,152	27,797	417,073	461,012

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 2022						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	18,849	283,526	33,013	63,533	18,152	-	417,073
- Net gains/(losses) on financial assets at fair value through profit or loss	-	4,146	(130,690)	-	-	-	(126,544)
- Net losses on financial assets at fair value through other comprehensive income	-	(11,202)	-	-	-	-	(11,202)
	18,849	276,470	(97,677)	63,533	18,152	-	279,327
Other income	311	427	9	17	214	4,445	5,423
Other gains and losses	1,187	(44,091)	4,148	323	15	15,805	(22,613)
Segment expenses	(56,895)	(383,391)	(65,011)	(14,477)	(10,466)	(7,147)	(537,387)
Segment results	(36,548)	(150,585)	(158,531)	49,396	7,915	13,103	(275,250)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3 SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

	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 2022

3 SEGMENT INFORMATION (continued)

Segment assets and liabilities

	As at 30 June 2022						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	
Assets							
Segment assets	804,317	11,413,075	2,641,684	75,515	15,825	111,373	15,061,789
Liabilities							
Segment liabilities	668,910	11,127,974	1,194,734	7,456	-	250,527	13,249,601

	As at 31 December 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	
Assets							
Segment assets	1,013,538	10,371,510	2,866,398	42,447	26,556	214,862	14,535,311
Liabilities							
Segment liabilities	862,432	9,593,856	1,180,380	2,948	120	139,878	11,779,614

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

4 REVENUE

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Commission income from brokerage and related services	141	4,422
Commission income from underwriting, sub-underwriting, placing and sub-placing	16,689	39,439
Interest income from debt securities investments	156,617	150,942
Interest income from FVTPL investments	8,999	17,144
Interest income from provision of finance and securities margin financing	29,096	79,365
Dividend income and other investment income	129,420	76,306
Financial advisory, sponsorship, arrangement fee and other service income	12,578	23,807
Asset management fee, investment advisory services fee and performance fee income	63,533	69,587
	417,073	461,012

5 OTHER INCOME

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Bank interest income	76	33
Office sharing fee income	4,440	4,440
Other income	907	2,175
	5,423	6,648

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

6 OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Net exchange (loss)/gain	(22,613)	11

7 IMPAIRMENT LOSSES

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Provision/(reversal) of impairment losses		
– Loans and advances (Note 13)	35,258	21,391
– Accounts receivable (Note 14)	38,750	503
– Financial assets at fair value through other comprehensive income (Note 16)	270,939	12,861
– Financial assets at amortised cost (Note 15)	(180)	13
– Interest receivable	12,656	–
– Financial assets held under resale agreements	10	–
	357,433	34,768

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

8 FINANCE COSTS

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Interest expense on:		
Notes payable	8,944	5,189
Bank borrowings	–	551
Loans from an intermediate holding company	73,524	65,610
Repurchase agreements	22,686	18,361
Lease liabilities	1,595	2,168
	106,749	91,879

9 (LOSS)/PROFIT BEFORE TAXATION

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
The Group's (loss)/profit before taxation is arrived at after charging:		
Depreciation of property, plant and equipment	1,507	1,510
Depreciation of right-of-use asset	9,603	11,679
Amortisation of intangible assets	–	686

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

10 TAXATION

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Current period – Hong Kong Profits Tax	(9,879)	(39,420)
Deferred tax credited for the period	6,518	6,801
	(3,361)	(32,619)

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

11 (LOSS)/EARNINGS PER SHARE

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

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
(Loss)/earnings (Loss)/profit attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	(278,611)	201,189

	Six months ended	
	30 June 2022 '000	30 June 2021 (Restated) '000
Number of shares Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	1,164,368	1,190,046

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

11 (LOSS)/EARNINGS PER SHARE (continued)

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

With effect from 29 December 2021, every forty (40) ordinary shares in the issued and unissued share capital of the Company was consolidated into one (1) consolidated share of the Company (the "Share Consolidation").

The weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation for the six months ended 30 June 2021 has been adjusted retrospectively to reflect the effect of Share Consolidation.

There was no dilutive items during the six months ended 30 June 2022 and 2021.

12 DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 (Previous Period: Nil).

The final dividend of HK7.48 cents per share (2020: HK0.33 cents per share (before share consolidation)/equivalent to HK13.2 cents (after Share Consolidation)) for the year ended 31 December 2021 had been approved by the shareholders of the Company on 29 June 2022 and was paid on 29 July 2022 in an aggregated amount of approximately HK\$85,573,000 (for the year ended 31 December 2020: approximately HK\$156,898,000).

13 LOANS AND ADVANCES

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Loans and advances	901,074	894,441
Less: Allowance for expected credit losses	(88,539)	(53,281)
	812,535	841,160

The carrying amounts of the above loans and advances as at 30 June 2022 and 31 December 2021 are due within one year and presented under current assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

13 LOANS AND ADVANCES (continued)

At 30 June 2022, loans and advances included loans to independent third parties with effective interest rates ranging from 3% to 10% (31 December 2021: 3% 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 six months ended 30 June 2022, allowance for expected credit losses of approximately HK\$35,258,000 was recognised (for the six months ended 30 June 2021: HK\$21,391,000) in the condensed consolidated statement of profit or loss and other comprehensive income.

14 ACCOUNTS RECEIVABLE

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Accounts receivable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Clearing houses	5,269	111
– Cash clients	10,794	8,582
– Margin clients	189,966	191,650
– Brokers	4,716	–
	210,745	200,343
Accounts receivable arising from the ordinary course of business of securities underwriting	8,237	10,846
Accounts receivable arising from the ordinary course of business of advisory services	2,066	4,575
Accounts receivable arising from the ordinary course of asset management services	2,096	1,157
	223,144	216,921
Less: Allowance for expected credit losses	(41,654)	(2,904)
	181,490	214,017

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

14 ACCOUNTS RECEIVABLE (continued)

Accounts receivable arising from the business of dealing in securities

The normal settlement terms of accounts receivable from cash clients, margin 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 3.5% to 18% per annum during the six months ended 30 June 2022 (during the year ended 31 December 2021: accounts receivable due from margin clients are repayable on demand and carry interest at 3.5% to 18% per annum). The fair values of the pledged securities as at 30 June 2022 was approximately HK\$581,470,000 (31 December 2021: HK\$688,073,000).

During the six months ended 30 June 2022, allowance for expected credit losses of approximately HK\$38,750,000 was recognised (for the six months ended 30 June 2021: HK\$503,000) in the condensed consolidated statement of profit or loss and other comprehensive income.

As at 30 June 2022, the Group has concentration risk on its accounts receivable as the balance with the largest client represent approximately 25% (31 December 2021: 36%) of the total accounts receivable from cash clients and margin clients. The Group has no other significant concentration risk.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

14 ACCOUNTS RECEIVABLE (continued)

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

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

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Neither past due nor impaired	6,524	10,305
Less than 31 days past due	932	–
31 – 60 days past due	106	2,644
61 – 90 days past due	–	259
Over 90 days past due	4,837	3,370
	12,399	16,578
Less: Allowance for expected credit losses	–	–
Total	12,399	16,578

The Group applies HKFRS 9 simplified approach to measure the expected credit losses for accounts receivable arising from the business of securities underwriting, advisory and asset management 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 2022

15 FINANCIAL ASSETS AT AMORTISED COST

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Debt investments	62,771	62,373
Less: Allowance for expected credit losses	(21)	(201)
	62,750	62,172

The above carrying amounts as at 30 June 2022 and 31 December 2021 are due within one year and presented under current assets.

During the six months ended 30 June 2022, reversal of allowance for expected credit losses of approximately HK\$180,000 (for the six months ended 30 June 2021: provision of allowance for expected credit losses of HK\$13,000) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Listed, unlisted or quoted investments at fair value:		
Debt investments (Note)	6,029,998	5,513,589
Equity investments	4,733,057	4,097,093
	10,763,055	9,610,682

Note: The Group has further recognised expected credit losses amounted to approximately HK\$270,939,000 in the condensed consolidated statement of profit or loss and other comprehensive income during the period (for the six months ended 30 June 2021: HK\$12,861,000). As at 30 June 2022, allowance for expected credit losses amounted approximately HK\$388,829,000 (31 December 2021: HK\$123,042,000) has been included in fair value reserve (recycling).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Listed equity investments	101,207	152,101
Unlisted equity investments	285,833	413,105
Debt investments	341,071	353,510
Quoted investment fund	–	11,527
Unlisted investment funds	775,114	852,198
	1,503,225	1,782,441

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

18 ACCOUNTS PAYABLE

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Accounts payable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Cash clients	284,276	459,490
– Margin clients	48,519	48,406
– Clearing houses	21,196	132,632
	353,991	640,528

Accounts payable arising from the business of dealing in securities

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

19 LOANS FROM AN INTERMEDIATE HOLDING COMPANY

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Loans from an intermediate holding company	6,725,481	3,697,591
The carrying amounts of the above borrowings are repayable: Within one year	6,725,481	3,697,591

As at 30 June 2022, the Group had loans amounting to approximately HK\$6,608,710,000 (31 December 2021: HK\$3,654,679,000) from CMBC International Holdings Limited ("CMBCI"), an intermediate holding company and interest payable amounting to approximately HK\$116,771,000 (31 December 2021: HK\$42,912,000). The loans bear interests at 2.5% per annum (31 December 2021: 2.5% to 3.5% per annum) and are repayable within one year (31 December 2021: within one year).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

20 NOTES PAYABLE

During the year ended 31 December 2021, the Company's subsidiary issued notes in the aggregate principal amount of US\$195,000,000 to independent third parties, of which an aggregate principal amount of US\$50,000,000 was redeemed. The notes carried variable interest at 1% to 1.8% per annum and were to be redeemed within one year.

During the six months ended 30 June 2022, aggregate note principals of US\$145,000,000 were fully redeemed. As at 30 June 2022, there was no outstanding principal amount of the notes payable (31 December 2021: US\$145,000,000).

The movement of the notes payable for the six months ended 30 June 2022 and for the year ended 31 December 2021 are set out below:

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
At the beginning of the period/year	1,139,938	–
Issuance of notes	–	1,512,828
Interest charged	8,944	11,472
Repayment of note principal	(1,130,765)	(388,639)
Interest paid	(18,375)	(2,072)
Exchange realignment	258	6,349
At the end of the period/year	–	1,139,938
The carrying amounts of the above borrowings are repayable:		
Within one year	–	1,139,938

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

21 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Bonds	5,676,336	5,978,218

As at 30 June 2022, 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\$7,261,368,000 (31 December 2021: approximately HK\$7,820,524,000), 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 2022

22 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Payables to interest holder of unlisted consolidated investment fund, designated at FVTPL	217	244
Debt investments	7,866	–
	8,083	244

As at 30 June 2022, the Company held 60% (31 December 2021: 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\$217,000 as at 30 June 2022. (31 December 2021: HK\$244,000).

The balance of debt investments as at 30 June 2022 represents the fair value of debt securities from short selling activities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

23 SHARE CAPITAL

Note	Number of shares		Amount	
	As at 30 June 2022 '000	As at 31 December 2021 '000	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Authorised:				
At the beginning of the period/year				
Ordinary shares at HK\$0.4 (2021: HK\$0.01) each	2,500,000	100,000,000	1,000,000	1,000,000
Share consolidation	-	(97,500,000)	-	-
At the end of the period/year	2,500,000	2,500,000	1,000,000	1,000,000
Issued and fully paid:				
At the beginning of the period/year	1,174,467	47,627,928	469,786	476,279
Cancellation for shares repurchased (i)	(30,445)	(649,260)	(12,178)	(6,493)
Share consolidation (ii)	-	(45,804,201)	-	-
At the end of the period/year	1,144,022	1,174,467	457,608	469,786

Note:

- (i) During the six months ended 30 June 2022, the Company repurchased an aggregate of 29,325,500 ordinary shares of the Company on market at prices ranging from HK\$1.44 to HK\$3.91 per share at a total consideration of approximately HK\$66,306,000 (before transaction costs). Of these repurchased shares, 27,744,500 shares were cancelled during the six months ended 30 June 2022. The premium of approximately HK\$59,126,000 paid on the repurchase of shares was debited to share premium account. Subsequent to end of the reporting period, the remaining 1,581,000 repurchased shares were cancelled on 26 August 2022.

During the year ended 31 December 2021, the Company repurchased an aggregate of 747,680,000 ordinary shares (before Share Consolidation) and 160,500 consolidated shares of the Company on market at prices ranging from HK\$0.072 to HK\$0.129 and HK\$3.18 to HK\$3.25 per share respectively with a total consideration of approximately HK\$70,866,000 (before transaction costs). Of these repurchased shares, 646,080,000 shares were cancelled during the year ended 31 December 2021. The premium of approximately HK\$56,536,000 paid on the repurchase of such shares was debited to share premium account. Subsequent to end of the reporting period, the remaining 2,700,500 repurchased consolidated shares were cancelled on 31 January 2022.

- (ii) With effect from 29 December 2021, every forty (40) ordinary shares in the issued and unissued share capital of the Company was consolidated into one (1) consolidated share of the Company. For further details, please refer to the Company's circular dated 9 December 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 2022:

- 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 2022

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 2022 HK\$'000	31 December 2021 HK\$'000			
Financial assets					
Financial assets at fair value through profit or loss					
– Listed equity investments	101,207	152,101	Level 1	Quoted market closing prices in an active market	N/A
– Unlisted equity investments	285,833	413,105	Level 3	Recent transaction price/Trending on stock price movement/ Binomial model/ Equity allocation model	Discount rate for lack of marketability/ Stock price movement/ Scenario probability/ Sales multiples
– Debt investments	341,071	353,510	Level 2	Quoted price from brokers/financial institutions	N/A
– Quoted investment fund	-	11,527	Level 1	Quoted market closing prices in an active market	N/A
– Unlisted investment funds	775,114	852,198	Level 3	Recent transaction price/Trending on stock price movement/ Binomial model/ Equity allocation model/ Net asset value	Discount rate for lack of marketability/ Stock price movement/ Scenario probability/ Sales multiples

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 2022 HK\$'000	31 December 2021 HK\$'000			
Financial assets (continued)					
Financial assets at fair value through other comprehensive income					
– Debt investments	5,950,460	5,513,589	Level 2	Quoted price from brokers/financial institutions	N/A
– Debt investments	79,538	–	Level 3	Discounted cash flow model	Discount rate taking into account the credit risk of the issuer
– Equity investments	4,702,498	4,097,093	Level 2	Quoted price from brokers/financial institutions	N/A
– Equity investments	30,559	–	Level 1	Quoted market closing prices in an active market	N/A
Financial liabilities					
Financial liabilities at fair value through profit or loss					
– Payables to interest holders of unlisted consolidated investment funds, designated at FVTPL	217	244	Level 3	Net asset value	N/A
– Debt investments	7,866	–	Level 2	Quoted price from brokers/financial institutions	N/A

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

During the period ended 30 June 2022, certain debt investments were reclassified from level 2 to level 3 as the management considered that this should better reflect the value of those investments. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of that date of the event or change in circumstances that caused the transfer.

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

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24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

The movements during the six months ended 30 June 2022 and the year ended 31 December 2021 in the balance of these Level 3 fair value measurements are as follows:

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Financial assets at fair value through profit or loss		
<i>Unlisted equity investments:</i>		
At the beginning of the period/year	413,105	230,715
Payment for purchase	23,241	62,039
Disposal	(88,525)	(25,633)
Changes in fair value recognised in profit or loss during the period/year	(63,889)	144,215
Exchange gain recognised in profit or loss during the period/year	1,901	1,769
At the end of the period/year	285,833	413,105
<i>Unlisted investment funds:</i>		
At the beginning of the period/year	852,198	700,113
Payment for purchase	42,065	170,995
Redemption	(76,231)	–
Changes in fair value recognised in profit or loss during the period/year	(48,044)	(23,205)
Exchange gain recognised in profit or loss during the period/year	5,126	4,295
At the end of the period/year	775,114	852,198
Financial assets at fair value through other comprehensive income		
<i>Debt investments:</i>		
At the beginning of the period/year	–	–
Transfer from level 2 to level 3	79,538	–
At the end of the period/year	79,538	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

24 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Financial liabilities at fair value through profit or loss		
Payables to interest holders of unlisted consolidated investment funds, designated at FVTPL:		
At the beginning of the period/year	244	–
Changes in fair value recognised in profit or loss during the period/year	(27)	244
At the end of the period/year	217	244

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 using appropriate valuation techniques and inputs. The appropriateness of the valuation techniques and inputs to the fair value measurements are reviewed by the Directors periodically.

25 RELATED PARTY TRANSACTIONS

The Group had the following related party transactions for the six months ended 30 June 2022 and 2021:

(a) Compensation of key management personnel of the Group

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Short-term employee benefits	9,478	10,067
Post-employment benefits	27	27
Total compensation to key management personnel	9,505	10,094

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 2022, the Group had the following material transactions with related parties.

	Six months ended	
	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Interest expense to an intermediate holding company (Note (i))	73,524	65,610
Distribution fee to a branch of the ultimate holding company (Note (ii))	52	67
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))	46,083	53,763
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))	12,693	15,511
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 2022

25 RELATED PARTY TRANSACTIONS (continued)

(b) Material transaction with related parties (continued)

Notes:

- (i) At 30 June 2022, an intermediate holding company provided loans in an aggregate amount of approximately HK\$6,608,710,000 (31 December 2021: HK\$3,654,679,000) to the Group. The loans bear annual interest rate of 2.5% (31 December 2021: 2.5% to 3.5%) and repayable within one year (31 December 2021: within one year). Interest payable of approximately HK\$116,771,000 (31 December 2021: HK\$42,912,000) has been accrued from the loans as at 30 June 2022.
- (ii) During the periods, the Group accrued distribution fee for the distribution services provided by a branch of the ultimate holding company.
- (iii) During the periods, 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.

All related party transactions referred to in Note 25(b) 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 periods ended 30 June 2022 and 2021.

(c) Material balances with related parties

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Bank balances at a branch of the ultimate holding company		
– House accounts	26,997	34,582
– Segregated accounts	65,336	40,519
Accounts receivable from an intermediate holding company	10,669	8,221
Accounts receivable from a segregated portfolio invested by an intermediate holding company	2,096	1,157
Amount due from an intermediate holding company	–	13,752
Amount due to an intermediate holding company	49,516	–
Loans from an intermediate holding company	6,725,481	3,697,591
Accounts payable to the immediate holding company	3,025	3,025
Accounts payable to an intermediate holding company	11,549	50,635

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 the Hong Kong Branch of China Minsheng Banking Corp., Ltd. 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 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

25 RELATED PARTY TRANSACTIONS (continued)

(d) Service agreements with related parties (continued)

On 16 December 2021, the Company (for itself and on behalf of other members of the Group) entered into the service agreement with China Minsheng (for itself and on behalf of other members of China Minsheng Group), pursuant to which, (i) China Minsheng Group agreed to provide China Minsheng underwriting referral services to the Group and the Group agreed to provide China Minsheng subscription referral services to China Minsheng Group; (ii) the Group agreed to provide asset management services, investment advisory service and ancillary services to the 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 and China Minsheng Group agreed to provide the distribution services to the Group; (iii) the Group agreed to provide the underwriting services to China Minsheng Group; (iv) China Minsheng Group agreed to provide the custodian services to the Group; and (v) China Minsheng Group agreed to provide the deposit services to the Group. The service agreement and the transactions contemplated thereunder, and the proposed annual caps were approved at the special general meeting on 12 January 2022.

During the period ended 30 June 2022, there were transactions relating to provision of distribution services, provision of asset management and investment advisory services, provision of deposit services and office sharing (2021: 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).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

26 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Unlisted investment funds	775,114	852,198
Quoted investment fund	-	11,527
	775,114	863,725

The Group has concluded that the unlisted investment funds and quoted investment fund 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
Quoted investment fund	To manage assets on behalf of third party investors and generate fees for the investment manager	Investment in units issued by the funds
	This vehicle is financed through the issue of units to investors	

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 2022	
	Number of investment funds	Carrying amount included in financial assets at fair value through profit or loss HK\$'000
Unlisted investment funds	7	775,114

	31 December 2021	
	Number of investment funds	Carrying amount included in financial assets at fair value through profit or loss HK\$'000
Unlisted investment funds	8	852,198
Quoted investment fund	1	11,527
	9	863,725

During the six months ended 30 June 2022 and the year ended 31 December 2021, 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.