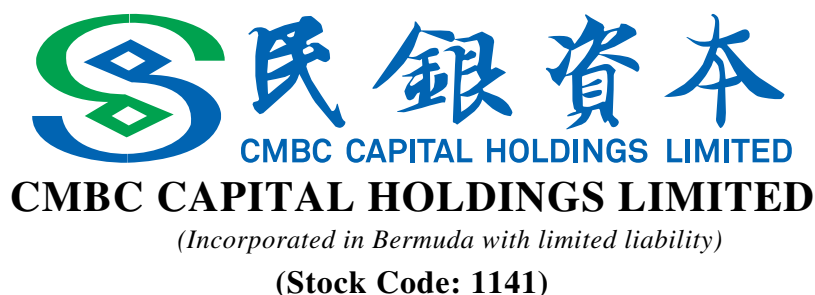


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## **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of CMBC Capital Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”) together with comparative figures for the six months ended 30 June 2019 (the “**Previous Period**”) as follows:

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

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

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2020*

|                                                                                                                            | <b>Six months ended</b> |                    |
|----------------------------------------------------------------------------------------------------------------------------|-------------------------|--------------------|
|                                                                                                                            | <b>30 June</b>          | <b>30 June</b>     |
|                                                                                                                            | <b>2020</b>             | <b>2019</b>        |
|                                                                                                                            | <b>HK\$'000</b>         | <b>HK\$'000</b>    |
|                                                                                                                            | <b>(Unaudited)</b>      | <b>(Unaudited)</b> |
| <b>Profit for the period attributable to owners of the Company</b>                                                         | <b>165,450</b>          | <b>150,315</b>     |
| <b>Other comprehensive (loss)/income</b>                                                                                   |                         |                    |
| Item that will not be reclassified to profit or loss:                                                                      |                         |                    |
| – Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling) | <b>(34,241)</b>         | <b>41,642</b>      |
| Item that may be reclassified subsequently to profit or loss:                                                              |                         |                    |
| – Financial assets at fair value through other comprehensive income – net movement in fair value reserve (recycling)       | <b>(83,631)</b>         | <b>158,248</b>     |
| <b>Other comprehensive (loss)/income for the period, net of tax</b>                                                        | <b>(117,872)</b>        | <b>199,890</b>     |
| <b>Total comprehensive income for the period attributable to owners of the Company</b>                                     | <b>47,578</b>           | <b>350,205</b>     |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

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

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

## NOTES:

### 1 BASIS OF PREPARATION

This interim financial report has 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**”). It was authorised for issue on 26 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

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

### 2 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

### 3 SEGMENT INFORMATION

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

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

#### Disaggregation of revenue

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

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

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

Disaggregation of revenue is set out below.

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

## Segment revenue and results

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

|                                                                                   | Six months ended 30 June 2020 |                                            |                                                   |                                                                    |                    | Total<br>HK\$'000 |
|-----------------------------------------------------------------------------------|-------------------------------|--------------------------------------------|---------------------------------------------------|--------------------------------------------------------------------|--------------------|-------------------|
|                                                                                   | Securities<br>HK\$'000        | Investment<br>and<br>financing<br>HK\$'000 | Asset<br>management<br>HK\$'000                   | Corporate<br>finance and<br>advisory<br>HK\$'000                   | Others<br>HK\$'000 |                   |
| Segment revenue and investment gains/(losses)                                     |                               |                                            |                                                   |                                                                    |                    |                   |
| – Reportable segment revenue                                                      | 33,664                        | 381,887                                    | 62,226                                            | 23,801                                                             | –                  | 501,578           |
| – Net gains on financial assets at fair value through profit or loss              | –                             | 48,204                                     | –                                                 | –                                                                  | –                  | 48,204            |
| – Net losses on financial assets at fair value through other comprehensive income | –                             | (9,075)                                    | –                                                 | –                                                                  | –                  | (9,075)           |
|                                                                                   | 33,664                        | 421,016                                    | 62,226                                            | 23,801                                                             | –                  | 540,707           |
| Other income                                                                      | 1,523                         | 191                                        | 456                                               | 633                                                                | 4,680              | 7,483             |
| Other gains and losses                                                            | (1,460)                       | 8,236                                      | (328)                                             | 115                                                                | (10,378)           | (3,815)           |
| Segment expenses                                                                  | (15,412)                      | (278,754)                                  | (19,440)                                          | (14,699)                                                           | (15,902)           | (344,207)         |
| Segment results                                                                   | 18,315                        | 150,689                                    | 42,914                                            | 9,850                                                              | (21,600)           | 200,168           |
|                                                                                   |                               |                                            |                                                   |                                                                    |                    |                   |
|                                                                                   | Six months ended 30 June 2019 |                                            |                                                   |                                                                    |                    | Total<br>HK\$'000 |
|                                                                                   | Securities<br>HK\$'000        | Investment<br>and<br>financing<br>HK\$'000 | Asset<br>management<br>HK\$'000<br>(Re-presented) | Corporate<br>finance and<br>advisory<br>HK\$'000<br>(Re-presented) | Others<br>HK\$'000 |                   |
| Segment revenue and investment gains/(losses)                                     |                               |                                            |                                                   |                                                                    |                    |                   |
| – Reportable segment revenue                                                      | 61,604                        | 339,820                                    | 15,252                                            | 30,425                                                             | –                  | 447,101           |
| – Net gains on financial assets at fair value through profit or loss              | –                             | 22,177                                     | –                                                 | –                                                                  | –                  | 22,177            |
| – Net losses on financial assets at fair value through other comprehensive income | –                             | (10,714)                                   | –                                                 | –                                                                  | –                  | (10,714)          |
|                                                                                   | 61,604                        | 351,283                                    | 15,252                                            | 30,425                                                             | –                  | 458,564           |
| Other income                                                                      | 637                           | 1,080                                      | 1                                                 | 310                                                                | 989                | 3,017             |
| Other gains and losses                                                            | (711)                         | 505                                        | (4)                                               | 10                                                                 | (4,623)            | (4,823)           |
| Segment expenses                                                                  | (18,752)                      | (196,686)                                  | (14,642)                                          | (13,839)                                                           | (37,132)           | (281,051)         |
| Segment results                                                                   | 42,778                        | 156,182                                    | 607                                               | 16,906                                                             | (40,766)           | 175,707           |

## Segment assets and liabilities

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

|                     |  | As at 30 June 2020     |                                |                                       |                                                        |                   |
|---------------------|--|------------------------|--------------------------------|---------------------------------------|--------------------------------------------------------|-------------------|
|                     |  | Securities             | Investment<br>and<br>financing | Asset<br>management                   | Corporate<br>finance and<br>advisory                   | Others            |
|                     |  | HK\$'000               | HK\$'000                       | HK\$'000                              | HK\$'000                                               | HK\$'000          |
|                     |  |                        |                                |                                       |                                                        | Total<br>HK\$'000 |
| <b>Assets</b>       |  |                        |                                |                                       |                                                        |                   |
| Segment assets      |  | 820,814                | 11,755,003                     | 56,982                                | 5,308                                                  | 401,008           |
|                     |  | <u>820,814</u>         | <u>11,755,003</u>              | <u>56,982</u>                         | <u>5,308</u>                                           | <u>401,008</u>    |
|                     |  |                        |                                |                                       |                                                        | 13,039,115        |
| <b>Liabilities</b>  |  |                        |                                |                                       |                                                        |                   |
| Segment liabilities |  | 642,612                | 9,906,797                      | 20,070                                | –                                                      | 359,709           |
|                     |  | <u>642,612</u>         | <u>9,906,797</u>               | <u>20,070</u>                         | <u>–</u>                                               | <u>359,709</u>    |
|                     |  |                        |                                |                                       |                                                        | 10,929,188        |
|                     |  | As at 31 December 2019 |                                |                                       |                                                        |                   |
|                     |  | Securities             | Investment<br>and<br>financing | Asset<br>management<br>(Re-presented) | Corporate<br>finance and<br>advisory<br>(Re-presented) | Others            |
|                     |  | HK\$'000               | HK\$'000                       | HK\$'000                              | HK\$'000                                               | HK\$'000          |
|                     |  |                        |                                |                                       |                                                        | Total<br>HK\$'000 |
| <b>Assets</b>       |  |                        |                                |                                       |                                                        |                   |
| Segment assets      |  | 749,591                | 10,553,869                     | 30,578                                | 27,002                                                 | 278,776           |
|                     |  | <u>749,591</u>         | <u>10,553,869</u>              | <u>30,578</u>                         | <u>27,002</u>                                          | <u>278,776</u>    |
|                     |  |                        |                                |                                       |                                                        | 11,639,816        |
| <b>Liabilities</b>  |  |                        |                                |                                       |                                                        |                   |
| Segment liabilities |  | 545,222                | 8,625,644                      | 12,140                                | 3,447                                                  | 231,120           |
|                     |  | <u>545,222</u>         | <u>8,625,644</u>               | <u>12,140</u>                         | <u>3,447</u>                                           | <u>231,120</u>    |
|                     |  |                        |                                |                                       |                                                        | 9,417,573         |

#### 4 REVENUE

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

#### 5 OTHER INCOME

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

#### 6 OTHER GAINS AND LOSSES

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

## 7 IMPAIRMENT LOSSES

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

## 8 FINANCE COSTS

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

## 9 PROFIT BEFORE TAXATION

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

## 10 TAXATION

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

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

## 11 EARNINGS PER SHARE

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

|                                                                                                      | <b>Six months ended</b> |                 |
|------------------------------------------------------------------------------------------------------|-------------------------|-----------------|
|                                                                                                      | <b>30 June 2020</b>     | 30 June 2019    |
|                                                                                                      | <b><i>HK\$'000</i></b>  | <i>HK\$'000</i> |
| <b>Earnings</b>                                                                                      |                         |                 |
| Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share | <u>165,450</u>          | <u>150,315</u>  |

|                                                                                                    | <b>Six months ended</b> |                   |
|----------------------------------------------------------------------------------------------------|-------------------------|-------------------|
|                                                                                                    | <b>30 June 2020</b>     | 30 June 2019      |
|                                                                                                    | <b><i>'000</i></b>      | <i>'000</i>       |
| <b>Number of shares</b>                                                                            |                         |                   |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | <u>47,673,449</u>       | <u>47,705,863</u> |

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

## 12 DIVIDENDS

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

The final dividend of HK0.33 cents per share for the year ended 31 December 2019 had been approved by the shareholders of the Company on 30 June 2020 and was paid on 24 July 2020 in an aggregated amount of approximately HK\$157,272,000 (2018: The final dividend of HK0.2 cents per share for the year ended 31 December 2018 had been approved by the shareholders of the Company on 28 June 2019 and was paid on 26 July 2019 in an aggregated amount of approximately HK\$95,407,000).

## 13 LOANS AND ADVANCES

|                                                             | As at<br>30 June 2020<br>HK\$'000 | As at<br>31 December 2019<br>HK\$'000 |
|-------------------------------------------------------------|-----------------------------------|---------------------------------------|
| Loans and advances                                          | 1,896,679                         | 2,217,812                             |
| Less: Allowance for expected credit losses                  | <u>(13,914)</u>                   | <u>(7,101)</u>                        |
|                                                             | 1,882,765                         | 2,210,711                             |
| Less: Amount due within one year shown under current assets | <u>(1,529,442)</u>                | <u>(1,852,889)</u>                    |
| Amount shown under non-current assets                       | <u>353,323</u>                    | <u>357,822</u>                        |
| Loans and advances (non-current)                            | 357,342                           | 359,384                               |
| Less: Allowance for expected credit losses                  | <u>(4,019)</u>                    | <u>(1,562)</u>                        |
|                                                             | <u>353,323</u>                    | <u>357,822</u>                        |
| Loans and advances (current)                                | 1,539,337                         | 1,858,428                             |
| Less: Allowance for expected credit losses                  | <u>(9,895)</u>                    | <u>(5,539)</u>                        |
|                                                             | <u>1,529,442</u>                  | <u>1,852,889</u>                      |

At 30 June 2020, loans and advances included loans to independent third parties with effective interest rates ranging from 5% to 14% (31 December 2019: 5% to 14%) per annum. Certain loans and advances were secured and/or backed by guarantees or collaterals. Regular reviews on these loans are conducted by the risk management department based on the latest status of these loans, and the latest available information about the borrowers and the underlying collaterals held.

During the period ended 30 June 2020, allowance for expected credit losses of HK\$6,813,000 was recognised (for the six months ended 30 June 2019: HK\$642,000) in the condensed consolidated statement of profit or loss.

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

## 14 ACCOUNTS RECEIVABLE

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

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

The normal settlement terms of accounts receivable from clients and clearing houses, except for accounts receivable due from margin clients, arising from the ordinary course of business of securities brokerage services are two trading days after the trade date. No ageing analysis is disclosed as, in the opinion of directors of the Company, an ageing analysis does not give additional value in view of the nature of this business. As at 30 June 2020, the Group has concentration risk on its accounts receivable as the balance with the largest client represent 41% (31 December 2019: 35%) of the total accounts receivable from cash and margin clients. The Group has no other significant concentration risk.

Accounts receivable due from margin clients are repayable on demand and carry interest ranging from Hong Kong Prime Rate to Hong Kong Prime Rate plus 12.75% per annum during the six months ended 30 June 2020 (during the year ended 31 December 2019: Hong Kong Prime Rate to Hong Kong Prime Rate plus 12.75%). The fair values of the pledged securities as at 30 June 2020 approximately at HK\$755,592,000 (31 December 2019: HK\$936,840,000).

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

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

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

|                                      | As at<br>30 June 2020<br>HK\$'000 | As at<br>31 December 2019<br>HK\$'000 |
|--------------------------------------|-----------------------------------|---------------------------------------|
| Neither past due nor impaired        | 3,569                             | 11,471                                |
| Less than 31 days past due           | 232                               | 117                                   |
| 31 – 60 days past due                | –                                 | 2,077                                 |
| 61 – 90 days past due                | –                                 | 1,403                                 |
| Over 90 days past due                | 1,504                             | 1,920                                 |
|                                      | <u>5,305</u>                      | <u>16,988</u>                         |
| Allowance for expected credit losses | –                                 | –                                     |
| Total                                | <u>5,305</u>                      | <u>16,988</u>                         |

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

## 15 FINANCIAL ASSETS AT AMORTISED COST

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

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

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

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

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

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

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

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

## 18 ACCOUNTS PAYABLE

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

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

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

## 19 BANK AND OTHER BORROWINGS

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

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

During the year ended 31 December 2019, all bank borrowings from China Minsheng Banking Corp., Ltd. Hong Kong Branch (“**CMBC HK Branch**”), a branch of the ultimate holding company, had been repaid in full and no outstanding amount as at 31 December 2019.

## 20 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

|       | As at<br>30 June 2020<br><i>HK\$'000</i> | As at<br>31 December 2019<br><i>HK\$'000</i> |
|-------|------------------------------------------|----------------------------------------------|
| Bonds | <u>3,633,292</u>                         | <u>3,180,420</u>                             |

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

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

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

|                                                                                           | As at<br>30 June 2020<br><i>HK\$'000</i> | As at<br>31 December 2019<br><i>HK\$'000</i> |
|-------------------------------------------------------------------------------------------|------------------------------------------|----------------------------------------------|
| Payables to interest holder of unlisted consolidated investment fund, designated at FVTPL | <u>27,413</u>                            | <u>27,977</u>                                |

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

During the year ended 31 December 2019, the Company had received full amount of the cash dividends distributable to itself in accordance with the placing memorandum of New China OCT Fund SPC for the Segregated Portfolio, and all Class A shares held by the Company had been redeemed. For details, please refer to the Company’s announcement dated 18 March 2019.

## 22 SHARE CAPITAL

|                                         | Number of shares                 |                                      | Amount                               |                                          |
|-----------------------------------------|----------------------------------|--------------------------------------|--------------------------------------|------------------------------------------|
|                                         | As at<br>30 June<br>2020<br>'000 | As at<br>31 December<br>2019<br>'000 | As at<br>30 June<br>2020<br>HK\$'000 | As at<br>31 December<br>2019<br>HK\$'000 |
| <i>Note</i>                             |                                  |                                      |                                      |                                          |
| Authorised:                             |                                  |                                      |                                      |                                          |
| Ordinary shares of HK\$0.01 each        | <b>100,000,000</b>               | 100,000,000                          | <b>1,000,000</b>                     | 1,000,000                                |
| Issued and fully paid:                  |                                  |                                      |                                      |                                          |
| At the beginning of the period/year     | <b>47,679,218</b>                | 47,705,978                           | <b>476,792</b>                       | 477,059                                  |
| Cancellation for shares repurchased (i) | <b>(20,910)</b>                  | (26,760)                             | <b>(209)</b>                         | (267)                                    |
| At the end of the period/year           | <b>47,658,308</b>                | 47,679,218                           | <b>476,583</b>                       | 476,792                                  |

*Note:*

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

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

## BUSINESS REVIEW

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

### Revenue

The Group's revenue increased by approximately 12.2% to approximately HK\$501.6 million during the Reporting Period, compared to approximately HK\$447.1 million in the Previous Period. The increase was mainly due to the contribution from the investment and financing segment and the asset management segment during the Reporting Period. The table below presents the breakdown of segment revenue (including net gains or losses from investment) and segment results during the Reporting Period:

|                                | <b>Segment Revenue</b>  |                       | <b>Segment Results</b>  |                       |
|--------------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
|                                | <b>For the 6 months</b> |                       | <b>For the 6 months</b> |                       |
|                                | <b>ended 30 June</b>    |                       | <b>ended 30 June</b>    |                       |
|                                | <b>2020</b>             | <b>2019</b>           | <b>2020</b>             | <b>2019</b>           |
|                                | <b>HK\$'000</b>         | <b>HK\$'000</b>       | <b>HK\$'000</b>         | <b>HK\$'000</b>       |
| Securities                     | <b>33,664</b>           | 61,604                | <b>18,315</b>           | 42,778                |
| Investment and financing       | <b>421,016</b>          | 351,283               | <b>150,689</b>          | 156,182               |
| Asset management               | <b>62,226</b>           | 15,252                | <b>42,914</b>           | 607                   |
| Corporate finance and advisory | <b>23,801</b>           | 30,425                | <b>9,850</b>            | 16,906                |
| Other                          | <b>—</b>                | —                     | <b>(21,600)</b>         | (40,766)              |
|                                | <u>          </u>       | <u>          </u>     | <u>          </u>       | <u>          </u>     |
| Total                          | <b><u>540,707</u></b>   | <b><u>458,564</u></b> | <b><u>200,168</u></b>   | <b><u>175,707</u></b> |

### Securities segment

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

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

## Investment and financing segment

During the Reporting Period, the segment revenue, which included coupon, dividend and distribution income from listed bonds, listed equities, unlisted funds, unlisted convertible debt investments, as well as interest income from loans, amounted to approximately HK\$381.9 million as compared to approximately HK\$339.8 million in the Previous Period. The segment profit decreased from approximately HK\$156.2 million in the Previous Period to approximately HK\$150.7 million in the Reporting Period. The decrease in segment profit was mainly attributable to the increase in the provision of impairment loss.

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

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

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

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

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

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

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

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

## Asset management segment

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

## Corporate finance and advisory segment

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

## Administrative expenses and finance costs

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

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

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

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

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

## **INTERIM DIVIDEND**

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

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **Capital Structure**

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

During the Reporting Period, 18,970,000 shares were repurchased by the Company and cancelled.

During the Reporting Period, no shares have been purchased or granted to the selected persons of the Group under the share award scheme adopted on 19 February 2016 or no share options have been granted under the share option scheme adopted on 24 September 2012.

### **Liquidity and Financial Resources**

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

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

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

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

The Group's gearing ratio, calculated on the basis of total indebtedness divided by the sum of total indebtedness and equity attributable to the Company's owners, was approximately 82.5% (31 December 2019: 80.0%).

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

#### **PLEDGE OF ASSETS**

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

#### **CONTINGENT LIABILITY**

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

#### **CAPITAL COMMITMENT**

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

#### **SIGNIFICANT INVESTMENTS HELD**

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

#### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES**

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

## **FOREIGN CURRENCY RISK MANAGEMENT**

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

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at 30 June 2020, the Group had 69 (30 June 2019: about 80) employees including Directors. For the Reporting Period, total staff costs, including Directors' remuneration, was approximately HK\$33.6 million (Previous Period: HK\$45.7 million). Remuneration packages for employees and Directors are structured by reference to market terms and individual competence, performance and experience. Benefits plans maintained by the Group include mandatory provident fund scheme, subsidised training programme, share option scheme, share award scheme and discretionary bonuses.

## **PROSPECTS AND DEVELOPMENT STRATEGIES**

### **Prospect**

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

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

## Development strategy

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

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

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

## **EVENTS AFTER THE REPORTING PERIOD**

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

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

## **RISK MANAGEMENT CAPABILITIES**

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

## **CORPORATE GOVERNANCE**

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

### **Appointment of Directors**

#### *Code Provision A.4.1*

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

### *Deviation*

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

### **Attendance of the Annual General Meeting**

#### *Code Provision E.1.2*

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

### *Deviation*

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

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)**

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

## AUDIT COMMITTEE

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

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

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

Details of repurchase are as follow:

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

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

By order of the Board  
**CMBC Capital Holdings Limited**  
**Li Jinze**  
*Chairman*

Hong Kong, 26 August 2020

*As at the date of this announcement, the executive Directors are Mr. Li Jinze, Mr. Ding Zhisuo and Mr. Ng Hoi Kam; the non-executive Directors are Mr. Ren Hailong and Mr. Liao Zhaohui; and the independent non-executive Directors are Mr. Lee, Cheuk Yin Dannis, Mr. Wu Bin and Mr. Wang Lihua.*