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中微金融
CHINA VERED FINANCIAL

China Vered Financial Holding Corporation Limited

中微金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 245)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “Board”) of directors (the “Directors”) of China Vered Financial Holding Corporation Limited (the “Company”) presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

		Six months ended 30 June	
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to:			
— Owners of the Company		257,268	68,050
— Non-controlling interests		(1,503)	(627)
		<u>255,765</u>	<u>67,423</u>
		<i>HK Cents</i>	<i>HK Cents</i>
		<i>per share</i>	<i>per share</i>
Earnings per share attributable to owners of the Company			
Basic earnings per share	<i>10</i>	<u>0.78</u>	<u>0.20</u>
Diluted earnings per share	<i>10</i>	<u>0.78</u>	<u>0.20</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
AS AT 30 JUNE 2021

		30 June 2021	31 December 2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		16,310	20,986
Right-of-use assets		14,054	17,783
Goodwill		15,871	15,871
Other intangible assets		700	700
Investments in associates		117,892	106,365
Rental and other deposits		3,215	3,215
Financial assets at fair value through profit or loss	<i>11</i>	1,594,534	1,283,393
Financial assets at fair value through other comprehensive income	<i>12</i>	999,407	1,686,335
Financial assets at amortised cost		35,047	172,078
Deferred tax assets	<i>6</i>	76,603	88,265
Total non-current assets		2,873,633	3,394,991
Current assets			
Margin receivables and other trade receivables	<i>13</i>	66,977	62,351
Financial assets at fair value through profit or loss	<i>11</i>	909,436	1,145,741
Financial assets at fair value through other comprehensive income	<i>12</i>	466,158	249,686
Financial assets at amortised cost		204,996	271,787
Loan and interest receivables	<i>14</i>	52,338	179,801
Other interest receivables		58,181	65,960
Tax receivables		715	715
Other receivables, prepayments and deposits		111,819	17,737
Pledged bank deposits		337	328
Time deposits with original maturity more than three months		15,717	–
Deposits with brokers		563,526	170,970
Cash and cash equivalents		508,552	626,976
Total current assets		2,958,752	2,792,052
Total assets		5,832,385	6,187,043

		30 June 2021	31 December 2020
	<i>Note</i>	HK\$'000	HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		6,154,374	6,154,374
Other reserves		104,671	430,290
Accumulated losses		(777,250)	(1,034,730)
		5,481,795	5,549,934
Non-controlling interests		(259,726)	(261,312)
Total equity		5,222,069	5,288,622
LIABILITIES			
Non-current liabilities			
Loan and interest payables	15	–	74,437
Lease liabilities		5,801	8,660
Total non-current liabilities		5,801	83,097
Current liabilities			
Accruals and other payables		91,921	136,761
Loan and interest payables	15	176,636	243,520
Margin payables		62,869	205,958
Financial liabilities at fair value through profit or loss	11	142,482	145,037
Current tax liabilities		120,984	74,054
Lease liabilities		9,623	9,994
Total current liabilities		604,515	815,324
Total liabilities		610,316	898,421
Total equity and liabilities		5,832,385	6,187,043

Notes:

1 GENERAL INFORMATION

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

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

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

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

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

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

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

2 BASIS OF PREPARATION

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

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

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

The condensed consolidated financial statements are unaudited, but has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standards on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by HKICPA.

3 ACCOUNTING POLICIES

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

(a) New and amended standards adopted by the Group

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

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

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

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

4 SEGMENT INFORMATION

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

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

Six months ended 30 June 2021

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

Six months ended 30 June 2020

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

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

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

Six months ended 30 June 2021

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

Six months ended 30 June 2020

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

5 REVENUE

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

6 INCOME TAX

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

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

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

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

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

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

7 EXPECTED CREDIT LOSSES

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

8 FINANCE COSTS

An analysis of finance costs is as follows:

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

9 DIVIDENDS

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

10 EARNINGS PER SHARE

Basic earnings per share

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

Diluted earnings per share

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

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Financial assets at fair value through profit or loss		
Unlisted investment funds	456,135	392,142
Unlisted equity investments	1,215,235	953,768
Convertible bonds and loan	49,154	101,591
Listed equity investments	304,995	193,384
Listed debt investments	265,837	571,638
Unlisted notes	212,614	216,611
	2,503,970	2,429,134
Classified as:		
Non-current assets	1,594,534	1,283,393
Current assets	909,436	1,145,741
	2,503,970	2,429,134
	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Financial liabilities at fair value through profit or loss		
Payable to holders of non-controlling interests in unlisted consolidated investment fund	142,482	145,037
	142,482	145,037
Classified as:		
Non-current liabilities	–	–
Current liabilities	142,482	145,037
	142,482	145,037

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

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

13 MARGIN RECEIVABLES AND OTHER TRADE RECEIVABLES

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

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

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

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

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

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

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

14 LOAN AND INTEREST RECEIVABLES

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

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

As at 30 June 2021, these loans receivable bear interest at fixed rate ranged from 8.9% to 10.0% per annum (31 December 2020: 8.9% to 16.0% per annum). Interest income derived from loan receivables was recognised and presented under “Interest income from loan lending business” in Note 5. The carrying values of the loan receivables approximate to their fair values.

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

15 LOAN AND INTEREST PAYABLES

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

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

The above borrowings are repayable as follows:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Review

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

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

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

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

Prospect

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

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

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

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

Financial Review

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

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

Six months ended 30 June 2021 and 2020

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

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

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

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

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

Employee relations

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

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

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

Liquidity and financial resources

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

Segment information

The details of segment information are set out in Note 4.

Capital structure

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

Material acquisitions and disposals of subsidiaries and associates

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

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

Charges on Group's assets

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

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

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

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

Exposure to exchange rate fluctuation and related hedging

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

Contingent liabilities

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

Events after the reporting period

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

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

CORPORATE GOVERNANCE

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

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

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

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

Review of Accounts

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

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

The Company's independent auditor, PricewaterhouseCoopers has reviewed the interim financial information for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

OTHER INFORMATION

Pre-emptive Rights

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

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

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

PUBLICATION OF RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The results announcement is published on the website of the Hong Kong Exchanges and Clearing Limited (the "HKEx") at www.hkexnews.hk under "Latest Listed Company Information" and on the website of the Company at www.chinavered.com respectively.

The interim report of the Company for the six months ended 30 June 2021 will be despatched to the shareholders and published on the websites of the HKEx and the Company in due course.

By Order of the Board
China Vered Financial Holding Corporation Limited
Tomohiko Watanabe
Chairman

Hong Kong, 27 August 2021

As at the date of this announcement, the Board comprises (1) Mr. Tomohiko Watanabe, Mr. Ni Xinguang and Ms. Li Wei as Executive Directors; (2) Mr. Zhang Yang as Non-executive Director; and (3) Mr. Wang Yongli, Ms. Zhou Hui and Mr. Dong Hao as Independent Non-executive Directors.