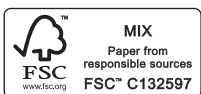


## Interim Report 2021



中策集團有限公司  
China Strategic Holdings Limited

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 235)



**MIX**  
Paper from  
responsible sources  
**FSC® C132597**



## Contents

- 3 Corporate Information
- 4 Management Discussion and Outlook
- 15 Report on Review of Interim Financial Information
- 16 Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 17 Condensed Consolidated Statement of Financial Position
- 18 Condensed Consolidated Statement of Changes in Equity
- 19 Condensed Consolidated Statement of Cash Flows
- 20 Notes to the Condensed Consolidated Financial Statements
- 47 Other Information



## Abbreviations

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

“Board”	Board of Directors of the Company
“Company”	China Strategic Holdings Limited
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“PRC”	People’s Republic of China
“RMB”	Renminbi
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$” and “HK cent(s)”	Hong Kong dollars and cent(s)
“US\$”	United States dollars
“%”	per cent.

*The Chinese version of this interim report is a translation of the English version and is for reference only, in case of any discrepancies or inconsistencies between the English version and the Chinese version, the English version shall prevail.*

# Corporate Information



## BOARD OF DIRECTORS

### Non-executive Director

Dr. Or Ching Fai *SBS, JP (Chairman)*

### Executive Directors

Mr. Sue Ka Lok *(Chief Executive Officer)*

Mr. Chow Kam Wah

Mr. Chow Man Wai, Tony

### Independent Non-executive Directors

Ms. Ma Yin Fan

Mr. Chow Yu Chun, Alexander

Mr. Leung Hoi Ying

Mr. Lam Kin Fung, Jeffrey *GBS, JP*

## AUDIT COMMITTEE

Ms. Ma Yin Fan *(Chairlady)*

Mr. Chow Yu Chun, Alexander

Mr. Leung Hoi Ying

Mr. Lam Kin Fung, Jeffrey *GBS, JP*

## REMUNERATION COMMITTEE

Mr. Chow Yu Chun, Alexander *(Chairman)*

Ms. Ma Yin Fan

Mr. Leung Hoi Ying

## NOMINATION COMMITTEE

Dr. Or Ching Fai *SBS, JP (Chairman)*

Ms. Ma Yin Fan

Mr. Leung Hoi Ying

## EXECUTIVE COMMITTEE

Mr. Sue Ka Lok *(Chairman)*

Mr. Chow Kam Wah

Mr. Chow Man Wai, Tony

## INVESTMENT & CREDIT COMMITTEE

Mr. Sue Ka Lok *(Chairman)*

Mr. Chow Kam Wah

## COMPANY SECRETARY

Ms. Leung Siu King

## REGISTERED OFFICE

Rooms 3206-3210, 32nd Floor

China Resources Building

26 Harbour Road

Wanchai, Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited

Bank of China (Hong Kong) Limited

Hang Seng Bank Limited

Bank of Communications Co., Ltd., Hong Kong Branch

Bank of Communications (Hong Kong) Limited

BNP Paribas Hong Kong Branch

## LEGAL ADVISERS

Reed Smith Richards Butler

Stevenson, Wong & Co.

## AUDITOR

Deloitte Touche Tohmatsu

*Registered Public Interest Entity Auditors*

## SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited

Level 54, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

## TRADING OF SHARES

The Stock Exchange of Hong Kong Limited

(Stock Code: 235)

## WEBSITE

<http://www.cshldgs.com>





## Management Discussion and Outlook

### **BUSINESS REVIEW**

During the six months ended 30 June 2021 (“HY2021”), the Group continued to principally engage in the business of investment in securities, trading of merchandise, money lending as well as securities brokerage.

During HY2021, there are signs that the global pandemic situation has gradually improved and is under control following the launch of vaccination programs in many countries and regions, however, the emergence of the coronavirus variants recently and the new wave of outbreaks in some countries have created new uncertainties to the world community. There are also indicators that the conditions of major economies including China, the US and the UK have stabilised and on their recovery path from which the Group would be able to benefit, though the heightened political and economic tensions between China and the US have brought to the Group new business challenges. The Group was thus operating in an exceptionally complex business environment during HY2021 and had been cautious in managing its businesses. For HY2021, the Group recorded an increase in revenue by 127% to HK\$325,476,000 (30 June 2020: HK\$143,085,000), mainly due to the increase in sales of the trading operation, and a loss attributable to owners of the Company of HK\$196,625,000 (30 June 2020: profit of HK\$51,651,000), largely resulting from the net fair value loss on listed equity securities held by the Group.

### **Investment in Securities**

The Group generally acquires securities listed on the Stock Exchange or other recognised stock exchanges and over-the-counter markets with good liquidity that can facilitate swift execution of securities transactions, and sometimes directly from target companies. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for long-term purpose, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospects, industry and macroeconomic outlook. When deciding on acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in the form of capital appreciation and dividend/interest income. For securities investments other than for long-term holding, the Company mainly emphasises on return of investment in the form of trading gains.



## Management Discussion and Outlook

At 30 June 2021, the Group's securities investments comprised (i) a financial asset at fair value through profit or loss ("FVTPL") portfolio, comprising mainly equity securities listed in Hong Kong, valued at HK\$3,920,722,000 (31 December 2020: HK\$4,073,317,000); and (ii) a debt instrument at fair value through other comprehensive income ("FVTOCI") portfolio comprising listed debt securities, valued at HK\$319,020,000 (31 December 2020: HK\$401,813,000). As a whole, the Group's securities investments recorded a revenue of HK\$21,249,000 (30 June 2020: HK\$37,190,000) and a loss of HK\$148,094,000 (30 June 2020: profit of HK\$291,996,000).

### **Financial assets at FVTPL**

At 30 June 2021, the Group held a financial asset at FVTPL portfolio amounting to HK\$3,920,722,000 measured at market/fair value. During HY2021, the portfolio generated a revenue of HK\$271,000 (30 June 2020: HK\$4,608,000) representing dividends from equity securities. The Group recognised a net loss on financial assets at FVTPL of HK\$152,895,000, which comprised net unrealised loss of HK\$152,895,000 for listed equity securities held by the Group at the period end (30 June 2020: net gain of HK\$249,770,000, which comprised net unrealised gain and net realised loss of HK\$268,385,000 and HK\$18,615,000 respectively).

The net loss on financial assets at FVTPL recognised was mainly attributed to the net decrease in fair value of the Group's listed equity securities portfolio during the interim period. Such net decrease in fair value mainly comprised the decrease in fair value of the Group's investment in listed shares of China Evergrande New Energy Vehicle Group Limited ("Evergrande Vehicle", HKEX stock code: 708) which amounted to HK\$173,680,000 for HY2021, in contrast to the increase in fair value of HK\$348,696,000 recognised in the prior period.

The Group has started to invest in Evergrande Vehicle since March 2015, including the unrealised fair value loss recognised in the current period, up to 30 June 2021, the accumulative holding gain of this investment amounted to HK\$3,641,728,000 (as shown in the table below about the Group's top two investments). At the period end, the Group held 133,600,000 ordinary shares in Evergrande Vehicle which represented approximately 1.37% of its issued shares, and the carrying value of the Group's investment in Evergrande Vehicle amounted to HK\$3,861,040,000 which represented approximately 46.96% of the Group's total assets. Evergrande Vehicle is principally engaged in technology research and development, production and sales of new energy vehicles, as well as health management businesses including "Internet+" community health management, international hospitals, elderly care and rehabilitation. According to its latest published annual financial information, its healthcare business generated revenue of RMB15.3 billion while its new energy vehicle business recorded revenue of RMB187.5 million. Evergrande Vehicle has established a full industry chain of new energy vehicles covering automobile manufacturing, electric motor control, power batteries, vehicle sales, smart charging, shared mobility and other aspects and built advanced intelligent manufacturing bases in Tianjin, Shanghai, Guangzhou and other locations in accordance with the Industry 4.0 Standard. Evergrande Vehicle will endeavor to facilitate the mass production of the nine Hengchi models at full speed, and continue to devote itself to the innovation and application of new energy vehicle technologies and product R&D as well as to introduce additional vehicle models to enrich its product mix and elevate the smart manufacturing standards in China.

## Management Discussion and Outlook

The Company noted that recently there are certain negative news about China Evergrande Group, the holding company of Evergrande Vehicle, and that the share price of Evergrande Vehicle has dropped significantly from the period end date to the date of this interim report, with the value of the Group's investment in listed shares of Evergrande Vehicle, determined based on the closing share price of Evergrande Vehicle of HK\$5.18 quoted on the Stock Exchange as at the date of this interim report, decreased by 82% to HK\$692,048,000 compared to the value of the Group's investment as at the period end of HK\$3,861,040,000. Depending on a number of factors including without limitation the publicly available information about the business development and prospects of Evergrande Vehicle, prevailing market sentiments and market conditions, the Group will consider to dispose of part or all of its investment in listed shares of Evergrande Vehicle as and when the Company considers it appropriate to do so. The Company will inform shareholders as and when there is further material development of this matter.

At 30 June 2021, the Group invested in Evergrande Vehicle and other categories of companies and their weightings to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$3,920,722,000 are as below:

<b>Name/category of companies</b>	<b>Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio</b>
	<b>%</b>
Evergrande Vehicle	98.48
Conglomerate	0.71
Property	0.78
Others	0.03
	<hr/>
	100.00





## Management Discussion and Outlook

At 30 June 2021, the weightings of the Group's investment in Evergrande Vehicle and other investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$3,920,722,000 (together with other information) are as below:

Company name	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2021	% of shareholding interest	Acquisition costs	*Acquisition costs during the period/carrying amount at 1 January 2021	Market/fair value at 30 June 2021	Accumulated unrealised gain (loss) recognised up to 30 June 2021	Unrealised gain (loss) recognised during the period ended 30 June 2021	Dividend income recognised during the period ended 30 June 2021
	%	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				A	B	C	D = C - A	E = C - B	
Evergrande Vehicle (HKEX stock code: 708)	98.48	46.96	1.37	219,312	4,034,720	3,861,040	3,641,728	(173,680)	-
Emperor International Holdings Limited ("Emperor") (HKEX stock code: 163)	0.78	0.37	0.74	62,311	29,819	30,632	(31,679)	813	271
Others	0.74	0.35	N/A	194,646	9,078	29,050	(165,596)	19,972	-
	100.00	47.68		476,269	4,073,617	3,920,722	3,444,453	(152,895)	271

\* The amount represented the costs of the securities acquired during the six months ended 30 June 2021 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current interim period.

The table below sets out the unrealised gain (loss) recognised for the six months ended 30 June 2021 for the financial assets at FVTPL held by the Group at 30 June 2021 together with information on financial performance of the investee companies and their future prospects. The Group is committed to closely monitor the financial performance of its financial asset at FVTPL portfolio through making investment and divestment decisions on individual securities from time to time based on, amongst others, internal assessments on prospects of individual securities and publicly available information of the investee companies.

## Management Discussion and Outlook

### Unrealised gain (loss) recognised for the six months ended 30 June 2021 for the financial assets at FVTPL held by the Group at 30 June 2021 together with information on financial performance of the investee companies and their future prospects

Company name/Industry	<sup>†</sup> Principal activities of investee company	<sup>*</sup> Acquisition costs during the period/carrying amount at 1 January 2021 HK\$'000	% of shareholding interest	Market/ fair value at 30 June 2021 HK\$'000	% to total market/ fair value of the Group's financial asset at FVTPL portfolio	Unrealised gain (loss) recognised during the six months ended 30 June 2021 HK\$'000	<sup>†</sup> Investee company's financial performance	<sup>†</sup> Future prospects of the investee company
<i>Equity securities listed in Hong Kong</i>								
Evergrande Vehicle	Technology research and development, production and sales of new energy vehicles, as well as health management businesses including "Internet+" community health management, international hospitals, elderly care and rehabilitation	4,034,720	1.37	3,861,040	98.48	(173,680)	For the six months ended 30 June 2021, revenue increased by 53% to RMB6,923,244,000 while loss for the period increased by 96% to RMB4,821,626,000 as compared to the same period in 2020.	The investee company will continue the effort to promote the mass production of Hengchi products, and will strive to continue to develop and expand a matrix of vehicle models with leading features and attractiveness, so as to meet the differentiated needs in various domestic and foreign automobile markets and among extensive customer groups.
Emperor	Lease of properties, properties development and hotel and hotel related operations	29,819	0.74	30,632	0.78	813	For the year ended 31 March 2021, revenue decreased by 44% to HK\$1,317,082,000 while loss for the year decreased by 75% to HK\$870,286,000 as compared to the prior financial year.	For property investment business, the investee company possesses a geographically balanced property portfolio which focuses on commercial buildings and quality street-level retail spaces in prominent locations. For property sales business, it pursues a strategy of providing quality residential properties with convenient access to transportation networks.
Others <sup>‡</sup>	-	9,078	N/A	29,050	0.74	19,972	-	-
		<u>4,073,617</u>		<u>3,920,722</u>	<u>100.00</u>	<u>(152,895)</u>		

# Extracted from published financial information of the investee companies.

\* The amount represented the costs of the securities acquired during the six months ended 30 June 2021 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current interim period.

+ Included unlisted equity securities with fair value of HK\$300,000.



## Management Discussion and Outlook

### **Debt instruments at FVTOCI**

At 30 June 2021, the Group's debt instrument at FVTOCI portfolio of HK\$319,020,000 was measured at market/fair value. During HY2021, the Group's debt instrument at FVTOCI portfolio generated total revenue amounting to HK\$20,978,000 (30 June 2020: HK\$32,582,000), representing interest income from debt securities. According to the maturity of the debt securities, all debt instruments at FVTOCI were classified as non-current assets. During HY2021, the Group did not acquire any debt securities (30 June 2020: nil).

At the period end, a net fair value loss on the debt instrument at FVTOCI portfolio amounting to HK\$60,376,000 (30 June 2020: HK\$55,502,000) was recognised as other comprehensive expense.

During HY2021, the Group disposed of debt securities for consideration of HK\$22,417,000 (30 June 2020: HK\$309,172,000). A loss on disposal of HK\$1,018,000 (30 June 2020: HK\$965,000) was released from the Group's investment revaluation reserve and recognised as loss during the current period.

For HY2021, the Group recognised impairment loss of HK\$15,562,000 (30 June 2020: reversal of impairment loss of HK\$3,220,000) on debt instruments at FVTOCI by reference to exposures at default, recovery rate and adjustments for forward looking information.

At 30 June 2021, the Group invested in debt securities of a property company with details as below:

Category of companies	Approximate weighting to the market/fair value of the Group's debt instrument at FVTOCI portfolio	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2021	Yield to maturity on acquisition	Acquisition costs	* Acquisition costs during the period/ carrying amount at 1 January 2021	Market/fair value at 30 June 2021	Accumulated fair value loss recognised up to 30 June 2021	Fair value loss recognised during the period ended 30 June 2021
	%	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				A	B	C	D = C - A	E = C - B

### **Debt securities listed overseas**

Property	100.00	3.88	8.75 - 9.50	436,800	380,571	319,020	(117,780)	(61,551)
----------	--------	------	-------------	---------	---------	---------	-----------	----------

\* The amount represented the costs of the securities acquired during the six months ended 30 June 2021 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current interim period.

The yield to maturity on acquisition of the debt securities which were held by the Group at the period end ranging from 8.75% to 9.50% per annum.



## Management Discussion and Outlook

### Trading

During HY2021, the Group's trading operation was focused on trading of coke products. The operation reported an increase in revenue by over 63 times to HK\$222,394,000 (30 June 2020: HK\$3,430,000), and recorded profit of HK\$244,000 (30 June 2020: HK\$113,000). The increase in revenue and profit earned were principally due to the resumption of the commodities trading business resulting mainly from the improvement in conditions of the European economy in general. The management is stepping up its effort to explore new business opportunities in order to improve the results of the operation.

### Money Lending

The Group's money lending business is conducted through CS Credit Limited, U Credit (HK) Limited and Chap Yik Limited, all are wholly-owned subsidiaries of the Company. For HY2021, the operation recorded a decrease in revenue of 24% to HK\$75,724,000 (30 June 2020: HK\$99,116,000) and achieved a turnaround of results by recording a profit of HK\$36,628,000 (30 June 2020: loss of HK\$143,994,000). The decrease in revenue was mainly due to the lower average amount of loans advanced to borrowers during HY2021, and there was a reduction in net impairment allowance against loan receivables which amounting to HK\$35,244,000 for the current period (30 June 2020: HK\$241,265,000).

The net impairment allowance recognised primarily represented the credit risk involved in collectability of certain default and non-default loans determined under the Group's loan impairment policy, with reference to factors including the credit history of the borrowers, the realisation value of collaterals pledged to the Group, and the prevailing economic conditions (the negative impact of the COVID-19 pandemic on the current state of the Hong Kong economy has also been considered). The Group is considering various actions for recovery of the default and non-default loans. At the period end, the balance of the impairment allowance was HK\$420,303,000 (31 December 2020: HK\$373,254,000).



## Management Discussion and Outlook

The outstanding principal of the Group's loan portfolio (before impairment allowance) increased by 5% to HK\$1,908,107,000 (31 December 2020: HK\$1,821,549,000), during the current period, the management continued to be prudent in granting new loans in light of the prevailing economic conditions in Hong Kong. The carrying value of the loan portfolio, after impairment allowance, amounted to HK\$1,487,804,000 (31 December 2020: HK\$1,448,295,000) with details as follows:

<b>Category of borrowers</b>	<b>Approximate weighting to the carrying amount of the Group's loan portfolio</b>	<b>Interest rate per annum</b>	<b>Maturity</b>
	<b>%</b>	<b>%</b>	
Individual	47.49	9.5 - 18.0	Within 1 year
Corporate	44.78	10.0 - 18.0	Within 1 year
Corporate	7.73	8.5	Over 1 year but within 2 years
	<u>100.00</u>		

At 30 June 2021, 99% (31 December 2020: 99%) of the carrying amount of the loan portfolio (after impairment allowance) is secured by collaterals and with the remaining 1% (31 December 2020: 1%) being unsecured. Before granting loans to potential customers, the Group performs credit assessment process to assess the potential borrowers' credit quality individually and defines the credit limits granted to the borrowers. The credit limits granted to the borrowers are reviewed by the management regularly.

### Securities Brokerage

The Group's securities brokerage business is conducted through CS Wealth Securities Limited, a wholly-owned subsidiary of the Company, which is licensed by the Hong Kong Securities and Futures Commission to carry out dealing in securities activities. During HY2021, revenue of the operation increased by 82% to HK\$6,109,000 (30 June 2020: HK\$3,349,000) and profit increased by 114% to HK\$4,139,000 (30 June 2020: HK\$1,937,000). The increase in revenue of the operation was the combined effect of the increase in its brokerage income, which rose by 23% to HK\$3,093,000 (30 June 2020: HK\$2,507,000), mainly due to the improvement in investment sentiments of the Hong Kong stock market during the period, and the increase in its interest income from margin financing, which rose by about 5 times to HK\$3,016,000 (30 June 2020: HK\$505,000), due to its enlarged margin financing portfolio which amounted to HK\$124,976,000 at the period end.



# Management Discussion and Outlook

## Overall Results

For HY2021, the Group recorded loss attributable to owners of the Company of HK\$196,625,000 (30 June 2020: profit of HK\$51,651,000) and basic loss per share of HK0.96 cent (30 June 2020: earnings per share of HK0.30 cent). The Group reported total comprehensive expense attributable to owners of the Company of HK\$228,059,000 (30 June 2020: total comprehensive income of HK\$2,361,000) which included a net fair value loss on debt securities of HK\$60,376,000 (30 June 2020: HK\$55,502,000). The loss results recorded by the Group were mainly attributed to the substantial overall loss recognised for the Group's securities investments of HK\$148,094,000 (30 June 2020: profit of HK\$291,996,000), though the loss results were partly offset by the profit earned by the money lending operation of HK\$36,628,000 (30 June 2020: loss of HK\$143,994,000) and profit earned by the securities brokerage operation of HK\$4,139,000 (30 June 2020: HK\$1,937,000). The trading operation recorded an increased profit of HK\$244,000 (30 June 2020: HK\$113,000) for the current period.

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

For HY2021, the Group financed its businesses mainly by cash generated from operations, credit facilities available from banks, finance company and securities brokers, and funds raised through issuance of interest bearing notes. At the period end, the Group had current assets of HK\$7,709,429,000 (31 December 2020: HK\$8,000,306,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL (excluding clients' money held relating to the Group's securities brokerage business and pledged bank deposits) totalling HK\$6,141,061,000 (31 December 2020: HK\$6,314,049,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$1,600,330,000 (31 December 2020: HK\$1,611,842,000), was at a ratio of about 4.8 (31 December 2020: 5.0). At 30 June 2021, the Group's trade and other receivables amounted to HK\$148,030,000 (31 December 2020: HK\$175,487,000), which mainly comprised trade receivables from cash and margin clients of the securities brokerage business, and deposits placed with securities brokers. The Group had deferred tax assets amounting to HK\$32,342,000 (31 December 2020: HK\$27,067,000) and deferred tax liabilities of HK\$396,785,000 (31 December 2020: HK\$435,393,000) which were principally related to the allowance for expected credit losses for loan receivables and debt instruments at FVTOCI, net unrealised gain/loss on financial assets at FVTPL and debt instruments at FVTOCI, and unused tax losses at the period end.

At 30 June 2021, the equity attributable to owners of the Company amounted to HK\$5,727,398,000 (31 December 2020: HK\$5,939,048,000) and was equivalent to an amount of approximately HK28.10 cents (31 December 2020: HK29.13 cents) per share of the Company. The decrease in equity attributable to owners of the Company of HK\$211,650,000 was mainly a result of the loss for the current period recognised by the Group. At 30 June 2021, the Group's borrowings represented short-term secured borrowings that bore interests at fixed rate and were repayable within one year or on demand. The borrowings were secured by two share charges each charging over the issued share of a wholly-owned subsidiary of the Company, two debentures each incorporating a first floating charge over all the assets of a wholly-owned subsidiary of the Company, and certain debt and equity securities held by the Group.



## Management Discussion and Outlook

During the second half of 2020, the Company issued four tranches of notes comprising (i) the 2-year unsecured notes with nominal value of HK\$500,000,000 bearing interest of 5.5% per annum in July 2020; (ii) the 1-year unsecured notes with nominal value of HK\$500,000,000 bearing interest of 3.0% per annum in August 2020; (iii) the 270-day unsecured notes with nominal value of HK\$500,000,000 bearing interest of 2.0% per annum in September 2020; and (iv) the 270-day unsecured notes with nominal value of HK\$200,000,000 bearing interest of 2.0% per annum in October 2020. All the four tranches of notes carry options for the Company to early redeem the notes, by giving not less than 15 days' notice to the noteholders, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption. In June 2021, the Company executed a supplemental deed poll to extend the maturity date of the 270-day notes issued in September 2020 with nominal value of HK\$500,000,000 for 270 days to 15 March 2022.

The Group's gearing ratio, calculated on the basis of total liabilities of HK\$2,494,658,000 (31 December 2020: HK\$2,542,650,000) divided by the equity attributable to owners of the Company of HK\$5,727,398,000 (31 December 2020: HK\$5,939,048,000), was about 44% (31 December 2020: 43%). The Group's finance costs increased to HK\$73,274,000 (30 June 2020: HK\$66,635,000) were primarily a result of the increase in the average amount of borrowings during the period. With the amount of liquid assets on hand as well as credit facilities available from banks, finance company and securities brokers, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

### Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Hong Kong dollars and United States dollars. During HY2021, the Group had not experienced any significant exposure to exchange rate fluctuations, as such, the Group had not entered into any foreign currency forward contracts, currency swaps or other financial derivatives for hedging purposes.

### Contingent Liability

At 30 June 2021, the Group had no significant contingent liability (31 December 2020: nil).

### Pledge of Assets

At 30 June 2021, property, plant and equipment of HK\$15,443,000 (31 December 2020: HK\$17,042,000), club debentures of HK\$1,453,000 (31 December 2020: HK\$1,453,000), debt securities of HK\$319,020,000 (31 December 2020: HK\$401,813,000), trade and other receivables of HK\$15,999,000 (31 December 2020: HK\$66,670,000), equity securities of HK\$3,920,422,000 (31 December 2020: HK\$4,073,317,000), bank balances and cash of HK\$2,313,000 (31 December 2020: HK\$109,252,000) were pledged to secure the Group's borrowings. In addition, the Group's credit facility for settlement of the securities brokerage activities was secured by the Group's bank deposits of HK\$3,096,000 (31 December 2020: HK\$3,096,000).



## Management Discussion and Outlook

### Capital Commitment

At 30 June 2021, the Group had no significant capital commitment (31 December 2020: nil).

### HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2021, the Group had 57 (30 June 2020: 53) employees including directors of the Company and staff costs (including directors' emoluments) for the period amounted to HK\$15,419,000 (30 June 2020: HK\$11,513,000). The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for employees in Hong Kong. In addition, the Group provides other employee benefits including medical insurance, training subsidy, discretionary bonus and participation in the Company's share option scheme.

The Group's contributions to the MPF Scheme vest fully and immediately with the employees, thus there were no forfeited contributions available to the Group to reduce the existing level of contributions to the MPF Scheme.

### PROSPECTS

There are signs that the conditions of major economies have stabilised and gaining the momentum to recovery, particularly for those countries like China, the US and the UK which has a high or growing vaccination coverage on the population. China has achieved positive GDP growth in the first half of 2021 and there are indicators that its economy is undergoing a stable and sustainable recovery, from which Hong Kong, being one of the nation's major cities and gateways, is well positioned to be benefited. The pandemic situation in Hong Kong has been stabilised following the launch of the vaccination program by the government and there are strong signs that the economy is on the recovery path. However, with the emergence of the new variant virus and the new wave of outbreaks in some countries, it is difficult to predict the evolution and duration of the pandemic. Looking forward, the Group's management will thus continue to adopt a cautious and disciplined approach in managing the Group's businesses as well as in seizing business and investment opportunities. The Group is continuing with its evaluation process of acquiring the entire equity interests in a target company engaging in insurance business in Hong Kong, with the view to diversify the Group's businesses and income base and to create value for shareholders. Announcements will be made to inform shareholders as and when there is further material development of this investment opportunity.



**Deloitte.**

德勤

**TO THE BOARD OF DIRECTORS OF CHINA STRATEGIC HOLDINGS LIMITED**

中策集團有限公司

*(Incorporated in Hong Kong with limited liability)*

### **Introduction**

We have reviewed the condensed consolidated financial statements of China Strategic Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 16 to 46, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

26 August 2021

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>325,476</b>	143,085
Trading income		<b>222,394</b>	3,430
Dividend income		<b>271</b>	4,608
Interest income		<b>99,493</b>	131,815
Commission, underwriting fee and others		<b>3,318</b>	3,232
Purchases and related expenses		<b>(222,142)</b>	(3,393)
Other income	5	<b>2,420</b>	8,604
Other loss	6	<b>(823)</b>	(209)
Staff costs		<b>(15,419)</b>	(11,513)
Other expenses		<b>(35,867)</b>	(16,706)
Net (loss) gain on financial assets at fair value through profit or loss	7	<b>(152,895)</b>	249,770
Loss on disposal of debt instruments at fair value through other comprehensive income		<b>(1,018)</b>	(965)
Provision for impairment losses under expected credit loss model, net of reversal	10	<b>(50,806)</b>	(238,045)
Finance costs	8	<b>(73,274)</b>	(66,635)
(Loss) profit before tax		<b>(224,348)</b>	63,993
Income tax credit (expense)	9	<b>27,723</b>	(12,342)
<b>(Loss) profit for the period attributable to owners of the Company</b>	10	<b>(196,625)</b>	51,651
<b>Other comprehensive income (expense)</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Deferred tax on net fair value changes of debt instruments at fair value through other comprehensive income		<b>12,362</b>	8,467
Net fair value loss on debt instruments at fair value through other comprehensive income		<b>(60,376)</b>	(55,502)
Provision for (reversal of) impairment loss on debt instruments at fair value through other comprehensive income included in profit or loss	10	<b>15,562</b>	(3,220)
Release on disposal of debt instruments at fair value through other comprehensive income		<b>1,018</b>	965
<b>Other comprehensive expense for the period</b>		<b>(31,434)</b>	(49,290)
<b>Total comprehensive (expense) income for the period attributable to owners of the Company</b>		<b>(228,059)</b>	2,361
<b>(Loss) earnings per share attributable to owners of the Company</b>			
– Basic	12	<b>HK(0.96) cent</b>	HK0.30 cent



# Condensed Consolidated Statement of Financial Position

At 30 June 2021



	Notes	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	13	16,515	18,196
Right-of-use assets	13	23,742	28,388
Goodwill		4,000	4,000
Club debentures		1,928	1,928
Debt instruments at fair value through other comprehensive income	14	319,020	401,813
Loan receivables	15	115,080	–
Deferred tax assets	16	32,342	27,067
Total non-current assets		512,627	481,392
<b>Current assets</b>			
Loan receivables	15	1,372,724	1,448,295
Trade and other receivables	17	148,030	175,487
Income tax recoverable		20,998	22,841
Financial assets at fair value through profit or loss	18	3,920,722	4,073,317
Pledged bank deposits	19	3,096	3,096
Bank balances and cash	19	2,243,859	2,277,270
Total current assets		7,709,429	8,000,306
<b>Current liabilities</b>			
Trade and other payables	20	52,075	68,240
Income tax payable		8,794	8,794
Borrowings	21	350,000	355,000
Notes payable	22	1,180,235	1,170,725
Lease liabilities		9,226	9,083
Total current liabilities		1,600,330	1,611,842
<b>Net current assets</b>		<b>6,109,099</b>	<b>6,388,464</b>
<b>Total assets less current liabilities</b>		<b>6,621,726</b>	<b>6,869,856</b>
<b>Non-current liabilities</b>			
Notes payable	22	484,929	478,152
Lease liabilities		12,614	17,263
Deferred tax liabilities	16	396,785	435,393
Total non-current liabilities		894,328	930,808
<b>Net assets</b>		<b>5,727,398</b>	<b>5,939,048</b>
<b>Capital and reserves</b>			
Share capital	23	3,216,110	3,216,110
Reserves		2,511,288	2,722,938
<b>Total equity</b>		<b>5,727,398</b>	<b>5,939,048</b>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Share capital HK\$'000	Shareholder's contribution reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	3,012,877	-	(18,918)	375,830	3,369,789
Profit for the period	-	-	-	51,651	51,651
Deferred tax on net fair value changes of debt instruments at fair value through other comprehensive income	-	-	8,467	-	8,467
Net fair value loss on debt instruments at fair value through other comprehensive income	-	-	(55,502)	-	(55,502)
Reversal of impairment loss on debt instruments at fair value through other comprehensive income	-	-	(3,220)	-	(3,220)
Release on disposal of debt instruments at fair value through other comprehensive income	-	-	965	-	965
Total comprehensive (expense) income for the period	-	-	(49,290)	51,651	2,361
At 30 June 2020 (unaudited)	3,012,877	-	(68,208)	427,481	3,372,150
At 1 January 2021 (audited)	<b>3,216,110</b>	<b>71,447</b>	<b>(7,526)</b>	<b>2,659,017</b>	<b>5,939,048</b>
Loss for the period	-	-	-	(196,625)	(196,625)
Deferred tax on net fair value changes of debt instruments at fair value through other comprehensive income	-	-	12,362	-	12,362
Net fair value loss on debt instruments at fair value through other comprehensive income	-	-	(60,376)	-	(60,376)
Provision for impairment loss on debt instruments at fair value through other comprehensive income	-	-	15,562	-	15,562
Release on disposal of debt instruments at fair value through other comprehensive income	-	-	1,018	-	1,018
Total comprehensive expense for the period	-	-	(31,434)	(196,625)	(228,059)
Shareholder's contribution (Note 22)	-	16,409	-	-	16,409
At 30 June 2021 (unaudited)	<b>3,216,110</b>	<b>87,856</b>	<b>(38,960)</b>	<b>2,462,392</b>	<b>5,727,398</b>



## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

		<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
		<b>HK\$'000</b>	HK\$'000
<i>Notes</i>		<b>(Unaudited)</b>	(Unaudited)
	<b>Net cash (used in) from operating activities</b>	<b>(39,645)</b>	1,542,996
	<b>Net cash from investing activities</b>		
	Proceeds from disposal of debt instruments at fair value through other comprehensive income	<b>22,417</b>	309,172
13	Proceeds from disposal of property, plant and equipment	<b>510</b>	–
13	Purchase of property, plant and equipment	<b>(325)</b>	(314)
	Repayment from note receivable	<b>45,600</b>	3,800
	Withdrawal of pledged bank deposits	–	28,973
	Interest received	<b>1,432</b>	5,130
		<b>69,634</b>	346,761
	<b>Net cash used in financing activities</b>		
	New borrowings raised	–	71,650
	Repayments of borrowings	<b>(5,000)</b>	(332,099)
	Repayments of lease liabilities	<b>(4,506)</b>	(4,299)
22	Redemption of notes issued	–	(50,000)
	Interest paid	<b>(40,876)</b>	(69,028)
		<b>(50,382)</b>	(383,776)
	<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(20,393)</b>	1,505,981
	<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,240,732</b>	135,793
	<b>Cash and cash equivalents at the end of the period, represented by bank balances and cash - general accounts and cash</b>	<b>2,220,339</b>	1,641,774
19			



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The financial information relating to the year ended 31 December 2020 that is included in these condensed consolidated financial statements 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 is as follows:

The Company has delivered the 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.

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.

The condensed consolidated financial statements are presented in HK\$ which is the functional currency of the Company. All values are rounded to the nearest thousand (HK\$’000) unless otherwise indicated.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's audited consolidated financial statements for the year ended 31 December 2020.

### **Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")**

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-related rent concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform - phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 3. REVENUE

An analysis of the Group's revenue for the period is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Unaudited)
Trading of coke products	<b>222,394</b>	–
Sales of electronic components	–	3,430
Arrangement fee income from money lending business	<b>225</b>	388
Commission and handling income from securities brokerage business	<b>3,093</b>	2,507
Underwriting fee income from securities brokerage business	–	337
	<b>225,712</b>	6,662
Revenue from contracts with customers	<b>225,712</b>	6,662
Dividend income from financial assets at fair value through profit or loss ("FVTPL")	<b>271</b>	4,608
Interest income from debt instruments at fair value through other comprehensive income ("FVTOCI")	<b>20,978</b>	32,582
Interest income from securities margin financing business	<b>3,016</b>	505
Interest income from money lending business	<b>75,499</b>	98,728
	<b>325,476</b>	143,085

During the periods ended 30 June 2021 and 2020, the revenue is recognised at a point in time except for dividend income and interest income which fall outside the scope of HKFRS 15.

## 4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the chief operating decision maker, for the purposes of allocating resources and assessment of segment performance. This is also the basis upon which the Group is arranged and organised.

The Group's operating segments under HKFRS 8 are as follows:

- (i) Investment in securities
- (ii) Trading of coke products and electronic components ("Trading")
- (iii) Money lending
- (iv) Securities brokerage

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



## 4. SEGMENT INFORMATION (continued)

### Segment revenue and results

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

	Investment in securities HK\$'000 (Unaudited)	Trading HK\$'000 (Unaudited)	Money lending HK\$'000 (Unaudited)	Securities brokerage HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Six months ended 30 June 2021</b>					
<b>Segment Revenue</b>					
External sales/sources	21,249	222,394	75,724	6,109	325,476
<b>Results</b>					
Segment results	(148,094)	244	36,628	4,139	(107,083)
Other income					1,511
Central administrative expenses					(45,502)
Finance costs					(73,274)
Loss before tax					(224,348)
Income tax credit					27,723
Loss for the period					(196,625)
<b>Six months ended 30 June 2020</b>					
<b>Segment Revenue</b>					
External sales/sources	37,190	3,430	99,116	3,349	143,085
<b>Results</b>					
Segment results	291,996	113	(143,994)	1,937	150,052
Other income					5,019
Central administrative expenses					(24,443)
Finance costs					(66,635)
Profit before tax					63,993
Income tax expense					(12,342)
Profit for the period					51,651

Segment (loss) profit represents loss incurred/profit earned by each segment without allocation of certain other income, central administrative expenses, finance costs and income tax credit (expense).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 4. SEGMENT INFORMATION (continued)

### Segment assets and liabilities

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

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
<b>Segment assets</b>		
Investment in securities	4,254,178	4,645,933
Trading	1,557	3,031
Money lending	1,558,971	1,549,021
Securities brokerage	299,003	309,037
Total segment assets	6,113,709	6,507,022
Property, plant and equipment	16,515	18,196
Right-of-use assets	23,742	28,388
Bank balances and cash	2,062,784	1,921,585
Other unallocated assets	5,306	6,507
Consolidated assets	8,222,056	8,481,698
<b>Segment liabilities</b>		
Investment in securities	752,641	796,621
Trading	54	334
Money lending	74	1,249
Securities brokerage	28,171	40,479
Total segment liabilities	780,940	838,683
Other payables	26,714	28,744
Notes payable	1,665,164	1,648,877
Lease liabilities	21,840	26,346
Consolidated liabilities	2,494,658	2,542,650

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, right-of-use assets, certain bank balances and cash and certain other assets; and
- all liabilities are allocated to operating segments other than certain other payables, notes payable and lease liabilities.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



## 5. OTHER INCOME

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank interest income	1,432	5,130
Others (Note)	988	3,474
	<b>2,420</b>	<b>8,604</b>

Note: The amount mainly represented interest income of HK\$799,000 (six months ended 30 June 2020: HK\$3,189,000) from the note receivable disclosed in Note 17.

## 6. OTHER LOSS

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Exchange loss, net	823	209

## 7. NET (LOSS) GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net unrealised (loss) gain on financial assets at FVTPL	(152,895)	268,385
Net realised loss on sales of financial assets at FVTPL	–	(18,615)
	<b>(152,895)</b>	<b>249,770</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 8. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on advances drawn on bill receivables discounted with full recourse	28	–
Interest on borrowings	12,167	8,204
Interest on notes payable (Note 22)	60,713	58,261
Interest on lease liabilities	366	170
	<b>73,274</b>	<b>66,635</b>

## 9. INCOME TAX CREDIT (EXPENSE)

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Tax (charge) credit comprises:		
Current tax	(3,798)	2,075
Deferred tax (Note 16)	31,521	(14,417)
Income tax credit (expense) recognised in profit or loss	<b>27,723</b>	<b>(12,342)</b>

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for the current interim period (six months ended 30 June 2020: 16.5%).



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



## 10. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging (crediting) the following items:

	<b>Six months ended 30 June</b>	
	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Unaudited)
Provision for (reversal of) impairment loss on debt instruments at FVTOCI, net ( <i>Note 14</i> )	<b>15,562</b>	(3,220)
Provision for impairment loss on loan receivables ( <i>Note 15</i> )	<b>35,244</b>	241,265
Provision for impairment losses under expected credit loss ("ECL") model, net of reversal	<b>50,806</b>	238,045
Depreciation of property, plant and equipment	<b>1,685</b>	1,663
Depreciation of right-of-use assets	<b>4,646</b>	4,657

## 11. DIVIDEND

No dividends were paid, declared or proposed during the interim period (six months ended 30 June 2020: nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 12. (LOSS) EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Unaudited)
<b>(Loss) earnings:</b> (Loss) profit for the period attributable to owners of the Company for the purpose of calculating basic (loss) earnings per share	<b>(196,625)</b>	51,651

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 12. (LOSS) EARNINGS PER SHARE (continued)

	Six months ended 30 June	
	2021 '000	2020 '000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	<b>20,385,254</b>	16,987,714

Diluted (loss) earnings per share for the six months ended 30 June 2021 and 2020 are not presented as there were no dilutive potential ordinary shares in issue during both periods.

## 13. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

During the current interim period, the Group disposed of property, plant and equipment with proceeds of HK\$510,000 (six months ended 30 June 2020: nil) and acquired property, plant and equipment of HK\$325,000 (six months ended 30 June 2020: HK\$314,000).

During the current interim period, the Group did not enter into any new lease agreement. During the six months ended 30 June 2020, the Group entered into a new lease agreement with a three-year lease term and recognised right-of-use assets of HK\$5,624,000 and lease liabilities of HK\$5,624,000.

At 30 June 2021, property, plant and equipment of HK\$15,443,000 (31 December 2020: HK\$17,042,000) were pledged as security for credit facilities granted to the Group.

## 14. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Listed investments, at fair value:		
– Debt securities listed in overseas (31 December 2020: Hong Kong or overseas) with fixed interests ranging from 8.75% to 9.50% (31 December 2020: 5.65% to 9.50%) per annum and maturity dates ranging from 29 March 2024 to 28 June 2025 (31 December 2020: 18 January 2023 to 28 June 2025)	<b>319,020</b>	401,813
Analysed as:		
Non-current portion	<b>319,020</b>	401,813

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



## **14. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)**

At 30 June 2021, debt instruments at FVTOCI were stated at fair values which were determined based on the quoted market closing prices available on the overseas stock exchanges.

The Group assessed the ECL for debt instruments at FVTOCI by reference to credit rating of the bond investments by rating agencies, macroeconomic factors affecting the respective industry of each issuer, corporate historical default and loss rate and exposure at default of each bond investment. The Group also considered macroeconomic factors and other forward-looking information (such as gross domestic product growth and unemployment rate with adjustment on different scenarios of economic environment prospects) affecting the respective industry of each issuer in the assessment.

The Group provided impairment allowance of HK\$15,562,000 (six months ended 30 June 2020: reversal of impairment loss of HK\$3,220,000) for the current interim period.

At 30 June 2021, debt securities of HK\$319,020,000 (31 December 2020: HK\$401,813,000) were pledged as security for credit facilities granted to the Group.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

### 14. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

The following table shows reconciliation of loss allowance that have been recognised for debt instruments of FVTOCI.

	12-month ("12m") ECL HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	16,541	–	16,541
Changes due to financial instruments recognised at 1 January 2020:			
– Impairment losses recognised	25,216	–	25,216
– Impairment losses reversed	(6,343)	–	(6,343)
At 31 December 2020 and 1 January 2021 (audited)	35,414	–	35,414
Changes due to financial instruments recognised at 1 January 2021:			
– Impairment losses recognised	–	16,785	16,785
– Impairment losses reversed	(1,223)	–	(1,223)
– Transfer to lifetime ECL	(34,191)	34,191	–
<b>At 30 June 2021 (unaudited)</b>	<b>–</b>	<b>50,976</b>	<b>50,976</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



## 15. LOAN RECEIVABLES

	<b>At 30 June 2021 HK\$'000 (Unaudited)</b>	At 31 December 2020 HK\$'000 (Audited)
Fixed-rate loan receivables	<b>1,908,107</b>	1,821,549
Less: impairment allowance	<b>(420,303)</b>	(373,254)
	<b>1,487,804</b>	1,448,295
Analysed as:		
Current portion	<b>1,372,724</b>	1,448,295
Non-current portion	<b>115,080</b>	–
	<b>1,487,804</b>	1,448,295
Analysed as:		
Secured	<b>1,476,879</b>	1,436,779
Unsecured	<b>10,925</b>	11,516
	<b>1,487,804</b>	1,448,295

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 15. LOAN RECEIVABLES (continued)

At 30 June 2021, the range of interest rates and maturity dates attributed to the Group's performing loan receivables was 8.5% to 13% (31 December 2020: 10% to 14.25%) per annum and from 4 September 2021 to 27 December 2022 (31 December 2020: 19 February 2021 to 31 May 2021) respectively.

The analysis of the Group's fixed-rate loan receivables by their respective contractual maturity dates is as follows:

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Fixed-rate loan receivables:		
Within one year or on demand	1,372,724	1,448,295
In more than one year but not more than two years	115,080	–
	<b>1,487,804</b>	<b>1,448,295</b>

The Group provided impairment allowance of HK\$35,244,000 (six months ended 30 June 2020: HK\$241,265,000) for the current interim period.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



## 15. LOAN RECEIVABLES (continued)

The following table shows reconciliation of loss allowances that have been recognised for loan receivables.

	12m ECL HK\$'000	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	719	912	152,458	154,089
Changes due to financial instruments recognised at 1 January 2020:				
– Impairment losses recognised	3,762	6,156	233,730	243,648
– Impairment losses reversed	(2,117)	–	(39,364)	(41,481)
– Transfer to lifetime ECL	(10)	–	10	–
– Unwinding of discount (Note)	2,009	1,795	12,438	16,242
New financial assets originated or purchased	756	–	–	756
At 31 December 2020 and 1 January 2021 (audited)	5,119	8,863	359,272	373,254
Changes due to financial instruments recognised at 1 January 2021:				
– Impairment losses recognised	–	–	86,937	86,937
– Impairment losses reversed	(1,119)	(120)	(50,454)	(51,693)
– Transfer to credit-impaired	–	(6,539)	6,539	–
– Unwinding of discount	–	–	11,805	11,805
<b>At 30 June 2021 (unaudited)</b>	<b>4,000</b>	<b>2,204</b>	<b>414,099</b>	<b>420,303</b>

During the current interim period, the changes in loss allowance are mainly contributed by:

- (i) loan receivables with gross carrying amount totalling HK\$79,112,000 that have become credit-impaired for which lifetime ECL has been provided, resulted in recognition of ECL of HK\$15,067,000; and
- (ii) loan receivables with gross carrying amount totalling HK\$1,098,060,000 that continued to be credit-impaired for which lifetime ECL has been provided, resulted in recognition of ECL of HK\$71,870,000.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 15. LOAN RECEIVABLES (continued)

The increase in loss allowance mainly reflected the credit-impaired status of the loan receivables during the current period. There are no significant changes to estimation techniques and assumptions made during the period.

*Note:* During the six months ended 30 June 2020, certain loan receivables were transferred from 12m ECL or lifetime ECL (not credit-impaired) to lifetime ECL (credit-impaired). Due to the improvement of credit risks of the respective loans during the second half of 2020, the credit ratings restored to the same level at the beginning of 2020 and thus the amounts of HK\$2,009,000 and HK\$1,795,000 were categorised as 12m ECL and lifetime ECL (not credit-impaired) respectively at 31 December 2020 accordingly.

## 16. DEFERRED TAX (LIABILITIES) ASSETS

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Deferred tax assets	32,342	27,067
Deferred tax liabilities	(396,785)	(435,393)
	<b>(364,443)</b>	<b>(408,326)</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



## 16. DEFERRED TAX (LIABILITIES) ASSETS (continued)

The movement of deferred tax (liabilities) assets for the period is as follows:

	Allowance for ECL HK\$'000	Tax losses HK\$'000	Temporary difference related to net unrealised gain/loss on financial assets at FVTPL and debt instruments at FVTOCI HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	8,148	129,084	(129,084)	8,148
Credited (charged) to profit or loss	21,648	49,582	(492,912)	(421,682)
Credited to the other comprehensive income	3,114	–	2,094	5,208
At 31 December 2020 and 1 January 2021 (audited)	32,910	178,666	(619,902)	(408,326)
Credited to profit or loss (Note 9)	5,275	29,908	(3,662)	31,521
Credited to the other comprehensive income	2,568	–	9,794	12,362
<b>At 30 June 2021 (unaudited)</b>	<b>40,753</b>	<b>208,574</b>	<b>(613,770)</b>	<b>(364,443)</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 17. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Trade receivables of securities brokerage business:		
– Cash clients (Note (i))	2,614	2,941
– Margin clients (Note (i))	124,976	100,153
Other receivables (Note (iii))	20,440	26,793
Note receivable (Note (iii))	–	45,600
	<b>148,030</b>	<b>175,487</b>

Notes:

- (i) For the securities brokerage business, the normal settlement terms of trade receivables from cash clients are two days after trade date. The trade receivables from cash clients and margin clients with carrying amounts of HK\$127,590,000 (31 December 2020: HK\$103,094,000) were not past due as at the end of the reporting period.

Margin clients are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them individually are determined based on a discount on the market value of securities pledged to the Group. Any excess in lending ratio will trigger margin calls for which the clients concerned have to make good the shortfall. At 30 June 2021, the market value of securities pledged by clients to the Group as collateral against margin client receivables was HK\$1,681,977,000 (31 December 2020: HK\$2,062,243,000).

- (ii) Included in other receivables were unrestricted deposits of HK\$3,674,000 (31 December 2020: HK\$3,433,000) placed with securities brokers. The remaining balance of other receivables represented mainly interest receivables, prepayment and deposits for office use.

- (iii) The amount represented the outstanding principal of a convertible note subscribed by the Group, which was originally due for repayment on 15 December 2019. Pursuant to a deed entered into between the relevant parties on 10 February 2020, the conversion rights under the note were removed and the note ceased to be convertible into shares of the issuer. The repayment date of the outstanding principal of the note of HK\$49,400,000 was extended from 15 December 2019 to 15 May 2020 and bearing interest at the rate of 12% per annum. During the year ended 31 December 2020, outstanding principal of HK\$3,800,000 was settled and the repayment date of the remaining outstanding principal had been further extended to 14 October 2020 and bearing interest at the rate of 16% per annum. The outstanding principal of the note was fully settled during the current interim period.

At 30 June 2021, trade and other receivables of HK\$15,999,000 (31 December 2020: HK\$66,670,000) were pledged as security for credit facilities granted to the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Listed investments, at fair value:		
– Equity securities listed in Hong Kong (Note (i))	3,920,422	4,073,317
Unlisted investments, at fair value:		
– Unlisted equity securities (Note (ii))	300	–
	<b>3,920,722</b>	<b>4,073,317</b>
Analysed as:		
Current portion	<b>3,920,722</b>	<b>4,073,317</b>

Notes:

- (i) The fair values of the listed equity securities were determined based on the quoted market closing prices available on the Stock Exchange.
- (ii) The fair value was determined with reference to the net asset value of the unlisted equity which is the deemed resale price of the investments.

At 30 June 2021, equity securities of HK\$3,920,422,000 (31 December 2020: HK\$4,073,317,000) were pledged as security for credit facilities granted to the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 19. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Bank balances and cash:		
– General accounts and cash (Note (i))	2,220,339	2,240,732
– Client accounts (Note (ii))	23,520	36,538
	<b>2,243,859</b>	<b>2,277,270</b>

Notes:

- (i) The accounts comprised cash and short-term bank deposits with an original maturity of three months or less held by the Group. The amounts carried interest ranging from 0.01% to 0.26% (31 December 2020: 0.01% to 0.25%) per annum.
- (ii) The Group's securities brokerage business receives and holds money deposited by clients during the course of conducting its regulated activities in its ordinary course of business. Such clients' monies are maintained in a segregated bank account and the Group has recognised the corresponding account payable to the respective clients.

At 30 June 2021, bank balances and cash of HK\$2,313,000 (31 December 2020: HK\$109,252,000) were pledged as security for credit facilities granted to the Group.

Pledged bank deposits represented deposits pledged to banks to secure the banking facilities granted to the Group. At 30 June 2021, deposit amounting to HK\$3,096,000 (31 December 2020: HK\$3,096,000) was pledged to a bank to secure the credit facility for settlement of the securities brokerage activities. The pledged bank deposits will be released upon termination of the credit facility in relation to settlement of the securities brokerage activities and are therefore classified as current assets.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



## 20. TRADE AND OTHER PAYABLES

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Trade payables of securities brokerage business:		
– Cash clients ( <i>Note</i> )	26,454	27,142
– Margin clients ( <i>Note</i> )	331	12,305
– Hong Kong Securities Clearing Company Limited ("HKSCC") ( <i>Note</i> )	1,309	924
Accrued charges and other payables	4,063	7,653
Interest payables	19,918	20,216
	<b>52,075</b>	<b>68,240</b>

*Note:* For securities brokerage business, the normal settlement terms of trade payables to cash and margin clients and HKSCC are two days after trade date.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 21. BORROWINGS

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Short-term secured borrowing (Note)	<b>350,000</b>	355,000

An analysis of the Group's borrowings is as follows:

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Fixed-rate borrowings	<b>350,000</b>	350,000
Variable-rate borrowings	–	5,000
	<b>350,000</b>	355,000

Note: The amount of HK\$350,000,000 (31 December 2020: HK\$350,000,000) carried interest at 7% per annum and was repayable within one year. The loan agreement of the borrowings contains a repayment on demand clause. The borrowings were secured by two share charges each charging over the issued share of a wholly-owned subsidiary of the Company and two debentures each incorporating a first floating charge over all the assets of a wholly-owned subsidiary of the Company.

At 31 December 2020, the amount of HK\$5,000,000 carried interest at Hong Kong Interbank Offered Rate plus certain basis points per annum and was repayable within one year. The loan agreement of the borrowings contained a repayment on demand clause. The borrowings were secured by certain debt securities and were settled during current interim period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



## 22. NOTES PAYABLE

The movement of the unsecured notes payable for the period is as follows:

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
At the beginning of the period/year	1,648,877	1,253,171
Redemption of notes (Note (i))	–	(1,250,000)
Issue of notes (Note (ii))	–	1,628,553
Effective interest charged (Note 8)	60,713	146,611
Interest paid	(28,017)	(129,458)
Gain on non-substantial modification (Note (ii))	(16,409)	–
	<u>1,665,164</u>	<u>1,648,877</u>
Analysed as:		
Current portion	1,180,235	1,170,725
Non-current portion	484,929	478,152
	<u>1,665,164</u>	<u>1,648,877</u>

### Notes:

- (i) In December 2016, the Company issued 2-year unsecured notes (the “2016 Notes”) with nominal value of HK\$1,500,000,000 denominated in Hong Kong dollars. The interest for the 2016 Notes was 7.00% per annum and 8.00% per annum for the first and second year respectively, and the effective interest rate of the 2016 Notes was 8.57% per annum. In December 2018, the 2016 Notes of nominal value of HK\$200,000,000 were redeemed. The Company executed a supplemental deed poll to extend the maturity date of the remaining 2016 Notes with nominal value of HK\$1,300,000,000 for further two years to 16 December 2020. The interest for the 2016 Notes was 9.50% per annum and 10.00% per annum for the third and fourth year respectively, and the effective interest rate of the 2016 Notes was 9.74% per annum. The 2016 Notes carried option for the Company to early redeem the notes, by giving not less than 15 days’ nor more than 30 days’ notice to the noteholders on the third anniversary date and/or 16 June 2020, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption. During the years ended 31 December 2020 and 2019, the 2016 Notes of nominal value of HK\$50,000,000 and HK\$250,000,000 were early redeemed, respectively. In December 2020, the remaining 2016 Notes with nominal value of HK\$1,000,000,000 were redeemed at maturity.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 22. NOTES PAYABLE (continued)

*Notes: (continued)*

In August 2018, the Company issued a new tranche of 2-year unsecured notes (the “2018 Notes”) with nominal value of HK\$200,000,000 denominated in Hong Kong dollars. The interest for the 2018 Notes was 9.50% per annum and 10.00% per annum for the first and second year respectively, and the effective interest rate of the 2018 Notes was 9.74% per annum. The 2018 Notes carried an option for the Company to early redeem the notes, by giving early redemption notice to the noteholders on the first anniversary date, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption. In August 2020, the 2018 Notes with nominal value of HK\$200,000,000 were redeemed at maturity.

- (ii) During the year ended 31 December 2020, the Company issued a series of unsecured notes to a company controlled by a shareholder of the Company.

In July 2020, the Company issued 2-year unsecured notes with nominal value of HK\$500,000,000 denominated in Hong Kong dollars. The interest for the notes was 5.50% per annum with effective interest rate of 8.56% per annum.

In August 2020, the Company issued 1-year unsecured notes with nominal value of HK\$500,000,000 denominated in Hong Kong dollars. The interest for the notes was 3.00% per annum with effective interest rate of 6.98% per annum.

In September 2020, the Company issued 270-day unsecured notes with nominal value of HK\$500,000,000 denominated in Hong Kong dollars. The interest for the notes was 2.00% per annum with effective interest rate of 6.56% per annum.

In October 2020, the Company issued 270-day unsecured notes with nominal value of HK\$200,000,000 denominated in Hong Kong dollars. The interest for the notes was 2.00% per annum with effective interest rate of 7.48% per annum.

All four notes carry option for the Company to early redeem the notes, by giving not less than 15 days’ notice to the noteholders, in whole or in part at 100% of the principal amount outstanding, together with interest accrued and unpaid at the date fixed for redemption. Early redemption options of the Company are regarded as embedded derivatives not closely related to the host contract. The directors of the Company considered that the fair values of the early redemption options are insignificant on their respective initial recognition dates and at the end of the reporting periods. The difference between the aggregate consideration received of HK\$1,700,000,000 and the aggregate fair value of the four notes of approximately HK\$1,628,553,000, amounting to HK\$71,447,000, was recognised as shareholder’s contribution reserve in the consolidated statement of changes in equity.

In June 2021, the Company executed a supplemental deed poll to extend the maturity date of the 270-day notes issued in September 2020 with nominal value of HK\$500,000,000 for 270 days to 15 March 2022. The interest for the extended notes was 2% per annum with effective interest rate of 6.56% per annum. The extension of the abovementioned notes is considered a non-substantial modification of financial liability and a modification gain amounting to HK\$16,409,000 was recognised as shareholder’s contribution reserve in the condensed consolidated statement of changes in equity.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



## 23. SHARE CAPITAL OF THE COMPANY

	Number of shares '000	Share capital HK\$'000
Issued and fully paid:		
At 1 January 2020 and 30 June 2020	16,987,714	3,012,877
Issue of shares	3,397,540	203,852
Transaction costs attributable to issue of shares	–	(619)
	<u>20,385,254</u>	<u>3,216,110</u>
At 1 January 2021 and <b>30 June 2021</b>	<b>20,385,254</b>	<b>3,216,110</b>

## 24. PLEDGE OF ASSETS

The fixed-rate borrowings were secured by two share charges each charging over the issued share of a wholly-owned subsidiary of the Company and two debentures each incorporating a first floating charge over all the assets of a wholly-owned subsidiary of the Company. At 30 June 2021, assets subject to the first floating charge were property, plant and equipment of HK\$15,443,000 (31 December 2020: HK\$17,042,000), club debentures of HK\$1,453,000 (31 December 2020: HK\$1,453,000), debt securities of HK\$319,020,000 (31 December 2020: HK\$380,571,000), trade and other receivables of HK\$15,999,000 (31 December 2020: HK\$66,670,000), equity securities of HK\$3,920,422,000 (31 December 2020: HK\$4,073,317,000) and bank balances and cash of HK\$2,313,000 (31 December 2020: HK\$109,252,000).

At 31 December 2020, debt securities of HK\$21,242,000 were pledged for variable-rate borrowings.

In addition, as disclosed in Note 19, the Group's credit facilities for settlement of the securities brokerage activities were secured by the Group's bank deposits of HK\$3,096,000 (31 December 2020: HK\$3,096,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value measurements and valuation processes

The directors of the Company have closely monitored and determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed below.

### Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3), based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021



## 25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Financial assets	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)		
<b>1) Financial assets at FVTPL</b>				
Listed equity securities	<b>3,920,422</b>	4,073,317	Level 1	Quoted market closing prices in an active market
Unlisted equity securities	<b>300</b>	–	Level 3	The fair value was determined with reference to the net asset value of the unlisted equity which is the deemed resale price of the investments ( <i>Note</i> )
<b>2) Debt instruments at FVTOCI</b>				
Listed debt securities	<b>319,020</b>	401,813	Level 1	Quoted market closing prices in an active market

*Note:* In the opinion of the directors of the Company, the fluctuations in the key unobservable inputs in determining the fair value of the unlisted equity securities are not significant to the Group, accordingly, no sensitivity analysis is presented.

There was no transfer between Level 1, 2 and 3 for the period ended 30 June 2021.

### Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company considered that the carrying amounts of financial assets and liabilities recognised in the condensed consolidated financial statements approximated their fair values.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 26. RELATED PARTY DISCLOSURES

### Compensation of key management personnel

The remuneration of directors, who are the key management personnel of the Group, is as follows:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Short-term benefits	4,063	3,163
Post-employment benefits	94	85
	<b>4,157</b>	<b>3,248</b>

The remuneration of directors is determined by the Remuneration Committee having regard to the competence, performance and experience of the individuals and the prevailing market terms.





## Other Information

### **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2021 (30 June 2020: nil).

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

As at 30 June 2021, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### **SHARE OPTION SCHEME**

The existing share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 29 June 2020 and the previous share option scheme of the Company adopted on 10 June 2011 (the "2011 Share Option Scheme") was terminated on the same date. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Company to grant options to participants as incentives or rewards for their contribution to the Company and/or subsidiaries of the Company.

In the annual general meeting of the Company held on 28 June 2021, the shareholders of the Company approved the refreshment of the scheme mandate limit (the "Scheme Mandate Limit Refreshment"). The total number of shares of the Company available for issue under the Share Option Scheme is 2,038,525,383 shares, representing approximately 10% of the issued shares of the Company as at the date of approval of the Scheme Mandate Limit Refreshment and the date of this interim report.

No share options were granted, exercised, cancelled or lapsed during the six months ended 30 June 2021 and 2020 and no share options were outstanding as at 30 June 2021 and 2020.

Further details of the Share Option Scheme and the 2011 Share Option Scheme were set out in the Company's 2020 Annual Report and 2019 Annual Report respectively.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save for the share option scheme of the Company as mentioned above, at no time during the six months ended 30 June 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the period.

## Other Information

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2021, the following interests of more than 5% of the issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

#### Long positions in the shares of the Company:

Name of shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued shares (Note (i))
Dr. Cheng Kar-Shun, Henry <i>GBM, GBS</i> ("Dr. Cheng")	Interest of controlled corporation	3,397,540,000 (Note (ii))	16.67%
Courage Star Global Limited ("Courage Star")	Beneficial owner	3,397,540,000 (Note (ii))	16.67%
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interest of controlled corporation	1,680,000,000 (Note (iii))	8.24%
Pioneer Success Development Limited ("Pioneer Success")	Beneficial owner	1,680,000,000 (Note (iii))	8.24%

#### Notes:

- (i) The approximate percentage of the Company's issued shares was calculated on the basis of 20,385,253,835 shares of the Company in issue as at 30 June 2021.
- (ii) These shares were held by Courage Star, which in turn was wholly owned by Dr. Cheng. Accordingly, Dr. Cheng and Courage Star were deemed to be interested in 3,397,540,000 shares of the Company under the SFO.
- (iii) These shares were held by Pioneer Success, which in turn was wholly owned by Mr. Suen. Accordingly, Mr. Suen and Pioneer Success were deemed to be interested in 1,680,000,000 shares of the Company under the SFO.

The interests of Dr. Cheng and Courage Star in 3,397,540,000 shares of the Company referred to in Note (ii) above related to the same parcel of shares.

The interests of Mr. Suen and Pioneer Success in 1,680,000,000 shares of the Company referred to in Note (iii) above related to the same parcel of shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 30 June 2021 as required pursuant to section 336 of the SFO.



## Other Information

### **CORPORATE GOVERNANCE**

The Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2021.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2021.

### **UPDATES ON DIRECTORS' INFORMATION**

The following is updated information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's last published annual report up to 26 August 2021, being the date of this interim report:

- Dr. Or Ching Fai has been appointed as an independent non-executive director of Playmates Holdings Limited (HKEX stock code: 635) (a company listed on the Main Board of the Stock Exchange) on 21 May 2021.
- Mr. Sue Ka Lok resigned as an executive director of PT International Development Corporation Limited (HKEX stock code: 372) (a company listed on the Main Board of the Stock Exchange) on 6 July 2021.

### **REVIEW OF INTERIM FINANCIAL INFORMATION**

The Group's condensed consolidated financial statements for the six months ended 30 June 2021 have not been audited, but have been reviewed by the Audit Committee and the Company's auditor, Deloitte Touche Tohmatsu, 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 report on review of interim financial information by the auditor is set out on page 15 of this interim report.



## Other Information

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

During the six months ended 30 June 2021, 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

**Dr. Or Ching Fai**

*Chairman*

Hong Kong, 26 August 2021