



中國山東高速金融集團有限公司

CHINA SHANDONG HI-SPEED FINANCIAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00412



I n t e r i m R e p o r t 2 0 2 1

CONTENTS

Corporate Information	2
Condensed Consolidated Income Statement	4
Condensed Consolidated Statement of Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	10
Notes to the Condensed Consolidated Financial Statements	11
Management Discussion and Analysis	65
Other Information	83

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director and Chairman

Mr. Wang Xiaodong

Executive Director and Vice Chairman

Mr. Liu Han (resigned on 11 June 2021)

Non-Executive Director and Vice Chairman

Mr. Zhu Jianbiao (appointed on 28 July 2021)

Executive Directors

Mr. Liu Honghui (resigned on 28 July 2021)

Mr. Liu Zhijie

Mr. Liu Yao

Non-Executive Directors

Mr. Liang Zhanhai

Mr. Chen Di

Mr. Gao Guicheng (resigned on 28 July 2021)

Mr. Wang Wenbo (appointed on 28 July 2021)

Independent Non-Executive Directors

Mr. Guan Huanfei

Mr. Chan Wai Hei

Mr. Tan Yuexin

Mr. Jonathan Jun Yan

AUDIT COMMITTEE

Mr. Chan Wai Hei (*Chairman*)

Mr. Chen Di

Mr. Gao Guicheng (resigned on 28 July 2021)

Mr. Wang Wenbo (appointed on 28 July 2021)

Mr. Tan Yuexin

Mr. Jonathan Jun Yan

REMUNERATION COMMITTEE

Mr. Guan Huanfei (*Chairman*)

Mr. Liu Zhijie

Mr. Liu Honghui (resigned on 28 July 2021)

Mr. Chan Wai Hei

Mr. Tan Yuexin

NOMINATION COMMITTEE

Mr. Wang Xiaodong (*Chairman*)

Mr. Chen Di

Mr. Chan Wai Hei

Mr. Tan Yuexin

Mr. Jonathan Jun Yan

EXECUTIVE COMMITTEE

Mr. Wang Xiaodong (*Chairman*)

Mr. Liu Han (*Vice-Chairman*) (resigned on 28 July 2021)

Mr. Zhu Jianbiao (appointed on 28 July 2021)

Mr. Sun Qingwei (*Chief Operating Office*)
(appointed on 23 March 2021)

Mr. Liu Honghui (resigned on 28 July 2021)

Mr. Liu Zhijie

Mr. Liu Yao

STRATEGIC DEVELOPMENT COMMITTEE*

Mr. Zhu Jianbiao (appointed on 28 July 2021)

Mr. Liu Yao (appointed on 28 July 2021)

Mr. Chen Di (appointed on 28 July 2021)

Mr. Jonathan Jun Yan (appointed on 28 July 2021)

JOINT COMPANY SECRETARIES

Mr. Yu Qin (ceased on 27 August 2021)

Ms. Lam Katrina Lai Kuen (resigned on 27 August 2021)

AUTHORISED REPRESENTATIVES

Mr. Liu Yao

Ms. Lam Katrina Lai Kuen (resigned on 27 August 2021)

Mr. Liu Zhijie (appointed on 27 August 2021)

* established on 28 July 2021

CORPORATE INFORMATION

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17th Floor
Agricultural Bank of China Tower
No. 50 Connaught Road Central
Hong Kong

STOCK CODE

412

AUDITOR

Crowe (HK) CPA Limited
9/F Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

LEGAL ADVISERS

Hong Kong law:

Li & Partners
22/F, World-Wide House Central
Hong Kong

Bermuda law:

Conyers Dill & Pearman
29/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower
No.1 Garden Road Central
Hong Kong

Industrial and Commercial Bank of China (Macau)
Limited
18/F, ICBC Tower
Macau Landmark
555 Avenida da Amizade
Macau

PRINCIPAL SHARE REGISTRAR IN BERMUDA

MUFG Fund Services (Bermuda) Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE

www.csfg.com.hk

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended	
		30 June	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	4	540,396	621,480
COST OF SERVICES		(198,537)	(337,152)
Gross profit		341,859	284,328
Other income		13,542	25,835
Other gains and losses, net	5	152,607	147,716
Impairment losses on financial assets recognised, net of reversal	6	(99,646)	(252,572)
Fair value gains on financial assets at fair value through profit or loss, net	8	151,982	24,868
Administrative expenses		(225,097)	(196,282)
Finance costs	7	(128,185)	(1,130)
Share of results of associates		55,138	45,284
PROFIT BEFORE TAX	8	262,200	78,047
Income tax expense	9	(3,707)	(18,938)
PROFIT FOR THE PERIOD		258,493	59,109
Profit/(loss) for the period attributable to:			
Owners of the Company		115,388	(65,646)
Holders of perpetual capital instrument		158,147	105,931
Non-controlling interests		(15,042)	18,824
		258,493	59,109
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	10	HK\$0.48 cents	HK\$(0.27) cents
Diluted	10	HK\$0.48 cents	HK\$(0.27) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	258,493	59,109
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value changes on equity instruments classified as financial assets at fair value through other comprehensive income	(8,008)	(335,853)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair value changes on debt instruments classified as financial assets at fair value through other comprehensive income	(61,312)	(63,893)
Release of FVTOCI reserve upon disposal of debt instruments classified as financial assets at fair value through other comprehensive income	16,668	738
Exchange difference arising on translation of foreign operations	39,111	(43,907)
TOTAL OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(13,541)	(442,915)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	244,952	(383,806)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	97,535	(507,408)
Holder of perpetual capital instrument	158,147	105,931
Non-controlling interests	(10,730)	17,671
	244,952	(383,806)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		62,951	12,677
Right-of-use assets		33,614	39,699
Intangible assets		1,132,856	1,273,595
Interests in associates	12	2,171,520	2,128,901
Financial assets at fair value through other comprehensive income	13	1,742,350	2,281,229
Financial assets at fair value through profit or loss	14	54,199	55,922
Finance lease receivables	15	377,831	547,554
Loans receivables	16	300,388	132,373
Total non-current assets		5,875,709	6,471,950
CURRENT ASSETS			
Financial assets at fair value through other comprehensive income	13	3,456,636	2,603,310
Financial assets at fair value through profit or loss	14	6,697,157	5,858,263
Finance lease receivables	15	778,178	759,072
Loans receivables	16	2,811,600	3,203,909
Trade and other receivables	17	960,910	933,805
Restricted cash		69,919	88,358
Cash held on behalf of clients		14,107	1,779
Cash and cash equivalents		2,013,213	5,045,748
Total current assets		16,801,720	18,494,244
CURRENT LIABILITIES			
Other payables and accruals		171,622	302,023
Lease liabilities		13,179	13,270
Borrowings	18	3,847,478	7,442,624
Tax payables		404	677
Total current liabilities		4,032,683	7,758,594

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NET CURRENT ASSETS		12,769,037	10,735,650
TOTAL ASSETS LESS CURRENT LIABILITIES		18,644,746	17,207,600
NON-CURRENT LIABILITIES			
Borrowings	18	8,814,649	7,386,690
Lease liabilities		24,784	30,502
Other payables and accruals		22,249	21,910
Deferred tax liabilities		111,750	111,750
Total non-current liabilities		8,973,432	7,550,852
Net assets		9,671,314	9,656,748
CAPITAL AND RESERVES			
Issued capital	19	6,022	6,022
Reserves		2,485,290	2,387,755
Equity attributable to owners of the Company		2,491,312	2,393,777
Perpetual capital instrument	20	7,081,570	7,073,413
Non-controlling interests		98,432	189,558
Total equity		9,671,314	9,656,748

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company												
	Issued capital HK\$'000 (Unaudited)	Share premium account HK\$'000 (note i) (Unaudited)	Share options reserve HK\$'000 (note ii) (Unaudited)	Capital redemption reserve HK\$'000 (note iii) (Unaudited)	Contributed surplus HK\$'000 (note iv) (Unaudited)	Fair value through other comprehensive income reserve HK\$'000 (note v) (Unaudited)	Statutory reserve HK\$'000 (note vi) (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Perpetual capital instrument HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 January 2020 (Audited)	6,133	4,784,098	40,150	1,177	1,524,577	531,756	37,995	(306,453)	(3,659,708)	2,959,705	7,114,799	176,953	10,251,457
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(65,646)	(65,646)	105,931	18,824	59,109
Other comprehensive loss for the period:													
Fair value change on equity instruments classified as financial assets at fair value through other comprehensive income	-	-	-	-	-	(335,853)	-	-	(335,853)	-	-	-	(335,853)
Fair value change on debt instruments classified as financial assets at fair value through other comprehensive income	-	-	-	-	-	(63,155)	-	-	(63,155)	-	-	-	(63,155)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(42,754)	-	(42,754)	-	(1,153)	(43,907)	
Other comprehensive loss for the period	-	-	-	-	-	(399,008)	-	(42,754)	(441,762)	-	(1,153)	(442,915)	
Total comprehensive (loss)/income for the period	-	-	-	-	-	(399,008)	-	(42,754)	(65,646)	(507,408)	105,931	17,671	(383,806)
Distributions paid to holders of perpetual capital instrument	-	-	-	-	-	-	-	-	-	(150,397)	-	(150,397)	
Release of fair value through other comprehensive income reserve upon disposal of equity instruments at classified fair value through other comprehensive income	-	-	-	-	-	(514,271)	-	514,271	-	-	-	-	
At 30 June 2020 (Unaudited)	6,113	4,784,098	40,150	1,177	1,524,577	(381,523)	37,995	(349,207)	(3,211,083)	2,452,297	7,070,333	194,624	9,717,254

	Attributable to owners of the Company												
	Issued capital HK\$'000 (Unaudited)	Share premium account HK\$'000 (note i) (Unaudited)	Share options reserve HK\$'000 (note ii) (Unaudited)	Capital redemption reserve HK\$'000 (note iii) (Unaudited)	Contributed surplus HK\$'000 (note iv) (Unaudited)	Fair value through other comprehensive income reserve HK\$'000 (note v) (Unaudited)	Statutory reserve HK\$'000 (note vi) (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Perpetual capital instrument HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 January 2021 (Audited)	6,022	4,595,304	40,150	1,268	1,524,577	(281,772)	37,995	(93,143)	(3,436,624)	2,393,777	7,073,413	189,558	9,656,748
Profit/(loss) for the period	-	-	-	-	-	-	-	-	115,388	115,388	158,147	(15,042)	258,493
Other comprehensive income/(loss) for the period:													
Fair value change on equity instruments classified as financial assets at fair value through other comprehensive income	-	-	-	-	-	(8,008)	-	-	(8,008)	-	-	-	(8,008)
Fair value changes on debt instruments classified as financial assets at fair value through other comprehensive income	-	-	-	-	-	(61,312)	-	-	(61,312)	-	-	-	(61,312)
Release of fair value through other comprehensive income reserve upon disposal of debt instruments classified at fair value through other comprehensive income	-	-	-	-	-	16,668	-	-	16,668	-	-	-	16,668
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	34,799	-	34,799	-	4,312	39,111	
Other comprehensive (loss)/income for the period	-	-	-	-	-	(52,652)	34,799	-	(17,853)	-	4,312	(13,541)	
Total comprehensive (loss)/income for the period	-	-	-	-	-	(52,652)	34,799	115,388	97,535	158,147	(10,730)	244,952	
Distributions paid to holders of perpetual capital instruments	-	-	-	-	-	-	-	-	-	(149,990)	-	(149,990)	
Release of fair value through other comprehensive income reserve upon disposal of equity instruments at classified fair value through other comprehensive income	-	-	-	-	-	(12,713)	-	12,713	-	-	-	-	
Derecognition non-controlling interests upon disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(80,396)	(80,396)	
At 30 June 2021 (Unaudited)	6,022	4,595,304	40,150	1,268	1,524,577	(347,137)	37,995	(58,344)	(3,308,523)	2,491,312	7,081,570	98,432	9,671,314

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

Notes:

(i) Share premium account

Share premium account represents the excess of proceeds received over the nominal value of the Company's shares issued, less share issue expenses. Pursuant to the Companies Act of Bermuda, the Company's share premium account may be distributed in the form of fully paid bonus shares.

(ii) Share options reserve

Share options reserve relates to share options granted to employees under new share option scheme.

(iii) Capital redemption reserve

Capital redemption reserve arose from the reduction of the nominal value of the issued capital of the Company upon the cancellation of the repurchased shares.

(iv) Contributed surplus

Contributed surplus arose from capital reorganisation in previous years. Under the Companies Act of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities.

(v) Fair value through other comprehensive income reserve

As at 30 June 2021, the fair value through other comprehensive income reserve included net fair value loss of approximately HK\$239,065,000 (31 December 2020: HK\$218,344,000) that will not be reclassified subsequently to profit or loss and net fair value loss of approximately HK\$108,072,000 (31 December 2020: HK\$63,428,000) may be reclassified subsequently to profit or loss.

(vi) Statutory reserve

The statutory reserve of the Group refers to the People's Republic of China (the "PRC") statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve can be used to make up prior year losses, if any, and can be applied in conversion into the PRC subsidiaries' capital by means of capitalisation issue.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	681,082	702,906
Increase in financial assets at fair value through profit or loss	(680,627)	(4,650,827)
Increase in loans receivables	(72,910)	(1,096,519)
Decrease in finance lease receivables	186,036	199,056
Net cash generated from/(used in) operating activities	113,581	(4,845,384)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchased financial assets at fair value through other comprehensive income	(2,832,126)	(2,535,904)
Proceeds from disposal of financial assets at fair value through other comprehensive income	2,453,963	535,140
Disposal of subsidiaries	(152,102)	–
Other cash flows (used in)/generated from investing activities	(26,528)	27,328
Net cash used in investing activities	(556,793)	(1,973,436)
CASH FLOWS FROM FINANCING ACTIVITIES		
New borrowings raised	2,057,424	1,480,269
Repayment of borrowings	(362,421)	(382,165)
Proceeds from issuance of bond	2,329,150	6,200,251
Repayment of bond	(6,209,864)	(4,678,937)
Interest paid	(406,677)	(436,486)
Other cash flows used in financing activities	(8,445)	(4,449)
Net cash (used in)/generated from financing activities	(2,600,833)	2,178,483
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the period	5,045,748	8,214,075
Effect of foreign exchange rate changes	11,510	153,650
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,013,213	3,727,388

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. CORPORATE INFORMATION

China Shandong Hi-Speed Financial Group Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and the principal place of business in Hong Kong of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 17/F., Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong, respectively.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed consolidated financial statements for the six months ended 30 June 2021 (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Interim Financial Statements are presented in Hong Kong Dollar (“HK\$”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousands (HK\$’000) except when otherwise indicated.

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

Except as described below, the Group’s accounting policies applied in preparing these Interim Financial Statements are consistent with those policies applied in preparing the annual financial statements for the year ended 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

2. BASIS OF PREPARATION (continued)

(b) Application of New and Revised HKFRSs

The Group has adopted the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Interim Financial Statements.

Amendments to HKFRS 16	Covid-19 related rent concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the amendments to HKFRSs has had no significant financial effect on these Interim Financial Statements and there have been no significant changes to the accounting policies applied in these Interim Financial Statements.

The Group has not early adopted any standards, interpretations or amendments that has been issued but not yet effective.

(c) Judgements and estimates

In preparing these Interim Financial Statements, management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

3. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the Group’s chief operating decision maker (“CODM”). For the year ended 31 December 2020, the Group had four reportable operating segments. Details refer to Group’s annual financial statement for the year ended 31 December 2020.

During the six months ended 30 June 2021, CODM revisited the reporting operating segments and considered the presentation of new reportable segments better reflects the Group’s allocation of resources and assessment of performance. Investments in securities segment has been divided into standard investment segment and nonstandard investment segment. Money lending segment has been renamed to license business segment. The business related to the asset trading platform previously reported in financial technology segment and the business related to the securities brokerage services previously reported in investments in securities segment have been transferred to license business segment. Comparative figures are re-presented to conform with changes in presentation in the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. OPERATING SEGMENT INFORMATION (continued)

Details are as follows:

- (i) Standard investment segment engages primarily in investments in listed securities and listed bonds primarily for interest income, dividend income and capital appreciation;
- (ii) Nonstandard investment segment engages in direct investment business including investments in debt instruments, unlisted bonds, notes, unlisted equity investments and investment funds;
- (iii) License business segment engages primarily in provision of money lending services, securities brokerage services, asset management services, advisory services and asset trading platform;
- (iv) Financial leasing segment engages primarily in the direct financial leasing and advisory services; and
- (v) Financial technology segment engages primarily in online investment and technology-enabled lending services and online new media services.

In addition to the above reportable segments, other segments that do not meet the quantitative thresholds for the reporting segments in both current period and prior year were grouped in “Unallocated”.

CODM monitors the results of the Group’s operating segments separately as described above, for the purpose of making decisions about resource allocation and assessment of the Group’s performance. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that unallocated income, unallocated finance costs, unallocated expenses and share of results of associates are excluded from such measurement.

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

- all assets are allocated to reportable segments except corporate assets; and
- all liabilities are allocated to reportable segments except corporate liabilities, deferred tax liabilities, certain borrowings and certain other payables and accruals.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. OPERATING SEGMENT INFORMATION (continued)

	Standard investment		Nonstandard investment		License business		Financial leasing		Financial technology		Unallocated		Condensed	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000												
	(Unaudited)	(Unaudited)												
Segment revenue:														
Revenue from external customers	158,344	186,571	225,622	159,069	43,640	151,149	94,119	61,228	18,671	63,463	-	-	540,396	621,480
Segment results	188,171	101,875	91,359	161,033	(6,413)	57,902	(115,654)	(188,818)	(4,804)	(3,122)	-	-	152,859	128,870
Reconciliations:														
Unallocated income	-	-	-	-	-	-	-	-	-	-	-	-	171,137	180,797
Unallocated finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(349)	(516)
Unallocated expenses*	-	-	-	-	-	-	-	-	-	-	-	-	(116,585)	(276,388)
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	35,138	45,284
Profit before tax	-	-	-	-	-	-	-	-	-	-	-	-	262,200	78,047
Other segment information:														
Finance costs	(51,608)	-	(74,954)	-	(22)	-	(1,168)	(575)	(84)	(39)	(349)	(516)	(128,185)	(1,130)
Amortisation	-	-	-	-	(146)	(91)	(82)	(75)	(1,299)	(3,559)	(145)	(144)	(1,672)	(3,869)
Depreciation	-	-	-	-	(170)	(114)	(1,050)	(399)	(276)	(328)	(1,323)	(898)	(2,819)	(1,739)
- property, plant and equipment	-	-	-	-	(567)	-	(2,586)	(1,800)	-	(631)	(4,564)	(4,082)	(7,717)	(6,593)
- right-of-use assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value gain/(loss) on financial assets at	-	-	-	-	-	-	-	-	-	-	-	-	-	-
fair value through profit or loss	116,660	(1,311)	34,987	(10,551)	-	-	335	36,730	-	-	-	-	151,982	24,868
Loss on disposal of debt instruments at	-	-	-	-	-	-	-	-	-	-	-	-	-	-
fair value through other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
comprehensive income	(16,668)	(738)	-	-	-	-	-	-	-	-	-	-	(16,668)	(738)
Impairment losses recognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-
in respect of														
- goodwill	-	-	-	-	(21,478)	-	-	-	-	(8,574)	-	-	(21,478)	(8,574)
- finance lease receivables	-	-	-	-	835	751	(12,548)	(21,254)	-	-	-	-	13,879	(214,254)
- loans receivables	-	-	(2,265)	13,188	1,112	(25)	(74)	(5,413)	-	1,142	-	-	(113,978)	9,668
- trade and other receivables	(177)	(50,874)	(408)	(120)	1,848	(25)	(74)	1,484	52	1,549	-	-	453	(47,986)
Capital expenditure**	-	-	-	-	1,848	-	53,916	17	52	20,381	103	435	55,919	21,033

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. OPERATING SEGMENT INFORMATION (continued)

Note:

* Unallocated expenses mainly included employee benefit expenses of approximately HK\$68,897,000 (six months ended 30 June 2020: HK\$38,080,000), lease payment of approximately HK\$1,188,000 (six months ended 30 June 2020: HK\$6,683,000), exchange loss of approximately HK\$1,418,000 (six months ended 30 June 2020: HK\$8,634,000), legal and professional fee of approximately HK\$4,958,000 (six months ended 30 June 2020: HK\$7,651,000), depreciation of approximately HK\$5,887,000 (six months ended 30 June 2020: HK\$4,980,000) and guarantee fee paid of approximately HK\$nil (six months ended 30 June 2020: HK\$87,048,000).

** Capital expenditure consists of additions to property, plant and equipment and intangible assets and those assets acquired from acquisition of subsidiaries.

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Restated)
Segment assets:		
Standard investment	6,886,969	9,894,558
Nonstandard investment	8,658,344	7,732,627
License business	1,274,628	957,466
Financial leasing	3,523,564	3,545,054
Financial technology	–	577,000
	20,343,505	22,706,705
Unallocated assets	2,333,924	2,259,489
Total assets	22,677,429	24,966,194

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. OPERATING SEGMENT INFORMATION (continued)

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Restated)
Segment liabilities:		
Standard investment	4,187,000	5,304,710
Nonstandard investment	6,241,275	7,121,943
License business	153,623	194,919
Financial leasing	2,363,518	2,325,837
Financial technology	–	287,112
	12,945,416	15,234,521
Unallocated liabilities	60,699	74,925
Total liabilities	13,006,115	15,309,446

Geographical information

The Group's operations are mainly located in Hong Kong, the PRC and Singapore. The geographical information about the Group's revenue based on the locations of the operations is set out below:

	Revenue from external customers For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Hong Kong	411,491	368,421
The PRC	121,634	253,059
Singapore	7,271	–
	540,396	621,480

No customer of the Group has contributed over 10% of the total revenue of the Group for the current period and prior period.

Over 90% of the Group's non-current assets were located in the PRC, no geographical segment is presented in accordance with HKFRS 8 Operating Segments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. REVENUE

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Types of services		
Consultancy services income	67,645	106,175
Handling fee income	25,068	138,792
Income from asset management and performance	30	2,968
Online new media services income	6,301	10,793
Income from brokerage business	23,587	–
	122,631	258,728
Timing of revenue recognition		
Recognised at a point in time	50,223	204,876
Recognised over time	72,408	53,852
	122,631	258,728

Set out below is the reconciliation of the revenue from contracts with customers with the amounts:

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from contracts with customers	122,631	258,728
Financial leasing income	34,769	40,558
Interest income from money lending operations	21,831	37,235
Interest income from debt investments	111,953	78,962
Dividend income from financial assets at fair value through profit or loss	54,811	36,623
Interest income from financial assets at fair value through profit or loss	85,267	45,071
Interest income from financial assets at fair value through other comprehensive income	109,134	124,303
	540,396	621,480

Transaction price allocated to the remaining performance obligation for contracts with customers.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its revenue such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts as all contract works have an original expected duration of one year or less.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

5. OTHER GAINS AND LOSSES, NET

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Impairment losses recognised in respect of		
– Goodwill	(21,478)	(8,974)
Compensation income	–	173,959
Foreign exchange gain/(loss), net	2,950	(23,717)
Gain on disposal of subsidiaries	171,135	–
Gain on remeasurement of pre-existing interest in an associate	–	6,148
Gain on disposal of associates	–	300
	152,607	147,716

6. IMPAIRMENT LOSSES ON FINANCIAL ASSETS RECOGNISED, NET OF REVERSAL

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Impairment losses on financial assets recognised, net of reversal, in respect of:		
– Finance lease receivables (Note 15)	13,879	(214,254)
– Loans receivables (Note 16)	(113,978)	9,668
– Trade and other receivables (Note 17)	453	(47,986)
	(99,646)	(252,572)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7. FINANCE COSTS

	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings wholly repayable within five years	38,656	55,426
Interest on other borrowings	9,796	–
Interest on bonds	209,200	121,393
Interest on lease liabilities	966	1,130
	258,618	177,949
Less: Finance costs included in cost of services	(130,433)	(176,819)
	128,185	1,130

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Employee benefit expenses:		
Directors' remuneration:		
– Fees	700	1,498
– Salaries, allowances and benefits in kind	13,811	7,489
– Retirement benefit scheme contributions (defined contribution scheme) *	45	44
Sub-total	14,556	9,031
Other staff's costs:		
– Salaries, allowances and benefits in kind	98,886	77,638
– Retirement benefit scheme contributions (defined contribution scheme) *	5,235	5,838
Sub-total	104,121	83,476
Total employee benefit expenses	118,677	92,507
Realised gains from financial assets at fair value through profit or loss, net (note 14(ix))	(269,396)	(16,057)
Unrealised losses/(gains) from financial assets at fair value through profit or loss, net (note 14(viii))	117,414	(8,811)
Fair value gains on financial assets at fair value through profit or loss, net	(151,982)	(24,868)
Realised losses on debt instruments at fair value through other comprehensive income **	16,668	738
Amortisation of intangible assets	1,672	3,869
Depreciation of property, plant and equipment	2,819	1,739
Depreciation of right-of-use assets	7,717	6,593
Expenses relating to short term leases	2,797	12,284

Notes:

* As at 30 June 2021, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (six months ended 30 June 2020: nil).

** Those items are included in "administrative expenses" in the condensed consolidated income statement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax		
– PRC Enterprise Income Tax	3,707	18,938
Total income tax expense recognised in the condensed consolidated income statement	3,707	18,938

No provision for current Hong Kong Profits Tax and Singapore Corporate Income Tax had been made for the six months ended 30 June 2021 and 2020 as the Group did not generate any assessable profits arising in Hong Kong and Singapore during the period.

PRC Enterprise Income Tax was calculated at 25% of the estimated assessable profit for the six months ended 30 June 2021 and 2020.

10. EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic earnings/(losses) per share

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

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic earnings/(losses) per share	115,388	(65,646)
Number of shares ('000)		
Weighted average number of ordinary shares for the purposes of basic earnings/(losses) per share	24,089,384	24,452,450
Basic earnings/(losses) per share (in HK cents)	0.48	(0.27)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

10. EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

(b) Diluted earnings/(losses) per share

The calculation of diluted earnings/(losses) per share is based on the profit for the period attributable to owners of the Company of approximately HK\$115,388,000 (2020: loss for the period attributable to owners of the Company of approximately HK\$65,646,000) and the weighted average number of ordinary shares in issue adjusted for the potential dilutive effect caused by the share options granted by the Company:

Weighted average number of ordinary shares (diluted):

	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares ('000)	24,089,384	24,452,450
Effect of deemed issue of shares under the Company's share option scheme for nil consideration ('000)	169,400	–
Weighted average number of ordinary shares for the purposes of diluted earnings/(losses) per share ('000)	24,258,784	24,452,450
Diluted earnings/(losses) per share (in HK cents)	0.48	(0.27)

Diluted losses per share did not assume the exercise of share options since their assumed exercise had an anti-dilutive effect on loss per share for the six months ended 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

11. DIVIDEND

The Board does not declare the payment of any interim dividend in respect of the current period (six months ended 30 June 2020: nil).

12. INTERESTS IN ASSOCIATES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Cost of investments, unlisted	2,049,848	2,064,393
Share of post-acquisition gains and other comprehensive income	121,979	64,798
Exchange realignment	(307)	(290)
	2,171,520	2,128,901
Amount due to an associate	–	1,658

The following set out the particulars of the principal associates of the Group as at 30 June 2021 and 31 December 2020:

Name of associate	Place of incorporation/ registration	Class of share held	Proportion of ownership held by the Group		Nature of business
			30 June 2021	31 December 2020	
Shandong Hi-Speed (BVI) International Holdings Limited ("Shandong (BVI)")	British Virgin Islands ("BVI")	Ordinary shares	40%	40%	Financial leasing business in the PRC
深圳利用投資管理有限公司 (Note (i))	PRC	Registered capital	N/A	13%	Investment holding
濟南高厚睿康股權投資基金管理有限公司 (Note (i))	PRC	Registered capital	N/A	14%	Investment holding
深圳前海厚生財富管理有限公司 (Note (i))	PRC	Registered capital	N/A	16%	Investment holding
深圳金數信息技術有限公司 (Note (i))	PRC	Registered capital	N/A	7%	Software technology development

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12. INTERESTS IN ASSOCIATES (continued)

Note:

- (i) The above represented effective interest indirectly held by the Group. These entities were associates of non-wholly owned subsidiaries of the Group, which held more than 20% equity interest in them, and therefore the directors of the Company consider that the Company has significant influence over these entities through control of these subsidiaries.

On 7 April 2021, the Group entered into a sale purchase agreement with an independent third party, pursuant to which the Group agreed to sell and the purchaser agreed to purchase the entire issued share capital of Coastal Silk Limited, the holding company of these associates. The disposal was completed on 7 April 2021.

The associates of the Group are accounted for using the equity method in these condensed consolidated financial statements.

The amount due to an associate is unsecured, interest-free and repayable on demand. It is included in the “other payables and accruals” in the condensed consolidated statement of financial position.

The information below reflects the amounts presented in the unaudited financial statements of associates which were prepared in accordance with HKFRSs.

The summarised financial information in respect of the Group’s material associate, Shandong (BVI), is set out below:

	30 June 2021 HK\$’000 (Unaudited)	31 December 2020 HK\$’000 (Audited)
Non-current assets	11,631,119	9,720,276
Current assets	2,605,842	2,433,420
Non-current liabilities	(1,419,589)	(441,631)
Current liabilities	(9,631,783)	(8,712,369)
Net assets	3,185,589	2,999,696

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12. INTERESTS IN ASSOCIATES (continued)

	For the six months ended 30 June 2021 HK\$'000 (Unaudited)	From the date of significant influence obtained to 30 June 2020 HK\$'000 (Unaudited)
Revenue	539,286	285,488
Profit for the period	137,846	115,688
Total comprehensive income for the period	137,846	115,688
Group's share of results and total comprehensive income for the period	55,138	46,275

Shandong (BVI) and its subsidiaries were principally engaged in financial leasing in the PRC. Its carrying amount accounted for 9.58% (31 December 2020: 8.48%) of the total assets of the Group at 30 June 2021. The investment cost of Shandong (BVI) was approximately HK\$1,530,000,000. No dividend has been received from the investment in Shandong (BVI) during the six months ended 30 June 2021 and 2020.

Aggregate financial information of associates that are not individually material:

	For the six months ended 30 June 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Group's share of results and other comprehensive loss for the period	–	(991)
Group's share of total comprehensive loss for the period	–	(991)
Group's aggregate interests in these associates and the carrying amounts	–	12,214

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Non-current assets		
Unlisted equity investment		
– In elsewhere (Note (ii))	257,397	262,961
Listed equity investments		
– In Hong Kong (Note (iii))	111,684	140,321
Listed bonds		
– In Hong Kong (Note (v))	152,551	194,619
– In the PRC (Note (v))	68,180	151,684
– In elsewhere (Note (v))	641,672	1,126,447
Unlisted bonds		
– In elsewhere (Note (v))	426,953	229,267
Investment fund		
– In elsewhere (Note (iv))	83,913	175,930
Sub-total	1,742,350	2,281,229
Current assets		
Notes		
– In elsewhere (Note (v))	776,278	237,476
Listed bonds		
– In Hong Kong (Note (v))	135,164	68,496
– In elsewhere (Note (v))	601,475	1,009,041
Unlisted bonds		
– In elsewhere (Note (v))	1,943,719	1,288,297
Sub-total	3,456,636	2,603,310
Total	5,198,986	4,884,539

Notes:

- (i) As at 30 June 2021 and 31 December 2020, no individual investment in financial assets at fair value through other comprehensive income and its fair value is larger than 5% of the total assets of the Group.
- (ii) As at 30 June 2021, the balance represented 3.74% (31 December 2020: 3.87%) equity interest in an unlisted equity investment in a private entity incorporated in the BVI principally engaged in provision of integrated financial services, securities brokerage services, money lending, securities and other direct investments mainly in Hong Kong. This investment is held for long term strategic purposes and hence have designated this investment in financial assets at FVTOCI. During the six months ended 30 June 2021, no dividend has been declared by this entity and no cumulative gain or loss has been transferred within the equity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Notes: (continued)

- (iii) The Group designated the investments shown in the table below as listed equity instruments that are measured at FVTOCI, as the Group intended to hold the listed equity instruments for a long term. The details are as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)	Dividend income recognised for the six months ended 30 June 2021 HK\$'000 (Unaudited)	Dividend income recognised for the six months ended 30 June 2020 HK\$'000 (Unaudited)
Company A, a Hong Kong listed entity incorporated in the Cayman Islands, principally engaged in the sale of construction machineries and spare part	84,514	93,270	-	-
Company B, a Hong Kong listed entity incorporated in Bermuda, principally engaged in solar energy business	27,170	47,051	-	-
	111,684	140,321	-	-

- (iv) The balance represented the investment in OBOR Stable Growth Fund Limited (the "OBOR Fund"). The principal investment objective of OBOR Fund is to seek to achieve long term capital appreciation by investing primarily in listed companies in Asia countries. The OBOR Fund will invest mainly in a portfolio of listed equities, but may also invest in equity related instruments including convertible bonds, options and warrants relating to listed equities and index future contracts. The OBOR Fund will make investments in companies located in Greater China and throughout Asia (ex-Japan) in countries participating in or expected to benefit from One Belt One Road. The OBOR Fund may also invest in debt securities mainly through investing in convertible bonds.

During the six months ended 30 June 2021, the Group realised a net gain of approximately HK\$12,713,000 (six months ended 30 June 2020: nil) on sales, for strategic purpose, of the OBOR Fund, and the portion sold had fair value of approximately HK\$120,487,000 (six months ended 30 June 2020: nil) when they were sold. The net gain transferred to accumulated losses of approximately HK\$12,713,000 (six months ended 30 June 2020: nil). No dividend has been declared by the OBOR Fund.

- (v) As at 30 June 2021 and 31 December 2020, the Group performed impairment assessment on debt instruments at fair value through other comprehensive income at 12m ECL. The Group's investments in debt instruments at fair value through other comprehensive income mainly comprise instruments that have a low risk of default and the counterparties have a strong capacity to repay (e.g. financial instruments that are of investment grade or issuer with good credit history and capacity to repay etc) and concluded that the ECL on these balances are insignificant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Notes: (continued)

(vi) Details of financial assets at fair value through other comprehensive income

Nature of investments	Fair value		Net gain/(loss)		Investment cost	
	as at	as at	for the period ended		as at	as at
	30 June	31 December	30 June	30 June	30 June	31 December
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Non-current assets						
Unlisted equity investment						
– in elsewhere	257,397	262,961	(5,564)	(18,034)	281,220	281,220
Listed equity investments						
– in Hong Kong	111,684	140,321	(28,637)	(227,604)	543,370	543,370
Listed bonds						
– in Hong Kong	152,551	194,619	3,435	(333)	146,484	188,266
– in the PRC	68,180	151,684	(2,965)	(90)	66,411	151,140
– in elsewhere	641,672	1,126,447	(14,563)	(61,610)	649,544	1,114,997
Unlisted bonds						
– in elsewhere	426,953	229,267	–	–	426,953	232,575
Investment fund						
– in elsewhere	83,913	175,930	26,193	(90,215)	44,974	150,524
	1,742,350	2,281,229	(22,101)	(397,886)	2,158,956	2,662,092
Current assets						
Notes						
– in elsewhere	776,278	237,476	(5,749)	4,118	776,278	230,960
Listed bonds						
– in Hong Kong	135,164	68,496	(464)	(130)	135,257	68,655
– in elsewhere	601,475	1,009,041	(38,193)	(5,110)	714,315	1,104,731
Unlisted bonds						
– in elsewhere	1,943,719	1,288,297	(2,813)	–	1,940,696	1,279,161
	3,456,636	2,603,310	(47,219)	(1,122)	3,566,546	2,683,507

(vii) As at 30 June 2021, financial assets at FVTOCI with carrying amount of approximately HK\$1,344,783,000 (31 December 2020: HK\$152,109,000) have been pledged to secure for other borrowings (31 December 2020: a bank borrowing).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Non-current assets		
Listed equity investment		
– In Hong Kong (Note (ii))	54,199	50,422
Club membership debenture		
– In Hong Kong (Note (iii))	–	5,500
Total	54,199	55,922
Current assets		
Held-for-trading listed equity investments		
– In Hong Kong (Note (ii))	2,967,656	2,132,356
– In the PRC (Note (ii))	440,888	87,769
– In elsewhere (Note (ii))	87,254	68,765
	3,495,798	2,288,890
Held-for-trading investment funds		
– In Hong Kong	565,815	633,688
– In the PRC	–	5,860
– In elsewhere (Note (iv))	–	–
	565,815	639,548
Other investment funds		
– In elsewhere (Note (v))	1,391,317	1,754,798
Held-for-trading bonds		
– In elsewhere (Note (x))	331,745	653,338
Unlisted equity investments		
– In the PRC (Note (vi))	566,854	521,689
Notes		
– In Hong Kong (Note (xi))	155,256	–
– In elsewhere	190,372	–
	345,628	–
Total	6,697,157	5,858,263

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

- (i) As at 30 June 2021 and 31 December 2020, no individual investment in financial assets at fair value through profit or loss and its fair value is larger than 5% of the total assets of the Group.
- (ii) The fair values of the listed equity investments were determined by quoted prices in the Stock Exchange in Hong Kong, the PRC and the United State of America.
- (iii) As at 31 December 2020, club membership debenture is stated at fair value at the end of the reporting period with reference to open market price. This is classified as Level 2 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 22 to the condensed consolidated financial statements. Club membership debenture has been disposed during the six months ended 30 June 2021.
- (iv) The held-for-trading investment funds in elsewhere represent the investment in Altair Asia Investment Limited.

The Group invested in Altair Asia Investment Limited ("Altair Asia") with a guaranteed return of 15% internal rate of return per annum. Pursuant to the terms of the subscriptions of Altair Asia, the Group has issued a written notice to Altair Asia on 4 January 2018 requesting the redemption of the entire participating shares of cost of investment in value of HK\$200,000,000 and subsequently on 23 January 2018 agreed to waive its rights to request for early redemption of part of the participating shares of HK\$140,000,000 on the ground of certain cumulative conditions being met within the prescribed time.

Since the conditions of waiver were not fully satisfied and Altair Asia failed to redeem all the participating shares pursuant to the subscription terms, the Group commenced legal proceedings in the High Court of Hong Kong against Altair Asia's two guarantors, including (1) a winding-up petition against China Silver Asset Management (Hong Kong) Limited ("CSAMHK"); and (2) a bankruptcy petition against Frank Dominick; and a winding-up petition against Altair Asia in the Grant Court of the Cayman Islands (the "Cayman Court") for the recovery of the investment.

On 11 March 2020, the High Court of Hong Kong handed down its decision ordering, among others, that (1) CSAMHK be wound up; and (2) the bankruptcy petition against Frank Dominick be adjourned. On 19 March 2020, CSAMHK lodged its notice of appeal to appeal against the said decision. The date of the appeal hearing is yet to be fixed.

On 4 November 2020, the Group presented another creditor's winding up petition against Altair Asia in the Cayman Court.

On 7 December 2020, the Honourable Justice made a winding up order against Altair Asia and appointed joint and several liquidators ("Liquidators"). The Group has claims against Altair Asia in the approximate sum of United States Dollar ("US\$") 17,494,271.36 (equivalent to approximately HK\$135,624,000) plus interest and cost arising out of the redemption of shares in Altair Asia.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(iv) (continued)

The extent of any recovery from the liquidation estate is uncertain and depends on the ability of the Liquidators to realise Altair Asia's assets and to investigate its affairs.

The Group has engaged an independent professional valuer to assist the Group to assess the fair value of the investment in Altair Asia. As at 30 June 2021 and 31 December 2020, based on the valuation performed, the directors of the Company considered that the carrying amount of the investment in Altair Asia was zero.

(v) The other investment funds in elsewhere include the following:

(a) Haitong Freedom Multi-Tranche Bond Fund

The Haitong Freedom Multi-Tranche Bond Fund (the "Haitong Freedom Fund") primarily invests in fixed income securities such as government, corporate or convertible bonds, private placement debt, notes linked to fixed income instruments or preferred shares, other bond funds, money market funds or cash. The Haitong Freedom Fund may invest in debt securities that are rated below investment grade or which are unrated by any relevant agency. As at 30 June 2021, its fair value was amounted to approximately HK\$358,019,000 (31 December 2020: HK\$368,694,000).

(b) SCCS Investment Fund LP

The SCCS Investment Fund LP invests in equity, equity-related or debt investment in logistics real estate, pension real estate, student residence, internet data centers and other real estate assets or real estate related portfolios, and/or any other investment in US\$ denominated bonds. As at 30 June 2021, its fair value was amounted to approximately HK\$266,574,000 (31 December 2020: HK\$256,840,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(v) (continued)

(c) Amber Hill ES Fund SPC

The Amber Hill ES Fund SPC invests in foreign exchange, foreign exchange options, equity, fixed income securities, exchange traded funds, foreign exchange futures and other foreign exchange related securities. As at 30 June 2021, its fair value was amounted to approximately HK\$165,655,000 (31 December 2020: HK\$165,435,000).

(d) Spring Fund SP

Spring Fund SP enters into swap agreements with the counterparties with a view to swap certain payments derived from senior note instruments. As at 31 December 2020, its fair value was amounted to approximately HK\$162,105,000. Spring Fund SP has matured during six months ended 30 June 2021.

(e) Ascent Finance Limited

Ascent Finance Limited enters into swap agreements with the counterparties with a view to swap certain payments derived from a managed portfolio. As at 31 December 2020, its fair value was amounted to approximately HK\$261,553,000. Ascent Finance Limited has matured during six months ended 30 June 2021.

(f) ABCI China Rising Private Equity 3 SP and CEL Odyssey Project Fund LP

ABCI China Rising Private Equity 3 SP and CEL Odyssey Project Fund LP invest in Mangrove 3, Ltd., a company incorporated in the Cayman Islands. As at 30 June 2021, its fair value was amounted to approximately HK\$601,069,000 (31 December 2020: HK\$540,171,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(vi) As at 30 June 2021, (i) the balance of approximately HK\$167,172,000 (31 December 2020: HK\$151,530,000) represented an unlisted equity investment in a private entity incorporated in the Cayman Islands principally engage in developing artificial intelligence in the PRC; and (ii) the balance of approximately HK\$399,682,000 (31 December 2020: HK\$370,159,000) represented an unlisted equity investment in a limited partnership incorporated in the PRC which invests in a private entity principally engage in design, manufacturing and sales of automobiles.

(vii) Details of financial assets at fair value through profit or loss

Nature of investments	Fair value		Net gain/(loss)		Investment cost	
	as at 30 June 2021 HK\$'000 (Unaudited)	as at 31 December 2020 HK\$'000 (Audited)	for the period ended 30 June 2021 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited)	as at 30 June 2021 HK\$'000 (Unaudited)	as at 31 December 2020 HK\$'000 (Audited)
Non-current assets						
Listed equity investment						
– in Hong Kong	54,199	50,422	3,777	34,659	59,383	59,383
Club membership debenture						
– in Hong Kong	–	5,500	(3,360)	–	–	4,200
	54,199	55,922	417	34,659	59,383	63,583
Current assets						
Held-for-trading listed equity investments						
– in Hong Kong	2,967,656	2,132,356	130,913	(77,996)	2,970,814	2,040,631
– in the PRC	440,888	87,769	(26,279)	46,118	482,444	79,387
– in elsewhere	87,254	68,765	18,375	(13,761)	77,628	77,525
	3,495,798	2,288,890	123,009	(45,639)	3,530,886	2,197,543
Held-for-trading investment funds						
– in Hong Kong	565,815	633,688	(67,873)	3,673	620,730	620,730
– in the PRC	–	5,860	–	–	–	4,003
– in elsewhere	–	–	–	–	140,000	140,000
	565,815	639,548	(67,873)	3,673	760,730	764,733
Other investment funds						
– in elsewhere	1,391,317	1,754,798	67,222	(14,224)	1,276,093	1,692,257
Held-for-trading listed bonds						
– in elsewhere	331,745	653,338	(9,791)	46,399	318,366	615,068
Unlisted equity investments						
– in the PRC	566,854	521,689	38,998	–	525,351	462,776
Notes						
– in Hong Kong	155,256	–	–	–	155,256	–
– in elsewhere	190,372	–	–	–	190,372	–
	345,628	–	–	–	345,628	–
	6,697,157	5,858,263	151,565	(9,791)	6,757,054	5,732,377

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(viii) Unrealised (losses)/gains from financial assets at fair value through profit or loss, net

	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Listed equity investment		
– In Hong Kong	3,777	2,464
Unlisted equity investments		
– In the PRC	38,998	–
Held-for-trading listed equity investments		
– In Hong Kong	(94,884)	(56,890)
– In the PRC	(42,077)	43,854
– In elsewhere	18,375	(10,153)
Held-for-trading investment funds		
– In Hong Kong	(67,873)	3,673
Held-for-trading listed bonds		
– In elsewhere	(26,316)	40,087
Other investment funds		
– In elsewhere	52,586	(14,224)
	(117,414)	8,811

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

- (ix) Realised gains from financial assets at fair value through profit or loss, net

	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Listed equity investment		
– In Hong Kong	–	32,195
Club membership debenture		
– In Hong Kong	(3,360)	–
Held-for-trading listed equity investments		
– In Hong Kong	225,797	(21,106)
– In the PRC	15,798	2,264
– In elsewhere	–	(3,608)
Other investment funds		
– In elsewhere	14,636	–
Held-for-trading listed bonds		
– In elsewhere	16,525	6,312
	269,396	16,057

- (x) As at 30 June 2021 and 31 December 2020, the Group's investments in debt instruments at fair value through profit or loss mainly comprise instruments that have a low risk of default and the counterparties have a strong capacity to repay (e.g. financial instruments that are of investment grade or issuer with good credit history and capacity to repay etc). The directors of the Company consider that the credit risk relating to debt instruments at fair value through profit or loss is not significant.
- (xi) As at 30 June 2021, a financial asset at fair value through profit or loss with carrying amount of approximately HK\$155,256,000 (31 December 2020: nil) has been pledged to secure for a other borrowing.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

15. FINANCE LEASE RECEIVABLES

The present value of minimum finance lease receivables are set out below:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within one year	949,573	918,500
Later than one year and not later than second year	341,508	370,848
Later than second year and not later than fifth year	68,420	223,454
Gross amount of finance lease receivables	1,359,501	1,512,802
Less: unearned finance income	(203,492)	(206,176)
Present value of minimum finance lease receivables	1,156,009	1,306,626

The carrying amount of finance lease receivables are set out below:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within one year	778,178	759,072
Later than one year and not later than second year	314,071	334,212
Later than second year and not later than fifth year	63,760	213,342
Carrying amount of finance lease receivables	1,156,009	1,306,626
Analysed for reporting purpose as		
Non-current assets	377,831	547,554
Current assets	778,178	759,072
	1,156,009	1,306,626

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

15. FINANCE LEASE RECEIVABLES (continued)

The Group entered into finance lease arrangements as a lessor for machine and equipment. The average terms of finance lease entered into usually range from 1 to 5 years.

Interest rates implicit in the above finance leases range from 4.75% to 12.00% (31 December 2020: 4.75% to 12.00%).

The Group's finance lease receivables are denominated in Renminbi ("RMB").

An aging analysis of the finance lease receivables which had been past due based on the number of past due days is as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 30 days	8,599	–
31 days to 90 days	115,365	8,284
91 days to 180 days	71,409	265,379
181 days to 1 year	184,097	541,047
1 year to 2 years	332,926	460,280
More than 2 years	407,619	–
	1,120,015	1,274,990

Finance lease receivables were considered credit-impaired when the customers fail to settle according to the settlement terms for more than 90 days after taking into consideration the recoverability of collateral and deposits. As at 30 June 2021, finance lease receivables of approximately HK\$1,597,224,000 (31 December 2020: HK\$1,571,706,000) was credit-impaired under the lifetime ECL.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

15. FINANCE LEASE RECEIVABLES (continued)

As at 30 June 2021, finance lease receivables with carrying amount of approximately HK\$199,377,000 (31 December 2020: HK\$67,940,000) have been pledged to secure for bank borrowings.

Movement of allowance for credit losses is as follow:

	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)	6,184	278,513	196,855	481,552
Transfer	–	(273,562)	273,562	–
Movement during the year	(4,060)	(369)	991,503	987,074
Exchange realignment	398	17,893	12,423	30,714
At 31 December 2020 and 1 January 2021 (Audited)	2,522	22,475	1,474,343	1,499,340
Transfer	22,871	(22,871)	–	–
Movement during the period	(15,412)	1,533	–	(13,879)
Exchange realignment	27	405	23,938	24,370
At 30 June 2021 (Unaudited)	10,008	1,542	1,498,281	1,509,831
ECL rate at 31 December 2020 (Audited)	0.33%	4.71%	93.81%	53.43%
ECL rate at 30 June 2021 (Unaudited)	1.20%	4.37%	93.81%	61.23%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

15. FINANCE LEASE RECEIVABLES (continued)

During the six months ended 30 June 2021 and year ended 31 December 2020, all the lessees of the Group are located in the PRC. If any of them experiences financial difficulties, the recovery of the Group's finance lease receivables through regular lease payments might be adversely affected and the Group may have to resort to recovery through repossession of the leased assets.

As at 30 June 2021, the Group's finance lease receivables were secured by collaterals, being deposits of approximately HK\$22,249,000 (31 December 2020: HK\$29,953,000) and plant and machinery. Estimates of fair value of collateral are made during the credit approval process. These estimates of valuations are made at the inception of finance lease, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is updated by reference to market value such as recent transaction price of the assets.

The Group is not permitted to sell, or repledge the collaterals of the finance lease receivables without consent from the lessees in the absence of default by the lessees. No assets have been repledged to secure borrowings of the Group as at 30 June 2021 and 31 December 2020.

16. LOANS RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Loans receivables	3,310,597	3,553,263
Less: allowance for impairment loss	(198,609)	(216,981)
	3,111,988	3,336,282
Analysed for reporting purpose as:		
Non-current assets	300,388	132,373
Current assets	2,811,600	3,203,909
	3,111,988	3,336,282

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

16. LOANS RECEIVABLES (continued)

Loans receivables represent receivables arising from the money lending business of the Group, and bear interest at rates ranging from 4% to 20% per annum (31 December 2020: from 4% to 20% per annum). The grants of these loans were approved and monitored by the Group's management.

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Type of borrowers that loans receivables are arising from:		
Individual customers	178,400	182,465
Corporate customers	3,132,197	3,370,798
	3,310,597	3,553,263
Less: allowance for impairment loss		
Individual customers	(15,768)	(16,603)
Corporate customers	(182,841)	(200,378)
	(198,609)	(216,981)
	3,111,988	3,336,282

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Analysis of loans receivables by types of collateral:		
Corporate guarantee	2,335,367	2,773,167
Share charges	917,907	450,836
Share charges and personal guarantee	2,823	2,823
Unsecured	54,500	326,437
	3,310,597	3,553,263

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

16. LOANS RECEIVABLES (continued)

An aging analysis of loans receivables (net of impairment), determined based on the time to maturity of the loans receivables, as at the end of the reporting period is as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
To be due within		
Within 90 days	834,535	723,914
91 days to 180 days	1,589,161	640,190
181 days to 1 year	387,904	1,839,805
1 year to 2 years	300,388	132,373
	3,111,988	3,336,282

An aging analysis of the loans receivables which had been past due based on the number of past due days is as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 30 days	91,340	–
31 days to 90 days	166,077	–
91 days to 180 days	–	–
181 days to 1 year	2,000	192,854
1 year to 2 years	667,990	8,000
2 years to 5 years	2,823	–
	930,230	200,854

As at 30 June 2021, loans receivables of approximately HK\$1,630,063,000 (31 December 2020: nil) have been pledged to secure for other borrowings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

16. LOANS RECEIVABLES (continued)

Movement of allowance for credit losses is as follow:

	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)	21,801	6,595	47,916	76,312
Transfer	(4,221)	3,774	447	–
Acquisition of a subsidiary	–	–	9,500	9,500
Movement during the year	(14,079)	145,124	–	131,045
Exchange realignment	147	(23)	–	124
At 31 December 2020 and 1 January 2021 (Audited)	3,648	155,470	57,863	216,981
Disposal of subsidiaries	(10)	(133,480)	–	(133,490)
Movement during the period	(830)	114,808	–	113,978
Exchange realignment	(1)	1,141	–	1,140
At 30 June 2021 (Unaudited)	2,807	137,939	57,863	198,609
ECL rate at 31 December 2020 (Audited)	0.13%	27.40%	28.16%	6.11%
ECL rate at 30 June 2021 (Unaudited)	0.16%	10.46%	28.05%	4.30%

The significant changes in the allowance for credit loss during the year ended 31 December 2020 are mainly due to: –

Origination or purchase as well as changes in probability of default, loss given default and exposure at default as a result of regular update of parameters, resulting in an increase in loss allowance of approximately HK\$114,808,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

17. TRADE AND OTHER RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	286,159	467,359
Less: Allowance for credit losses	(2,575)	(9,266)
	283,584	458,093
Prepayments	231,393	48,155
Deposits (Note (i))	4,636	29,966
Interest and dividend receivables	206,330	145,634
Other receivables (Note (ii))	234,967	251,957
	677,326	475,712
	960,910	933,805

Notes:

- (i) As at 31 December 2020, the deposits mainly represent guarantee deposits of approximately HK\$22,546,000 paid to various entities in accordance with the cooperation agreements entered into between Shangao Puhui (Shenzhen) Information Services Co., Ltd.* (山高普惠(深圳)信息服务有限公司) (“Shangao Puhui”), an indirect non-wholly-owned subsidiary of Kun Peng, and these entities, for the purpose of Shangao Puhui providing financial guarantee to borrowers that obtained financing from lenders via these entities through Shangao Puhui money lending referral service business. In the opinion of the directors of the Company, to the best knowledge, belief, information of and after making all reasonable enquiries, these entities are independent third parties of the Group. Shangao Puhui is exposed to the guaranteed loan principal of the borrowers and the respective interests. The Group has assessed the credit worthiness and past payment history of the borrowers, pledge of collaterals and the Group has provided sufficient guarantee deposits in accordance with the cooperation agreements. The Group has disposed the entire equity interest in Coastal Silk Limited, which is the legal and beneficial owner of 60% issued shares of Kun Peng on 7 April 2021 and there were no guarantee deposits as at 30 June 2021. Details are set out in note 23 to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

17. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(ii) Other receivables mainly represent:

- (a) an amount due from China Hover Dragon Group Limited (“China Hover Dragon”) of approximately RMB123,121,000 (equivalent to approximately of HK\$148,075,000) (31 December 2020: RMB123,121,000 (equivalent to approximately of HK\$145,709,000)) which had been past due from 30 August 2017.

The amount is secured by the shares issued by the Company upon acquisition of Hong Kong Leasing. Pursuant to the Hong Kong Leasing Sale and Purchase Agreement, 737,774,989 shares issued by the Company (the “Bad Debt Repurchase Shares”) could be repurchased by the Company from the shareholders of China Hover Dragon at nil consideration.

The Bad Debt Repurchase Shares have an aggregate fair value of approximately HK\$343,065,000 as at 30 June 2021 (31 December 2020: HK\$276,666,000). The directors of the Company considered that the fair value of the Bad Debt Repurchase Shares is higher than the carrying amount of the amount due from China Hover Dragon as at 30 June 2021 and 31 December 2020, therefore, the amount is fully recoverable and no impairment loss has been provided as at 30 June 2021 and 31 December 2020.

The repurchase of the Bad Debt Repurchase Shares is under legal proceedings as at 30 June 2021 and the date of approval of the condensed consolidated financial statements of the Group for the six months ended 30 June 2021. However, as described in note 45(a) in the Group’s annual financial statement for the year ended 31 December 2020, the directors of the Company considered that the Bad Debt Repurchase Shares could be repurchased by the Company at nil consideration. Details of the legal proceeding are disclosed in note 45(a) in the Group’s annual financial statement for the year ended 31 December 2020.

The amount due from China Hover Dragon is non-interest bearing.

- (b) proceeds with an aggregate amount of approximately HK\$351,000,000 (31 December 2020: HK\$351,000,000) arising from the disposals of certain investments in prior year. These receivables were matured in August 2019. The Group has entered into supplemental agreements with the buyers to extend the maturity date to April 2020. The remaining consideration is interest bearing at 9% per annum and secured by share charges over the entire issued share capital of entities owned the disposed investments.

The Group has engaged an independent professional valuer to assist the Group to assess fair value of the collateral. Based on the valuation performed, the directors of the Company considered that accumulated lifetime ECL in respect of these vendors amounted to approximately HK\$351,000,000 (31 December 2020: HK\$351,000,000) as at 30 June 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

17. TRADE AND OTHER RECEIVABLES (continued)

The following is an aging analysis of trade receivables, net of allowance for impairment losses, presented based on the invoice date (or date of revenue recognition, if earlier):

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 90 days	283,300	438,926
181 days to 1 year	–	10,186
Over 1 year	284	8,981
	283,584	458,093

The Group has a policy of granting trade customers, except for trade receivable attributable to the dealing in securities transactions with credit of generally within 90 (31 December 2020: 90) days.

The settlement terms of trade receivables attributable to the dealing in securities transactions are two days after the trade date, except for the balances with margin clients which are repayable on demand.

As at 30 June 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$284,000 (31 December 2020: HK\$19,167,000) which are past due as at the reporting date.

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Not yet past due	283,300	438,926

As at 30 June 2021, except for margin loans receivables of approximately HK\$275,455,000 (31 December 2020: HK\$401,839,000), which were secured by underlying equity securities amounted to approximately HK\$3,070,520,000 (31 December 2020: HK\$3,019,853,000), the Group did not hold any collateral or other credit enhancements over these balances.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

17. TRADE AND OTHER RECEIVABLES (continued)

Movement of allowance for credit losses on trade receivables, except for those margin loans receivables, with the simplified approach set out in HKFRS 9 for the both reporting period:

	Lifetime ECL not credit- impaired HK\$'000
At 1 January 2020 (Audited)	2,426
Movement during the year	3,063
Exchange realignment	147
At 31 December 2020 and 1 January 2021 (Audited)	5,636
Disposal of subsidiaries	(5,579)
Movement during the period	(21)
Exchange realignment	41
At 30 June 2021 (Unaudited)	77
ECL rate at 31 December 2020 (Audited)	8.80%
ECL rate at 30 June 2021 (Unaudited)	0.90%

Movement of allowance for credit loss on margin loans receivables is as follow:

	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)	–	–	–	–
Movement during the year	3,630	–	–	3,630
At 31 December 2020 and 1 January 2021 (Audited)	3,630	–	–	3,630
Movement during the period	(1,132)	–	–	(1,132)
At 30 June 2021 (Unaudited)	2,498	–	–	2,498
ECL rate at 31 December 2020 (Audited)	0.90%	N/A	N/A	0.90%
ECL rate at 30 June 2021 (Unaudited)	0.90%	N/A	N/A	0.90%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

17. TRADE AND OTHER RECEIVABLES (continued)

Movement of allowance for credit loss on deposits, interest and dividend receivables and other receivables is as follow:

	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)	6,819	300,186	4,438	311,443
Transfer	–	(300,268)	300,268	–
Movement during the year	12,207	–	52,650	64,857
Exchange realignment	234	82	284	600
At 31 December 2020 and 1 January 2021 (Audited)	19,260	–	357,640	376,900
Disposal of subsidiaries	(16,469)	–	–	(16,469)
Movement during the period	700	–	–	700
Exchange realignment	167	–	99	266
At 30 June 2021 (Unaudited)	3,658	–	357,739	361,397
ECL rate at 31 December 2020 (Audited)	4.31%	N/A	100.00%	46.85%
ECL rate at 30 June 2021 (Unaudited)	0.28%	N/A	100.00%	21.89%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18. BORROWINGS

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Bank borrowings (Note (i))		
– Repayable within one year	1,049,095	390,592
– Repayable after one year but within two years	2,401,759	2,046,995
– Repayable after two years but within five years	42,094	493,757
Bonds (Note (ii))		
– Repayable within one year	1,179,116	6,618,969
– Repayable after one year but within two years	5,503,172	3,940,427
– Repayable after five years	789,996	789,224
Other borrowings (Note (iii))		
– Repayable within one year	1,619,267	433,063
– Repayable after one year but within two years	77,628	116,287
	12,662,127	14,829,314
Analysed for reporting purpose as:		
Non-current liabilities	8,814,649	7,386,690
Current liabilities	3,847,478	7,442,624
	12,662,127	14,829,314

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18. BORROWINGS (continued)

Notes:

(i) Bank borrowings

	At 30 June 2021		At 31 December 2020	
	HK\$'000 (Unaudited)	Effective interest rate % (Unaudited)	HK\$'000 (Audited)	Effective interest rate % (Audited)
Term loans				
– Variable rate	563,454	5.90-6.175	572,203	5.90-9.45
Unsecured loans				
– Variable rate (note (a))	2,779,907	1.02-7.30	2,125,436	1.65-7.30
– Fixed rate (note (a))	–	–	2,024	8.30
Secured loans				
– Variable rate (note (b))	–	–	152,109	1.04
– Fixed rate (note (b))	149,587	5.30-7.99	79,572	6.90-7.99
	3,492,948		2,931,344	

Notes:

- (a) As at 30 June 2021, the unsecured loan included loans with carrying amounts of approximately HK\$2,446,131,000 (31 December 2020: HK\$2,044,256,000) that were guaranteed by Shandong Hi-Speed Group Co., Ltd. (“Shandong Hi-Speed Group”) and approximately HK\$53,880,000 (31 December 2020: HK\$81,180,000) was guaranteed by the Company and HK\$nil (31 December 2020: HK\$2,024,000) was guaranteed by a director of a subsidiary of the Company.
- (b) As at 30 June 2021, there are two secured loans, (i) a loan with carrying amount of approximately HK\$23,306,000 was guaranteed by the Company and secured by certain finance lease receivables with carrying amount of approximately HK\$19,032,000; and (ii) a loan with carrying amount of approximately HK\$126,281,000 was guaranteed by a subsidiary of the Company and secured by certain finance lease receivables with carrying amount of approximately HK\$180,345,000. As at 31 December 2020, there are three secured loans, (i) a loan with carrying amount of approximately HK\$45,867,000 was guaranteed by the Company and secured by certain finance lease receivables with carrying amount of approximately HK\$48,296,000; (ii) a loan with carrying amount of approximately HK\$33,705,000 was guaranteed by a subsidiary of the Company and secured by certain finance lease receivables with carrying amount of approximately HK\$19,644,000; and (iii) a loan with carrying amount of approximately HK\$152,109,000 was guaranteed by the Company and secured by a financial asset at fair value through other comprehensive income with carrying amount of approximately HK\$152,109,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18. BORROWINGS (continued)

Notes: (continued)

(ii) Bonds (continued)

Notes:

- (a) On 3 June 2020, Coastal Emerald Limited ("Coastal Emerald") issued 3.80% guaranteed bonds (the "3.80% Guaranteed Bonds – I") with a principal amount of US\$800,000,000 to independent third parties. The 3.80% Guaranteed Bonds – I will mature on 1 June 2021. The 3.80% Guaranteed Bonds – I are guaranteed by the Company with the benefit of a keepwell deed and a deed of equity interest purchase undertaking provided by Shandong Hi-Speed Group. Under the keepwell deed, Shandong Hi-Speed Group undertakes that it shall cause each of Coastal Emerald and the Company to have sufficient liquidity to ensure timely payment by it of any amounts due and payable in respect of the 3.80% Guaranteed Bonds – I. If either Coastal Emerald or the Company at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the 3.80% Guaranteed Bonds – I, Shandong Hi-Speed Group will make available, or procure the availability to it before the due date of the relevant payment obligations, funds sufficient to enable it to pay such payment obligations in full as they fall due.

On 16 September 2020, Coastal Emerald issued 3.80% guaranteed bonds (the "3.80% Guaranteed Bonds – II") with a principal amount of US\$50,000,000 to an independent third party. The 3.80% Guaranteed Bonds – II will mature on 14 September 2021 and are guaranteed by the Company.

The 3.80% Guaranteed Bonds – I was fully repaid during the six months ended 30 June 2021.

- (b) On 1 August 2019, Coastal Emerald issued 3.95% guaranteed bonds (the "3.95% Guaranteed Bonds – I") with a principal amount of US\$500,000,000 to independent third parties. The 3.95% Guaranteed Bonds – I will mature on 1 August 2022. The 3.95% Guaranteed Bonds – I are guaranteed by the Company with the benefit of a keepwell deed and a deed of equity interest purchase undertaking provided by Shandong Hi-Speed Group. Under the keepwell deed, Shandong Hi-Speed Group undertakes that it shall cause each of Coastal Emerald and the Company to have sufficient liquidity to ensure timely payment by it of any amounts due and payable in respect of the 3.95% Guaranteed Bonds – I. If either Coastal Emerald or the Company at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the Guaranteed Bonds, Shandong Hi-Speed Group will make available, or procure the availability to it before the due date of the relevant payment obligations, funds sufficient to enable it to pay such payment obligations in full as they fall due. Further details are set out in the announcements of the Company dated 26 July 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18. BORROWINGS (continued)

Notes: (continued)

(ii) Bonds (continued)

Notes: (continued)

- (c) On 24 May 2021, Coastal Emerald issued 3.95% guaranteed bonds (the “3.95% Guaranteed Bonds – II”) with a principal amount of US\$200,000,000 to independent third parties. The 3.95% Guaranteed Bonds – II will mature on 24 May 2024. The 3.95% Guaranteed Bonds – II are guaranteed by the Company with the benefit of a keepwell deed and a deed of equity interest purchase undertaking provided by Shandong Hi-Speed Group. Under the keepwell deed, Shandong Hi-Speed Group undertakes that it shall cause each of Coastal Emerald and the Company to have sufficient liquidity to ensure timely payment by it of any amounts due and payable in respect of the 3.95% Guaranteed Bonds – II. If either Coastal Emerald or the Company at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the Guaranteed Bonds, Shandong Hi-Speed Group will make available, or procure the availability to it before the due date of the relevant payment obligations, funds sufficient to enable it to pay such payment obligations in full as they fall due.
- (d) On 25 July 2019, Coastal Emerald issued 4.3% guaranteed bonds (the “4.3% Guaranteed Bonds”) with a principal amount of US\$100,000,000 to an independent third party. The 4.3% Guaranteed Bonds will mature on 31 July 2029 are guaranteed by Shandong Hi-Speed Group.

(iii) Other borrowings

As at 30 June 2021, the Group has six outstanding other borrowings, (a) a borrowing with an amount of approximately US\$15,000,000 (equivalent to approximately HK\$116,442,000) from a securities company, which is secured by financial assets at FVTOCI of approximately US\$30,000,000 (equivalent to approximately HK\$229,572,000), bearing interest at 3.50% per annum and repayable in the year ended 28 June 2022; (b) a borrowing with an amount of approximately US\$36,000,000 (equivalent to approximately HK\$272,396,000) from a securities company, which is secured by a loans receivables of approximately US\$80,000,000 (equivalent to approximately HK\$623,033,000), bearing interest at 3 months LIBOR+3.5% per annum and repayable on 15 June 2022; (c) a borrowing with an amount of approximately US\$41,533,000 (equivalent to approximately HK\$322,040,000) from a securities company, which is secured by financial assets at FVTOCI of approximately US\$56,445,000 (equivalent to approximately HK\$438,170,000), bearing interest at 1% per annum and repayable on demand; (d) a borrowing with an amount of approximately US\$35,436,000 (equivalent to approximately HK\$275,082,000) from a securities company, which is secured by financial assets at FVTOCI of approximately US\$70,000,000 (equivalent to approximately HK\$543,395,000), bearing interest at 3 months Libor+2.2% per annum and repayable on 14 April 2022; (e) a borrowing with an amount of approximately US\$10,000,000 (equivalent to approximately HK\$77,628,000) from a securities company, which is secured by financial assets at FVTPL of approximately US\$20,000,000 (equivalent to approximately HK\$155,256,000), bearing interest at 3.5% per annum and repayable on 13 July 2022; (f) a borrowing with an amount of approximately US\$68,750,000 (equivalent to approximately HK\$533,692,000) from a securities company, which is secured by a loans receivables of approximately US\$125,000,000 (equivalent to approximately HK\$1,007,030,000), bearing interest at 3 months Libor+3.2% per annum and repayable on 16 December 2021; and (g) a borrowing with an amount of approximately US\$12,832,000 (equivalent to approximately HK\$99,615,000), which is secured by financial assets at FVTOCI of approximately US\$17,216,000 (equivalent to approximately HK\$133,646,000), bearing interest at 0.4%-1.25% per annum and repayable on demand;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

18. BORROWINGS (continued)

Notes: (continued)

(iii) Other borrowings (continued)

As at 31 December 2020, the Group has three outstanding other borrowings, including (a) a borrowing with an amount of approximately US\$19,861,000 (equivalent to approximately HK\$153,973,000) from a securities company, which is unsecured, bearing interest at 2.94% per annum. The amount was originally repayable in the year ended 31 December 2020 but its maturity was extended to 23 May 2021; (b) a borrowing with an amount of approximately US\$15,000,000 (equivalent to approximately HK\$116,287,000) from a securities company, which is unsecured, bearing interest at 3.50% per annum and repayable on 28 June 2022; and (c) a borrowing with an amount of approximately US\$36,000,000 (equivalent to approximately HK\$279,090,000) from a securities company, which is unsecured, bearing interest at 3 months LIBOR+3.5% per annum and repayable on 18 June 2021.

19. ISSUED CAPITAL

	At 30 June 2021		At 31 December 2020	
	No. of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)	No. of shares '000 (Audited)	Amount HK\$'000 (Audited)
Ordinary shares of HK\$0.00025 each				
Authorised:				
At the beginning and the end of the reporting period	2,000,000,000	500,000	2,000,000,000	500,000
Issued and fully paid:				
At the beginning of the reporting period	24,089,384	6,022	24,452,450	6,113
Repurchase and cancellation of shares	–	–	(363,066)	(91)
At the end of the reporting period	24,089,384	6,022	24,089,384	6,022

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

20. PERPETUAL CAPITAL INSTRUMENT

On 1 August 2019, Coastal Emerald issued a total of US\$900,000,000 perpetual capital instrument. The instrument is perpetual, non-callable by Coastal Emerald in the first five years. The holders can receive distribution at a distribution rate of 4.3% per annum, payable semi-annually in arrears. Coastal Emerald may, at its sole discretion, elect to defer any distribution pursuant to the terms and conditions of the instrument if Coastal Emerald and the Company do not declare or pay dividends to their shareholders. The instrument is irrevocably guaranteed by Shandong Hi-Speed. The holders can receive step-up interest of 5% per annum upon occurrence of any of the following step-up events:

Change of Control

(i) The State-owned Assets Supervision and Administration Commission (“SASAC”) of Shandong Provincial People’s Government or its successor SASAC and any other person controlled by the central government of the PRC together cease to control Shandong Hi-Speed Group; (ii) Shandong Hi-Speed Group ceases to own not less than 40% of the issued share capital of the Company or ceases to be the single largest shareholder of the Company; (iii) the Company ceases to wholly own the issued share capital of Coastal Emerald.

Breach of Covenant Event

Non-compliance or non-performance by Coastal Emerald or Shandong Hi-Speed Group of any one or more of its obligations and covenants and the deed of guarantee.

Relevant Indebtedness Default Event

Occurrence of one or more of the following events (and such event is continuing): (i) any indebtedness of Coastal Emerald, Shandong Hi-Speed Group or any of their respective subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period, (ii) any such indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of Coastal Emerald, Shandong Hi-Speed Group or (as the case may be) the relevant subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such indebtedness, or (iii) Coastal Emerald, Shandong Hi-Speed Group or any of their respective subsidiaries fails to pay when due any amount payable by it under any guarantee of any indebtedness; provided that the amount of indebtedness referred to in sub-paragraph (a) and/or sub-paragraph (b) above and/or the amount payable under any guarantee referred to in sub-paragraph (c) above individually or in the aggregate exceeds US\$30,000,000 (or its equivalent in any other currency or currencies);

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

20. PERPETUAL CAPITAL INSTRUMENT (CONTINUED)

Dividend Stopper Breach Event

Non-compliance or non-performance by Coastal Emerald or Shandong Hi-Speed Group of any of the restrictions in the case of deferral including (i) not to declare or pay any discretionary dividends or distributions or make any other discretionary payment, and shall procure that no discretionary dividend, distribution or other discretionary payment is made, in each case, on any parity securities or junior securities of Coastal Emerald or Shandong Hi-Speed Group; and (ii) not, at its discretion, redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any parity securities or junior securities of Coastal Emerald or Shandong Hi-Speed Group.

Movement of the perpetual capital instrument is as follows:

	Principal HK\$'000	Distribution HK\$'000	Total HK\$'000
Balance at 1 January 2020 (Audited)	6,991,778	123,021	7,114,799
Profit attributable to holders of perpetual capital instrument	–	259,048	259,048
Distribution to holders of perpetual capital instrument	–	(300,434)	(300,434)
Balance at 31 December 2020 and 1 January 2021 (Audited)	6,991,778	81,635	7,073,413
Profit attributable to holders of perpetual capital instrument	–	158,147	158,147
Distribution to holders of perpetual capital instrument	–	(149,990)	(149,990)
Balance at 30 June 2021 (Unaudited)	6,991,778	89,792	7,081,570

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

21. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions and balances with other government-related entities in the PRC

Certain bank deposits, cash and cash equivalents and bank borrowings as of 30 June 2021 and 31 December 2020 and the relevant interest earned or paid during the period/year are transacted with banks and other financial institutions controlled by the PRC government. In the opinion of the directors of the Company, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

(c) Transactions and balances with a company controlled by a former director of the Company

As at 30 June 2021, the Group has an amount due from China Hover Dragon, in which Mr. Ji Kewei, the former director of the Company, has interest in it, of approximately HK\$148,075,000 (31 December 2020: HK\$145,709,000).

(d) Compensation of key management personnel of the Group:

	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	2,825	1,591
Retirement benefit scheme contribution	9	14
	2,834	1,605

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

22. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS

The management of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of a financial asset or a financial liability, the Group uses market observable data to the extent it is available. When Level 1 inputs are not available, the Group engaged independent qualified external valuers to perform the valuation. The management of the Group works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports to executive directors of the Company semi-annually to explain the cause of fluctuations in the fair value of the financial assets.

(a) Fair value of financial assets that are measured at fair value

Some of the Group's financial assets are measured at fair value at the end of each reporting period for financial reporting purposes. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation model(s) and inputs used).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 June 2021 (Unaudited)				
Financial assets at fair value through other comprehensive income	111,684	3,232,200	1,855,102	5,198,986
Financial assets at fair value through profit or loss	3,549,997	1,601,207	1,600,152	6,751,356
	3,661,681	4,833,407	3,455,254	11,950,342
As at 31 December 2020 (Audited)				
Financial assets at fair value through other comprehensive income	140,321	3,192,961	1,551,257	4,884,539
Financial assets at fair value through profit or loss	2,339,312	1,922,773	1,652,100	5,914,185
	2,479,633	5,115,734	3,203,357	10,798,724

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

22. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

Items	Fair value as at		Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs
	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)			
Financial assets at fair value through other comprehensive income					
Unlisted equity investment – in elsewhere	257,397	262,961	Level 3	Market approach	Discount for lack of marketability: 20.0% (31 December 2020: 20.0%) Minority discount: 20% (31 December 2020: 25%)
Listed equity investments – in Hong Kong	111,684	140,321	Level 1	Quoted price in active markets	N/A
Notes – in elsewhere	776,278	237,476	Level 2	Latest transaction price	N/A
Unlisted bond – in elsewhere	779,469	899,501	Level 3	Partial differential equation	Discount rate: 6.63% (31 December 2020: 6.6%-6.7%)
– in elsewhere	818,236	388,795	Level 3	Discounted cash flow	Discount rate: 5.68% (31 December 2020: 6.5%-6.6%)
– in elsewhere	772,967	229,268	Level 2	Latest transaction price	N/A
Listed bonds – in Hong Kong	287,715	263,115	Level 2	Latest transaction price	N/A
– in the PRC	68,180	151,684	Level 2	Latest transaction price	N/A
– in elsewhere	1,243,147	2,135,488	Level 2	Latest transaction price	N/A
Investment funds – in elsewhere	83,913	175,930	Level 2	Latest transaction price	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

22. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

Items	Fair value as at		Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs
	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)			
Financial assets at fair value through profit or loss					
Held-for-trading investment funds					
– in Hong Kong	565,815	633,688	Level 2	Market price quoted by brokers (31 December 2020: Latest transaction price)	N/A
– in the PRC	–	5,860	Level 3	Discounted cash flow	Discount rate: N/A (31 December 2020: 6.5%)
Club membership debenture					
– in Hong Kong	–	5,500	Level 2	Market comparison	N/A
Listed equity investments					
– in Hong Kong	3,021,855	2,182,778	Level 1	Quoted price in active markets	N/A
– in the PRC	440,888	87,769	Level 1	Quoted price in active markets	N/A
– in elsewhere	87,254	68,765	Level 1	Quoted price in active markets	N/A
Other investment funds					
– in elsewhere	358,019	368,694	Level 2	Market price quoted by brokers	N/A
– in elsewhere	–	261,553	Level 2	Latest transaction price	N/A
– in elsewhere	432,229	584,380	Level 3	Discounted cash flow	Discount rate: 5.78%-9.66% (31 December 2020: 6.5%-9.4%)
– in elsewhere	601,069	540,171	Level 3	Market approach	Discount rate: 6.6% (31 December 2020: 6.6%)
Listed bonds					
– in elsewhere	331,745	653,338	Level 2	Latest transaction price	N/A
Unlisted equity investments					
– in the PRC	399,682	370,158	Level 3	Market approach	Discount of lack of marketability: 20.0% (31 December 2020: 20.0%)
– in the PRC	167,172	151,531	Level 3	Discounted cash Flow	Discount rate: 8.86% (31 December 2020: 10.9%)
Notes					
– in Hong Kong	155,256	–	Level 2	Market price quoted by brokers	N/A
– in elsewhere	190,372	–	Level 2	Market price quoted by brokers	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

22. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

The following table details the Group's sensitivity to the increase and decrease in discount rate, terminal growth rate and discounts for lack of control, marketability and minority discount, with all other variables held constant, on the Group's profit or loss and other comprehensive income for the six months ended 30 June 2021 and year ended 31 December 2020:

Six months ended 30 June 2021

	Increased/ (decreased)	Increase/ (decrease) in profit or loss HK\$'000	(Increase)/ decrease in other comprehensive loss HK\$'000
Discount rate increased by	10%	(4,049)	(2,962)
Discount rate decreased by	(10%)	4,156	2,984
Discount for lack of marketability increased by	10%	(9,992)	(6,435)
Discount for lack of marketability decreased by	(10%)	9,992	6,435
Minority discount increased by	10%	–	(6,435)
Minority discount decreased by	(10%)	–	6,435

Year ended 31 December 2020

	Increase/ (decrease)	Increase/ (decreased) in profit or loss HK\$'000	(Increase)/ decrease in other comprehensive loss HK\$'000
Discount rate increased by	10%	(8,427)	(4,559)
Discount rate decreased by	(10%)	8,605	4,609
Discount for lack of marketability increased by	10%	(9,254)	(6,574)
Discount for lack of marketability decreased by	(10%)	9,254	6,574
Minority discount increased by	10%	–	(8,765)
Minority discount decreased by	(10%)	–	8,765

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

22. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(b) Reconciliation of level 3 fair value measurements

The movement during the six months ended 30 June 2021 in the balances of Level 3 fair value measurement is as follows:

	Financial assets at FVTPL HK\$'000	Financial assets at FVTOCI HK\$'000	Total HK\$'000
At 1 January 2020	312,687	2,305,907	2,618,594
Additions	1,591,193	1,379,784	2,970,977
Disposal	(1,117)	(341,129)	(342,246)
Transfer	(289,407)	289,407	–
Transfer to interest in associates	–	(2,049,848)	(2,049,848)
Fair value gain/(loss)			
– in profit or loss	32,319	–	32,319
– in other comprehensive income	–	(31,617)	(31,617)
Exchange realignment	6,425	(1,247)	5,178
At 31 December 2020 and 1 January 2021 (Audited)	1,652,100	1,551,257	3,203,357
Additions	2,988	426,392	429,380
Disposal	(162,688)	(116,442)	(279,130)
Disposal of subsidiaries	(7,282)	–	(7,282)
Fair value gain/(loss)			
– in profit or loss	108,046	–	108,046
– in other comprehensive income	–	(8,377)	(8,377)
Exchange realignment	6,988	2,272	9,260
At 30 June 2021 (Unaudited)	1,600,152	1,855,102	3,455,254

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

23. DISPOSAL OF SUBSIDIARIES

For the six months ended 30 June 2021

Disposal of Coastal Silk Limited (“Coastal Silk”)

On 7 April 2021, the Group entered into a sale purchase agreement with an independent third party (the “Purchaser”), pursuant to which the Group agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Coastal Silk, an indirectly wholly-owned subsidiary of the Company. All conditions precedent in the agreement has been fulfilled and the disposal of Coastal Silk was completed on 7 April 2021. The cash consideration of RMB3,000,000 (equivalent to approximately of HK\$3,571,000) was determined after arm’s length negotiation between the Purchaser and the Group on normal commercial terms with reference to the financial position of Coastal Silk in the latest financial period.

Coastal Silk is the legal and beneficial owner of 60% issued shares of Kun Peng International Limited (“Kun Peng”) which is principally engaged in investment holding. Kun Peng through its subsidiary mainly provides (i) private equity investment fund management services; (ii) internet lending information intermediary service; and (iii) online advertising agency business in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

23. DISPOSAL OF SUBSIDIARIES (continued)

For the six months ended 30 June 2021 (continued)

Disposal of Coastal Silk Limited ("Coastal Silk") (continued)

The financial position of Coastal Silk at the date of disposal was as follows:

	HK\$'000
Net liabilities disposed of:	
Property, plant and equipment	1,115
Intangible assets	128,177
Interests in associates	12,624
Loans receivables	189,740
Financial assets at fair value through profit or loss	7,282
Trade and other receivables	105,106
Restricted cash	30,811
Cash and cash equivalents	124,862
Other payables and accruals	(679,869)
Tax payables	(5,226)
Borrowings	(1,790)
	(87,168)
Gain on disposal of subsidiaries:	
Cash consideration received	3,571
Net liabilities disposed of	87,168
Non-controlling interests	80,396
	171,135
Net cash outflow arising on disposal:	
Cash consideration received	3,571
Less: cash and cash equivalents disposal of	(155,673)
	(152,102)

24. APPROVAL FOR THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements have been reviewed by the Audit Committee of the Company and were approved and authorised for publication by the board of directors on 27 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS SUMMARY

	For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Revenue	540,396	621,480
Gross profit	341,859	284,328
Profit for the period	258,493	59,109
Profit/(loss) for the period attributable to owners of the Company	115,388	(65,646)
Basic earnings/(losses) per share	HK0.48 cents	HK(0.27) cents

	30 June	31 December
	2021 HK\$'000	2020 HK\$'000
Total assets	22,677,429	24,966,194
Net assets	9,671,314	9,656,748
Cash and cash equivalents	2,013,213	5,045,748
Total borrowings	12,662,127	14,829,314

During the six months ended 30 June 2021 (the “Reporting Period”), China Shandong Hi-Speed Financial Group Limited (the “Company”, together with its subsidiaries, the “Group”) recorded revenue of approximately HK\$540,396,000, as compared with approximately HK\$621,480,000 for the six months ended 30 June 2020 (the “Previous Period”), representing a decrease of approximately 13.05% year-over-year; gross profit of approximately HK\$341,859,000, as compared with approximately HK\$284,328,000 for the Previous Period, representing an increase of approximately 20.23% year-over-year; profit for the period amounted to approximately HK\$258,493,000 as compared with approximately HK\$59,109,000 for the Previous Period, representing a significant increase of approximately 337.32% year-over-year; profit attributable to owners of the Company turned around and recorded a profit of approximately HK\$115,388,000 as compared with a loss of approximately HK\$65,646,000 for the Previous Period. The significant improvement was mainly attributable to (i) a significant improvement in the fair value gain on financial assets at fair value through profit or loss of approximately HK\$127,114,000 and (ii) a significant decrease of approximately HK\$152,926,000 in impairment losses on financial assets recognised compared to the Previous Period; basic earnings per share attributable to owners of the Company was approximately HK0.48 cents as compared to basic losses per share of approximately HK0.27 cents for the Previous Period.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2021, the Group recorded total assets of approximately HK\$22,677,429,000 (31 December 2020: HK\$24,966,194,000) and total liabilities of approximately HK\$13,006,115,000 (31 December 2020: HK\$15,309,446,000). Therefore, net assets of approximately HK\$9,671,314,000 (31 December 2020: HK\$9,656,748,000).

In view of the prudent financial and risk management measures taken by the Group, the Group believes that the Coronavirus Disease 2019 (“COVID-19”) pandemic has not had a material adverse effect on the Group’s financial position and operating results during the Reporting Period. The Group will closely monitor the development of the COVID-19 pandemic and will evaluate and actively respond to the financial position and business operations of the Group as need.

MARKET REVIEW

In the first half of the year, the global economy gradually began to recover. With the acceleration of vaccinations around the world and the successive lifting of lock-down measures by many countries, the recovery momentum of the world economy has seen a remarkable rise. Major international economic organizations have raised their forecasts for global gross domestic product (“GDP”) growth in 2021. The World Bank and the International Monetary Fund (“IMF”) recently projected global economic growth of 6.0%. At the same time, the recovery of global manufacturing and trade has accelerated. According to the United Nations Conference on Trade and Development (“UNCTAD”), global trade increased by 10% year-on-year in the first quarter and 4% quarter-on-quarter. The growth of trade volume is expected to reach 16% in 2021. The global investment is also expected to bottom out and rebound. According to the World Investment Report 2021 released by UNCTAD, global foreign direct investment growth is expected to reach 10% to 15% this year.

In response to the pandemic, western developed countries, such as Europe and the United States (“U.S.”), continued their loose monetary and fiscal stimulus policies. However, with the recovery and growth of the world economy, the market’s expectations for global inflation and the Fed’s monetary policy shifts increased, along with volatility and vulnerability of financial markets. Affected by factors such as loose monetary policies in various countries, such as the U.S., and rising demand around the world, prices for bulk commodities rose rapidly, while prices for major commodities basically returned to their pre-pandemic levels. Inflation rates in the U.S., the Eurozone and other countries are on the rise. The monetary policies of developed countries have not yet shifted. However, some emerging economies, such as Brazil and Mexico, have taken the lead in starting interest rate hike cycles to cope with the dual pressures of high inflation and capital outflows caused by the rapid rise in the prices of bulk commodities.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of the year, the Chinese government made solid progress in coordinating pandemic prevention and control and stabilized economic growth. With the acceleration of vaccination, macroeconomic policies maintained continuity and stability, domestic demand basically maintained recovery, the main macroeconomic indicators were in a reasonable range, and the overall economy continued to maintain a stable recovery. In the first half of the year, China's GDP grew by 12.7%, the consumer price index ("CPI") and producer price index ("PPI") rose 0.5% and 5.1% year-on-year, respectively, employment and price levels were generally stable, and the manufacturing industry maintained steady expansion. However, as global consumers shift their spending on experience and service categories, and under the influence of a higher base in the second half of last year, it is expected that China's manufacturing investment and trade data in the second half of the year will slow. Measures such as the upgrading of domestic commodity consumption and the issuance of special bonds for new infrastructure may not be able to completely hedge against the downward pressure on the economy. In the context of weakening economic growth and rising debt burdens, the credit risks of some real estate companies, local government financing platforms, and zombie companies are expected to begin to be exposed in the second half of the year. The monetary policy is likely to be stable but loose, and interest rates may decline slightly, creating conditions for cultivating new economic growth points and resolving existing debt.

In the stock market, the Hang Seng Index rose 5.9% in the first half of the year, while the A-share CSI 300 Index edged up 0.2%. Starting in the first quarter of 2021, the Chinese Government has stepped up regulation on the Internet finance sector, including tightening online microfinance and removing online deposit products. Meanwhile, regulators' rigorous anti-monopoly supervision on the Internet industries shadowed the market, resulting in a sharp decline in the performance of the technology and Internet sector from its highs earlier this year. With Internet companies' valuations falling to a more reasonable level, coupled with the gradual clarity of regulatory requirements, stock in some sectors is being bought and held for longer terms and quality companies with fast earnings growth are expected to rebound, supporting the market performance.

For the U.S. stock market, the S&P 500 rose 15.2% in the first half of the year, driven by value stocks and small-cap stocks. Under sector rotation, capital flowed back into growth stocks during the first half of the year. With strong corporate earnings growth, restored economic activities and fiscal stimulus, the U.S. stock market is still expected to hit new highs, but more volatility is anticipated given growing concerns about inflation and tightening monetary policy.

In the bond market, uncertainties were caused by individual credit events. Asian bond performance stalled in the last quarter over market fears of defaults due to liquidity problems of real estate developers and financial institutions in China. However, Asia's major central banks have indicated to maintain their current loose monetary policies and the risk of interest rate hikes is lower than in other regions. With abundant liquidity in the region and attractive spreads compared to the U.S. and Europe, as well as shorter durations compared to bonds in other emerging markets, Asian bonds maintained positive prospects. As investors' risk awareness will increase under high inflation, Asia is expected to attract more capital inflows, which will be beneficial to the development of the bond market.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary of the contribution of each business segment to the Group's profit before taxation:

	For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
a) Standard investment business	188,171	101,875
b) Nonstandard investment business	91,559	161,033
c) License business	(6,413)	57,902
d) Financial leasing	(115,654)	(118,818)
e) Financial technology	(4,804)	(3,122)
Segment revenue	152,859	128,870

a) Standard investment business

The Group engages in standard investment business including equity and fixed income investment by self-owned funds. In the first half of the year, global commodity prices rose rapidly and the world economy recovered unevenly. The pandemic in the U.S. was gradually brought under control, but applications for extended unemployment benefits and the unemployment rate had not yet returned to pre-pandemic levels. Governments, therefore, ramped up fiscal stimulus, resulting in ample liquidity in the global market. China's economic development was improving while maintaining stability. In order to seize any medium or long-term investment opportunities, the Group appropriately increased its allocation of equity and fixed income assets according to its cash flow situation and market conditions. During the Reporting Period, the standard investment business recorded a profit before tax of approximately HK\$188,171,000, representing a significant increase of 84.71% from approximately HK\$101,875,000 for the Previous Period.

b) Nonstandard investment business

The nonstandard investment business of the Group is mainly engaged in the direct investment business, including investment in debt instruments, unlisted bonds, notes, unlisted equity investments and investment funds. In the first half of the year, leveraging on its resource advantages and extensive experience of the team, the Group grasped market opportunities to participate in more quality nonstandard investment projects and make pre-emptive moves in the market. Meanwhile, the Group assessed various risk factors diligently and strictly controlled the threshold criteria to prevent credit default risks. During the Reporting Period, the nonstandard investment business recorded revenue and profit before tax of approximately HK\$225,622,000 and HK\$91,559,000 respectively, as compared with approximately HK\$159,069,000 and HK\$161,033,000 for the Previous Period.

MANAGEMENT DISCUSSION AND ANALYSIS

c) License business

The Group conducts license business in Mainland China and Hong Kong. It currently holds Licenses 1, 4, 5, 6 and 9 issued by the Securities and Futures Commission of Hong Kong and a Hong Kong money lender license, as well as domestic licenses for Qualified Foreign Limited Partner (QFLP) fund managers and financial asset trading platforms. The Group serves corporate and individual clients in Mainland China, Hong Kong and the world, providing them with integrated financial services related to cross-border investment and financing needs in Mainland China and Hong Kong, including:

- **Asset management business:** The Group provides high-net-worth clients with cross-border asset management and global asset allocation services through innovative policies such as QFII and RQFII. In addition, the Group has an investment management team with extensive experience, which can tailor investment portfolios to clients according to their different risk tolerance, investment needs and goals. The Group is committed to providing personalized and high-quality investment services, so that the clients' investment returns can achieve a perfect balance among risk control, asset value preservation and asset appreciation. The Group is striving to improve its own research capabilities and increase senior staff, and it is expected that the revenue of this segment will be positively affected;
- **Securities brokerage business:** CSFG International Securities Limited (“CSFG International Securities”), a wholly-owned subsidiary of the Company, has an outstanding team to provide customers with fast and accurate market information and considerate and professional service in respect of capital market, leveraging on their expertise and intensive market experience. In addition to the securities dealing and brokerage business in the Hong Kong securities market, CSFG International Securities also provides margin, underwriting of stocks and bonds, subscription of new shares, withdrawal and deposit of stocks and custodian services;
- **Money lending business:** The money lending business of the Group focus on personal loans and commercial loans with “short term, high interest rate, collateral and low risk”, aiming to utilize funds from its financial lending business in a more effective way;
- **Advisory services and asset trading platform:** The Group provides “asset trading and integrated services” for various financial institutions, non-financial institutions and investors, and strives to satisfy their demand by continual innovation of business models, product services, financial instruments as well as investment and financing approaches, with an aim to providing international and professional across-the-board services for various asset trading, registration, custody, trading, financing, and settlement of related products.

In order to follow and act on the development of national policies, the Group continued to adjust and optimize the business strategies of advisory services and asset trading platforms to further minimize operational risks, and conduct related license business by adhering to prudent and steady development strategies, which resulted in a decrease of revenue as compared with the Previous Period. During the Reporting Period, the license business recorded revenue of approximately HK\$43,640,000, representing a decrease of 71.13% from approximately HK\$151,149,000 for the Previous Period.

MANAGEMENT DISCUSSION AND ANALYSIS

d) Financial leasing

Revenue from the Group's finance lease services is mainly derived from lease expenses and advisory services expenses received by the Group for providing direct finance leases to customers. Benefitting from the continued recovery and high growth of the Chinese economy in the first half of the year, the demand for finance leasing services increased and the Group's finance lease business generated revenue of approximately HK\$94,119,000, representing an increase of 53.72% as compared to the Previous Period, and a decrease in loss before tax of 38.75% to HK\$115,654,000 as compared to the Previous Period. The significant decrease in losses was mainly due to a significant reduction in the Group's overall provision for impairment of finance lease receivables as a result of the gradual improvement in market conditions and the improved cash flow and timely repayment ability of certain lessees.

e) Financial technology

During the Reporting Period, the financial technology business recorded revenue of approximately HK\$18,671,000, as compared to revenue of approximately HK\$63,463,000 in the Previous Period. To further strengthen the Group's cash flow and liquidity position and to optimize and distribute existing resources for future development of other business segments, the Group disposed of all the shares in Coastal Silk Limited, an indirect wholly-owned subsidiary of the Company, and recorded gain on disposal of subsidiaries of approximately HK\$171,135,000 during the Reporting Period. Upon completion of the Disposal, the Group no longer holds the business of financial technology.

FUTURE PROSPECTS

Looking ahead to the second half of the year, the market is currently paying close attention to the direction of the Federal Reserve's monetary policy and whether it will officially taper bond purchases by the end of the year or early next year, causing some investors to take a wait-and-see attitude. If the foundation for the recovery of the global economy is not sound enough, the Federal Reserve's early tightening of monetary policy may lead to a sharp appreciation of the United States Dollar ("US\$") and higher interest rates on U.S. long-term bonds, triggering the withdrawal of funds from emerging markets, and posing a major risk to global investment markets. According to the minutes of the Federal Reserve's July meeting, the Federal Reserve's quantitative reduction policy was put on the agenda, while capital inflows to emerging markets slowed sharply in July. According to data from the International Finance Association ("IIF"), the total investment inflows into emerging market countries in July amounted to approximately US\$7.5 billion, down sharply from the previous month's US\$28.1 billion. Among them, emerging market equities outflowed US\$10.5 billion, which was the worst performance in ten months. In addition, the mutated strains of COVID-19 have once again triggered the spread of the global pandemic, causing the restoration of restrictions on economic activities in some regions, which has had a certain impact on the recovery of industrial and service industries, and brought more uncertainty to the global economic recovery.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of the stock market, U.S. stocks are expected to continue to benefit from favourable factors such as the restart of the local economy, robust growth of corporate profits and the introduction of a large number of fiscal measures. In terms of A-shares and Hong Kong stocks, with the recent announcement by the Chinese government to reduce the bank deposit reserve ratio, long-term funds will be released to the market, which will benefit the investment climate in these two markets. The reduction of this deposit reserve ratio is aimed at guiding financial institutions to actively use the funds with reduced deposit reserve ratio while maintaining reasonable and abundant market liquidity, increase support for small and micro enterprises, and promote the reduction of comprehensive social financing costs through financial institutions. If the anti-monopoly investigation comes to an end in the second half of the year, it is expected that the market will once again focus on innovation and growth segments. In terms of bonds, the overall U.S. dollar investment grade bond market will stabilize once the U.S. monetary policy and inflation become clearer. In addition, the Renminbi ("RMB") treasury bond market has been relatively stable compared with the Eurozone and U.S. treasury bonds in the past, and the interest rate spread between Chinese and U.S. treasury bonds is still at a high level. It is expected that the assets related to RMB treasury bonds, and their risk returns will remain relatively attractive.

Facing an intricate external environment, the Group will pay close attention to the potential impact of the pandemic on the market and its business and continue to adhere to the core development principle of "prudent compliance and steady development", take risk prevention and control as the core value and the priority of its development, implement comprehensive risk management, adhere to the bottom line of compliance and promote the steady development of its work. The Group will actively respond to challenges, leverage its strengths, and optimize and consolidate internal and external resources to enhance coordination and synergy across all business lines and explore new opportunities for sustainable growth while strengthening the foundation of its advantageous businesses.

Moreover, the Group will continue to strengthen the market positioning of each subsidiary to consolidate their differentiated competitive advantages. At present, the business of the Group covers Mainland China, Hong Kong and Singapore, with diversified operating licenses and business forms. The Group makes full use of the market advantages of each region to deepen the overall synergy and the cross-border linkage pattern among its domestic and overseas subsidiaries, therefore providing clients with domestic and overseas integrated omni-directional comprehensive services. Also, the Group encourages its subsidiaries to fully utilize their endogenous power and strengthen their investment capabilities to maximize the overall benefits of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the Group will continue to deepen the internal synergy with the subsidiaries of Shandong Hi-Speed Group Limited (“Shandong Hi-Speed Group”), and fully tap the resources advantage of Shandong Hi-Speed Group to seek development on a higher platform and a broader market. As an overseas listed company, the Group will fully leverage its advantages of professional teams to properly carry out ancillary businesses such as asset securitization, internationalization, and overseas investment and financing. Meanwhile, based on the resource advantages given to the Group by Shandong Hi-Speed Group, the Group will deeply integrate its own advantages of the market-oriented mechanism to obtain complementary elements of operation and development, so as to achieve win-win cooperation for both sides.

Development strategies of business segments:

- a) **Standard investment business**, although the recent market volatility has intensified, the current economic fundamentals of Mainland China and Hong Kong have not changed significantly, and the medium-term positive trend of the market remains unchanged. The irrational decline in the market brings opportunities for the Group to invest in outstanding companies, and these companies will eventually win out in the long-term competition in the industry. Adhering to the long-term value investment philosophy, the Group is committed to identifying high-quality companies with long-term performance growth and companies with long-term advantages in all walks of life. In addition, in the current situation of increasing credit market polarization, the Group will conduct in-depth credit mining and investment in some oversold ultra-short-term investment targets, and industries that are improving with less market attention under the premise of risk control. For individual corporate bonds with relatively strong financing ability and good quality, the Group will make appropriate leverage operations to increase return, and seize the possible trading opportunities of some high-quality enterprises under the market fluctuation caused by special events. At the same time, according to the market environment sentiment, the Group will make a small amount of diversified investment in fully market-oriented transactions with the operation of “micro-precision + diversification + high turnover”.
- b) **Nonstandard investment business**, the Group will continue to strengthen risk management and control measures, strengthen post-investment management of projects, conduct regular scenario analysis and stress tests, comprehensively sort out existing customers, and strengthen cooperation with high-quality customers on the premise of ensuring controllable risks. The Group will continue to conduct in-depth research and follow-up on specific industries, and with the cooperation of various business segments, capture special investment opportunities in high-quality enterprises or markets. By expanding the search scope of investment projects, the Group will further expand the scale of equity and M&A projects to lay the foundation for future earnings. The Group will also continue to provide capital support to leading enterprises with a fast-growing market scale, mature business model, high investment value and endorsement by well-known investors.

MANAGEMENT DISCUSSION AND ANALYSIS

- c) **Equity fund business**, the Group will make full use of the advantages of the QFLP license to introduce overseas funds to promote foreign investment in industries encouraged by the state and promote industrial upgrading, while meeting diversified investment and financing needs of both domestic and overseas customers. By mobilizing resources in domestic and overseas markets, it will achieve efficient internal and external linkages and coordinated development. At the same time, by taking advantage of the uniqueness of the QFLP license, the domestic subsidiaries of the Group can cooperate with overseas subsidiaries to participate in domestic equity projects and assist overseas subsidiaries in due diligence and other works before investment. In addition, the Group will further promote the collaboration with Shandong Hi-Speed Group, dig into other high-quality resources within Shandong Hi-Speed Group and identify high-quality equity investment opportunities, and share resources with other investment platforms of Shandong Hi-Speed Group to jointly analyze investment projects.
- d) **Asset management business**, the Group will strengthen its cooperation with market peers to jointly explore customer resources. On the other hand, the domestic subsidiaries of the Group will continue to expand their asset management business, give full play to their location advantages, brand advantages, QFLP license advantages, equity investment policy benefit advantages of the Shenzhen Special Economic Zone and regional advantages of Guangdong-Hong Kong-Macau Greater Bay Area, and actively carry out cross-border business and domestic asset management business. In addition, the Group will strengthen communication with potential investors to understand their different capital attributes and risk-return preferences, and proactively seek suitable high-quality projects and third-party funds in the market.
- e) **Securities brokerage business**, while expanding its business of stock and bond underwriting, securities transaction and margin transaction, the Group plans to launch its new IPO margin financing business in line with market needs so as to attract more new customers and increase interest margin income. At the same time, the Group will continue to expand its counterparties in various ways, explore the introduction of algorithmic trading and improve the infrastructure construction of securities companies. The Group is also in the process of connecting and testing the Shanghai-Shenzhen-Hong Kong Stock Connect, which is expected to be launched in the third quarter.
- f) **Financial leasing business**, the Group will further strengthen its financing leasing business and prudently develop factoring business. In addition, the Group will learn advanced technology by leveraging on the resources advantages of Shandong Hi-Speed Group, the Group, and excellent peers, to achieve resource sharing and consolidate, grow and optimize our leasing business. At the same time, the Group will give full play to the talents and potential of its team, seize the relief opportunities of economic and industrial restructuring, energy conversion, and investment and financing optimization opportunities of enterprises and projects in a deleveraging environment, as well as appropriately participate in special investment opportunities such as relief and restructuring of listed companies and revitalization of real estate projects.

The Group will continue to seek potential acquisition targets that will create synergy with the Group and enhance its profitability. As at the date of this report, the Group does not have any specific acquisition targets.

MANAGEMENT DISCUSSION AND ANALYSIS

UPDATE ON LITIGATION PROCEEDINGS

(a) Recovery of loans receivables under the loans to Honesta

Shangao International Leasing provided certain loans of an aggregated principal amount of RMB300,000,000 to Honesta New Finance in 2018 (the “Loans to Honesta”), of which Honesta New Finance has defaulted in repayment of the outstanding principals and interest payables when they were respectively due. The outstanding loans receivable due from Honesta New Finance amounted to approximately RMB389,184,000 (equivalent to approximately HK\$468,062,000) at the end of the Reporting Period.

Before the Group’s disposal of the entire issued shares in Coastal Silk Limited on 7 April 2021 (the “Disposal”), Honesta New Finance was a subsidiary of the Company and the Loans to Honesta were therefore regarded as intercompany transactions within the Group. As the Loans to Honesta became loan receivables due from Honesta New Finance to the Group after the Disposal, on the same date as the completion of the Disposal, the Group:

- (i) entered into a receivable charge agreement (the “Receivable Charge Agreement”) with Honesta New Finance for the creation by Honesta New Finance of first ranking charges in favour of the Group over, among others, all Honesta New Finance’s rights, title and interests arising from certain of its loan receivables as security for Honesta New Finance’s repayment obligations under the Loans to Honesta; and
- (ii) entered into the Guarantee Agreement with a total of nine guarantors (the “Guarantors”), pursuant to which the Guarantors agreed to bear irrevocable joint and several liabilities (連帶責任保證) for the repayment obligations of Honesta New Finance under the Loans to Honesta.

In this regard, after the end of the Reporting Period, Shangao International Leasing

- (i) filed an arbitration application with the Shenzhen Court of International Arbitration (深圳國際仲裁院) against Honesta New Finance on 22 July 2021 and initiated civil litigation proceedings in the Shenzhen Intermediate People’s Court (深圳市中級人民法院) against Honesta New Finance and all Guarantors on 23 July 2021 for the recovery of, among others, the outstanding principal, interests and liquidated damages receivable under the Loans to Honesta; and
- (ii) initiated civil litigation proceedings in the Shenzhen Intermediate People’s Court (深圳市中級人民法院) against Honesta New Finance on 23 July 2021 for the claim of its rights of priority compensation (優先受償權) to certain loan receivables of Honesta New Finance by virtue of the Receivable Charge Agreement.

Details of the above are set out in the Company’s announcements dated 7 April 2021 and 23 July 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

(b) Recovery of receivables under the Notes

The Group entered into a subscription agreement in June 2020 for the subscription of senior secured and guaranteed notes in the aggregate principal amount of US\$100,000,000 (equivalent to approximately HK\$780,000,000) (the “Notes”), which were classified as financial assets at FVTOCI. The due and punctual performance and observance by the issuer (the “Issuer”) of its obligations under the Notes are secured by corporate and individual guarantees (together the “Corporate and Individual Guarantees”) and other securities, including equity interest pledge (the “Equity Interest Pledge”), share charge and pledge over asset-backed securities. The Issuer was unable to redeem all of the Notes on the maturity date at the applicable redemption amounts pursuant to the terms of the Notes, which constituted an event of default under the Notes. The Group has taken relevant legal measures to claim the principal amount and interest outstanding on the Notes, including but not limited to:

- (i) filing a civil lawsuit in Hong Kong on 25 August 2021 against the Issuer; and
- (ii) filing civil lawsuit application(s) on 23 August 2021 against the respective guarantors under the Corporate and Individual Guarantees and the pledgor under the Equity Interest Pledge in Nanjing Intermediate People’s Court* (南京市中級人民法院).

In addition, the Group has engaged an independent professional valuer to assist the Group to assess the fair value of the Equity Interest Pledge. As at 30 June 2021, the fair value of the Notes after considering the fair value of the Equity Interest Pledge was approximately HK\$779,469,000.

Details of the above are set out in the Company’s announcements dated 12 June 2020 and 25 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no material events affecting the Group that occurred after the end of the Reporting Period.

FUNDRAISING ACTIVITIES

On 24 May 2021, Coastal Emerald Limited, an indirect wholly-owned subsidiary of the Company, issued 3.95% guaranteed bonds, which are guaranteed by the Company, with the benefit of a keepwell deed and a deed of equity interest purchase undertaking provided by Shandong Hi-Speed Group due May 2024 in an aggregate principal amount of US\$200,000,000 to professional investors to raise funds for refinancing and general corporate purposes.

The Group did not conduct any equity financing activity during the Reporting Period.

DIVIDENDS

The Board does not declare the payment of any interim dividend for the Reporting Period (Previous Period: Nil).

FINANCIAL CONDITIONS

As at 30 June 2021, the Group has total assets and net assets of approximately HK\$22,677,429,000 and approximately HK\$9,671,314,000, respectively. As at 30 June 2021, the gearing ratio (total outstanding borrowings divided by total assets) of the Group was approximately 55.84% (31 December 2020: 59.40%). The decrease in the gearing ratio was mainly due to the Group fully repaid part of its bonds during the Reporting Period.

FINANCIAL RESOURCES

In order to prevent the potential impacts of the COVID-19 pandemic, the Group proactively strengthened the management of external financing and banking facilities, effectively reduced capital costs and continuously improved debt structure. During the Reporting Period, the Group had sufficient liquidity and working capital to maintain normal business operations. As at 30 June 2021, the total amount of cash and cash equivalents held by the Group was approximately HK\$2,013,213,000 (31 December 2020: HK\$5,045,748,000), accounting for approximately 8.88% (31 December 2020: 20.21%) of total assets.

GEARING POSITION

As at 30 June 2021, the outstanding borrowings of the Group were comprised of bank borrowings, bonds and other borrowings which were approximately HK\$3,492,948,000 (31 December 2020: HK\$2,931,344,000), approximately HK\$7,472,284,000 (31 December 2020: HK\$11,348,620,000) and approximately HK\$1,696,895,000 (31 December 2020: HK\$549,350,000), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Details of the outstanding bank borrowings and other borrowings of the Group are disclosed in note 18 to the condensed consolidated financial statements. As at 30 June 2021, the outstanding bonds of the Group included a secured bond with a coupon rate of 3.80% per annum (the aggregate outstanding amount: approximately HK\$1,168,616,000), a secured bond with a coupon rate of 3.95% per annum (the outstanding amount: approximately HK\$3,944,398,000), a secured bond with a coupon rate of 3.95% per annum (the outstanding amount: approximately HK\$1,558,774,000), a secured bond with a coupon rate of 4.30% per annum (the outstanding amount: approximately HK\$789,996,000) and an unsecured bond for a term of one year with a coupon rate of 5% per annum (the outstanding amount: approximately HK\$10,500,000). The above-stated bonds and other borrowings were denominated in US\$ and HK\$, and the exchange rate of US\$ against HK\$ was relatively stable, thus the Company was not subject to risks in relation to exchange rate fluctuations.

CAPITAL STRUCTURE

As at 30 June 2021, the Company had a total of 24,089,384,437 issued shares with a par value of HK\$0.00025 each, and the total equity attributable to the owners of the Company was approximately HK\$2,491,312,000, representing an increase of approximately 4.07% as compared with HK\$2,393,777,000 as at 31 December 2020.

PLEDGE OF ASSETS

As at 30 June 2021, the Group's finance lease receivables with carrying amount of approximately HK\$199,377,000 (31 December 2020: approximately HK\$67,940,000), loans receivables with carrying amount of approximately HK\$1,630,063,000 (31 December 2020: nil), financial assets at fair value through other comprehensive income with carrying amount of approximately HK\$1,344,783,000 (31 December 2020: approximately HK\$152,109,000) and financial asset at fair value through profit or loss with carrying amount of approximately HK\$155,256,000 (31 December 2020: nil) have been pledged to secure for borrowings of the Group.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group did not have any significant contingent liabilities and capital commitment during the Reporting Period.

CURRENCY RISK MANAGEMENT

The Group's monetary assets, liabilities and transactions are mainly denominated in RMB, HK\$ and US\$. The Group is mainly exposed to foreign exchange risk with respect to RMB which may affect the Group's performance. The Group will pay attention to the possible exchange rate exposure due to the continuing fluctuation of RMB, closely monitor its impact on the performance of the Group and consider adopting appropriate hedging measures when necessary. In addition, the Group also pays attention to the impact of the U.S. interest rate fluctuations on its U.S. dollar-denominated assets from time to time, and takes appropriate response measures.

During the Reporting Period, the Group's foreign exchange exposure was manageable and therefore the Group has neither held any financial instruments for hedging purposes, nor any currency borrowings or other hedging instruments to hedge against its net foreign currency investments.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

As at 30 June 2021, the Group did not have any individual investment with a fair value of 5% or more of the total assets of the Group. Save as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss disclosed in notes 13 and 14 to the condensed consolidated financial statements, the Group did not have any other significant investments during the Reporting Period.

Save as disclosed in the section headed “FUTURE PROSPECTS” on pages 70 to 73 in this report, the Group did not have any specific plans for material investment or capital assets acquisition during the Reporting Period and as at the date of this interim report.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group conducted the following material acquisitions and disposals during the Reporting Period:

Disposal of the Entire Interests of Coastal Silk Limited

Reference is made to the announcement of the Company dated 7 April 2021. On 7 April 2021, the Group entered into a share purchase agreement with an independent third party to sell the entire interests of Coastal Silk Limited at the total consideration of RMB3,000,000 in cash. Coastal Silk Limited was at that time the legal and beneficial owner of 60% issued shares of Kun Peng International Limited (鯤鵬國際有限公司) (“Kun Peng”), which was principally engaged in investment holding. Kun Peng through its subsidiary mainly had been providing private equity investment fund management services, internet lending information intermediary services and online advertising agency business in Mainland China. The relevant transaction was completed on 7 April 2021 and a gain on disposal of subsidiaries of HK\$171,135,000 was recognized in the condensed consolidated income statement for the Reporting Period. Upon completion of the transaction, Coastal Silk Limited ceased to be a subsidiary of the Company and the Group ceased to have any interest in Coastal Silk Limited or its subsidiaries.

Save as disclosed above, the Group did not have any other material acquisitions or disposals of subsidiaries or associates during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group’s headquarters and subsidiaries had 174 employees, including the Directors and consultants, of which 79, 86 and 9 were based in Mainland China, Hong Kong and Singapore, respectively. Staff costs of the Group for the Reporting Period, including Directors’ remuneration, were approximately HK\$118,677,000 (six months ended 30 June 2020: HK\$92,507,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group acknowledges the importance of high-quality human resources to maintain its leading position in the market. The Group's salary and benefits are both maintained at a competitive level, and within the general framework of the Group's salary, bonus and reward system, the individual performance of employees is evaluated and rewarded every year. The Group emphasizes the importance of employee development and continues to provide relevant training programs. Meanwhile, it also encourages employees to actively participate in community and charity activities.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws or regulations by the Group that had a material adverse impact on the business and operations of the Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Group believes that thorough communication with stakeholders is important to address various issues on environmental, social and corporate governance. We, therefore, strive to improve communication channels, maintain contacts with stakeholders such as employees, customers, investors, suppliers, regulators and community groups through various channels, which allow the Group to keep up closely and timely serve the needs of relevant stakeholders so as to continuously improve the management of the Group. For the purpose of ensuring transparency of corporate information, the Group continues to keep abreast of information released by the Stock Exchange of Hong Kong and the Securities and Futures Commission and other regulatory bodies, and discloses operational data, material transactions and insider information of the Group through corporate announcements, financial reports and press releases, as well as daily communications to keep the public informed of the Group's operations.

The Group believes that the people-oriented talent management model is crucial to the long-term development of the Group. The Group attaches great importance to team building and talent introduction, and has always adhered to the principles of “openness, equality, competition and selection” to hire excellent staff. The Group's employee management focuses on recruiting and developing talent. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group's corporate strategy.

The Group also understands that maintaining a good long-term relationship with business partners is one of its primary objectives. Accordingly, the Group has used its best endeavours to maintain good communications, promptly exchange ideas and share business updates with its business partners when appropriate.

During the Reporting Period, there was no material or significant dispute between the Group and its business partners.

MANAGEMENT DISCUSSION AND ANALYSIS

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the Reporting Period or subsisting at the end of the Reporting Period are set out below:

Share Option Scheme

The Company operates a share option scheme (the “Share Option Scheme”) adopted by way of an ordinary resolution passed on 18 August 2014 at the annual general meeting of the Company, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations.

The following table discloses movements in the Company’s share options during the Reporting Period:

Category/ Name of participant	Date of grant	Number of share options					Outstanding as at 30.06.2021	Vesting period	Validity period of share options	Exercise price of share option (HK\$) per share
		Outstanding as at 01.01.2021	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period				
Consultant										
Yau Wai Lung	05.12.2014	169,400,000	-	-	-	-	169,400,000	-	05.12.2014 to 04.12.2024	0.42
Total		169,400,000	-	-	-	-	169,400,000			

No share option has been granted under the Share Option Scheme during the Reporting Period.

Save as disclosed above, no equity-linked agreements were entered into by the Company that have, will or may result in the Company issuing Shares or require the Company to enter into any agreements that will or may result in the Company issuing Shares during the Reporting Period or subsisted at the end of the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at 30 June 2021, none of the Directors and chief executives of the Company was interested in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the he/she was taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2021, so far as known to the Directors, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholders	Capacity	Number of shares held	Approximate percentage of shareholding ⁽¹⁾
Shandong Hi-Speed Group Co., Ltd.* (山東高速集團有限公司) ⁽²⁾	Interest in a controlled corporation	10,459,648,350	43.42%(L)
Shandong Hi-Speed (BVI) Capital Management Limited ⁽²⁾	Interest in a controlled corporation	5,459,648,350	22.66%(L)
Shandong Hi-Speed (Hong Kong) International Capital Limited ⁽²⁾	Beneficial owner	5,459,648,350	22.66%(L)
Shandong Rural Economic Development and Investment Company Limited* (山東省農村經濟開發投資公司) ⁽²⁾	Interest in a controlled corporation	5,000,000,000	20.76%(L)
Shandong International (Hong Kong) Limited ⁽²⁾	Beneficial owner	5,000,000,000	20.76%(L)
China Credit Trust Co., Ltd. ⁽³⁾	Interest in a controlled corporation	6,846,686,000	28.42%(L)
Harvest Fund Management Co., Ltd ⁽³⁾	Interest in a controlled corporation	6,846,686,000	28.42%(L)
Harvest Global Investments Limited ⁽³⁾	Interest in a controlled corporation	6,846,686,000	28.42%(L)
Harvest Alternative Investment Opportunities SPC for and on behalf of Harvest High Speed Fund SP ⁽³⁾	Interest in a controlled corporation	6,846,686,000	28.42%(L)
JS High Speed Limited ⁽³⁾	Beneficial owner	6,846,686,000	28.42%(L)
Tai Fung Bank Limited ⁽⁴⁾	Security interest	6,846,686,000	28.42%(L)

MANAGEMENT DISCUSSION AND ANALYSIS

Name of substantial shareholders	Capacity	Number of shares held	Approximate percentage of shareholding ⁽¹⁾
Haitong Securities Co., Ltd. ⁽⁵⁾	Interest in a controlled corporation	1,215,048,516 1,215,048,516	5.04%(L) 5.04%(S)
Haitong International Holdings Limited ⁽⁵⁾	Interest in a controlled corporation	1,215,048,516 1,215,048,516	5.04%(L) 5.04%(S)
Haitong International Securities Group Limited ⁽⁵⁾	Interest in a controlled corporation	1,215,048,516 1,215,048,516	5.04%(L) 5.04%(S)
Haitong International (BVI) Limited ⁽⁵⁾	Interest in a controlled corporation	1,215,048,516 1,215,048,516	5.04%(L) 5.04%(S)
Haitong International Asset Management (HK) Limited ⁽⁵⁾	Investment Manager	1,215,048,516 1,215,048,516	5.04%(L) 5.04%(S)

Notes:

- (1) The calculation is based on the issued share capital of the Company of 24,089,384,437 shares as at 30 June 2021.
- (2) Shandong Hi-Speed (Hong Kong) International Capital Limited was wholly owned by Shandong Hi-Speed (BVI) Capital Management Limited, which was in turn wholly owned by Shandong Hi-Speed Group Co., Ltd.* (山東高速集團有限公司). Shandong International (Hong Kong) Limited was wholly owned by Shandong Rural Economic Development and Investment Company Limited* (山東省農村經濟開發投資公司), which was in turn wholly owned by Shandong Hi-Speed Group Co., Ltd.* (山東高速集團有限公司). Therefore, Shandong Hi-Speed Group Co., Ltd.* (山東高速集團有限公司) was deemed to be interested in totally 10,459,648,350 shares of the Company, comprising 5,459,648,350 shares held indirectly through Shandong Hi-Speed (BVI) Capital Management Limited and 5,000,000,000 shares held indirectly through Shandong Rural Economic Development and Investment Company Limited* (山東省農村經濟開發投資公司).
- (3) JS High Speed Limited was wholly owned by Harvest Alternative Investment Opportunities SPC for and on behalf of Harvest High Speed Fund SP, which was owned as to 91% by Harvest Global Investments Limited, which was in turn wholly owned by Harvest Fund Management Co., Ltd., which was owned as to 40% by China Credit Trust Co., Ltd..
- (4) Tai Fung Bank Limited as chargee had security interest in those 6,846,686,000 shares under a share charge with JS High Speed Limited as chargor.
- (5) Haitong International Asset Management (HK) Limited was wholly-owned by Haitong International (BVI) Limited, which was in turn wholly-owned by Haitong International Securities Group Limited. Haitong International Securities Group Limited was owned as to 64.40% by Haitong International Holdings Limited, which was in turn wholly-owned by Haitong Securities Co., Ltd.. Therefore, each of Haitong Securities Co., Ltd., Haitong International Holdings Limited, Haitong International Securities Group Limited and Haitong International (BVI) Limited was deemed to be interested in the long positions of 1,215,048,516 shares (long position) and 1,215,048,516 shares (short position) held by Haitong International Asset Management (HK) Limited. Such 1,215,048,516 shares (short position) involve physically settled unlisted derivatives.
- (6) (L)—Long position; (S)—Short position.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any person (other than the Directors or chief executives of the Company) had interests or short positions which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

* For identification purposes only

CORPORATE GOVERNANCE

Save as disclosed below, during the Reporting Period, the Company has complied with all applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules, other than those set out below:

Pursuant to Code Provision A.2.1, the roles of the chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. During the Reporting Period, Mr. Wang Xiaodong is the Chairman of the Board. Since Mr. Mei Weiyi's resignation as CEO, the Company has been identifying suitable candidate to fill the vacancy of CEO. Meanwhile, the day-to-day operations of the Group have been delegated to other executive Directors and the senior management responsible for different businesses. Decisions of the Company have been made collectively by the executive Directors who execute strategies set by the Board, and senior management of the Company have been responsible for the day-to-day operations of the Group under the supervision of the Board of the Company and the executive committee of the Company.

The Company's deviation from Code Provision A.2.1 of the CG Code will be temporary and will cease when a suitable candidate is appointed as our CEO. The Board will review this structure from time to time and will make announcement in accordance with the applicable Listing Rules when a new CEO is appointed by the Group.

Code Provision F.1.3 of the CG Code states that the Joint Company Secretaries should report to the Board Chairman and/or the CEO. The Joint Company Secretaries of the Company are responsible to report to the Board of Directors on Board matters and to the Head of Legal and Compliance on company secretarial and administrative matters. All Directors have access to the advice and services of the Joint Company Secretaries on Board procedures and corporate governance matters as and when required. The Board is of the view that the current arrangement shall be maintained for effective performance of the roles and responsibilities of the Joint Company Secretaries.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* set out in Appendix 10 issued by the Stock Exchange with partially revised (the "Model Code") as its own code on 30 December 2019. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

While the unaudited condensed consolidated interim financial statements of the Group for the Reporting Period have not been reviewed by the Company's auditor, Crowe (HK) CPA Limited, the audit committee of the Company (the "Audit Committee") has reviewed and discussed with the management of the Company on the unaudited condensed consolidated interim results of the Group for the Reporting Period including the report of the Company and the accounting principles and practices adopted by the Group and is of the view that the financial information and report have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made. During the Reporting Period, the Audit Committee is comprised of non-executive Directors, namely, Mr. Chen Di and Mr. Gao Guicheng and independent non-executive Directors, namely, Mr. Chan Wai Hei (chairman), Mr. Tan Yuexin and Mr. Jonathan Jun Yan.

OTHER INFORMATION

CHANGES IN INFORMATION OF DIRECTORS

The changes in information of Directors since the publication of 2020 Annual Report or circular regarding the re-election of directors of the Company are as follows:

Name of Director(s)	Details of change(s)
Guan Huanfei	Resigned as executive director and chairman of the board of Enterprise Development Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange with stock code of 1808, with effect from 22 May 2021.
Chan Wai Hei	He was served as an independent non-executive director of Vanke Overseas Investment Holding Company Limited (stock code: 1036) ("Vanke Overseas Investment"), a company listed on the Main Board of the Stock Exchange. His office as an independent non-executive director was vacated with effect from 26 May 2021 pursuant to the articles of association of Vanke Overseas Investment in contemplation that he would have served more than 9 years.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

By Order of the Board
China Shandong Hi-Speed Financial Group Limited
Wang Xiaodong
Chairman

Hong Kong, 27 August 2021