China Minsheng Financial Holding Corporation Limited
中國民生金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 245)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The Board (the "Board") of Directors (the "Directors") of China Minsheng Financial Holding Corporation Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (hereinafter together referred as the "Group") for the year ended 31 December 2018 together with the comparative figures of the corresponding year in 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
Interest income		**171,393**	162,043
Commission and fee income		**99,185**	33,099
Net investment income		**242,806**	257,033
Total revenue	*4,5*	**513,384**	452,175
Commission expenses		**(255)**	(304)
		513,129	451,871
Other income		**256**	12,484
		513,385	464,355
Expenses			
Staff costs and related expenses		**(108,838)**	(89,352)
Other termination benefits		**–**	(12,736)
Premises expenses		**(40,003)**	(22,223)
Legal and professional fees		**(17,457)**	(28,159)
Depreciation		**(4,899)**	(3,867)
Information technology expenses		**(5,439)**	(4,895)
Expected credit losses allowance		**(98,036)**	–
Impairment loss on available-for-sale financial assets		**–**	(9,268)
Other operating expenses		**(44,934)**	(35,062)
Total operating expenses		**(319,606)**	(205,562)

	Note	**2018**	2017
		HK$'000	*HK$'000*
Operating profit		**193,779**	258,793
Share of post-tax loss of associates		**(1,708)**	(3,361)
Finance costs		**(31,195)**	(47,280)
Profit before income tax	*6*	**160,876**	208,152
Income tax expenses	*7*	**(19,271)**	(14,784)
Profit for the year		**141,605**	193,368
Profit/(loss) attributable to:			
— Owners of the Company		**143,233**	192,033
— Non-controlling interests		**(1,628)**	1,335
		141,605	193,368
		HK$ Cents per share	*HK$ Cents per share*
Earnings per share attributable to owners of the Company			
Basic earnings per share	*9*	**0.50**	0.66
Diluted earnings per share	*9*	**0.50**	0.66

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**141,605**	193,368
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Net change on fair value on financial assets designated at other comprehensive income, net of tax	**(39,935)**	–
Items that may be reclassified subsequently to profit or loss		
Net change on fair value on available-for-sale financial assets, net of tax	**–**	48,223
Currency translation differences	**(12,310)**	14,166
Other comprehensive income for the year, net of tax	**(52,245)**	62,389
Total comprehensive income for the year	**89,360**	255,757
Total comprehensive income for the year attributable to:		
— Owners of the Company	**79,049**	269,593
— Non-controlling interests	**10,311**	(13,836)
	89,360	255,757

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**8,526**	9,264
Goodwill		**15,871**	15,871
Other intangible assets		**700**	500
Investments in associates		**190,684**	164,206
Rental and other deposits		**5,468**	7,002
Available-for-sale financial assets		**–**	623,844
Financial assets designated at fair value through profit or loss	*12*	**627,040**	1,659,513
Financial assets designated at fair value through other comprehensive income	*13*	**245,531**	–
Total non-current assets		**1,093,820**	2,480,200
Current assets			
Margin receivables and other trade receivables	*10*	**326,632**	445,365
Available-for-sale financial assets		**–**	407,509
Financial assets designated at fair value through profit or loss	*12*	**1,857,155**	33,900
Loan and interest receivables	*11*	**471,527**	1,323,926
Deferred tax assets	*7*	**28,006**	11,760
Tax receivable		**469**	–
Other receivables, prepayments and deposits		**16,206**	70,256
Pledged bank deposits		**299**	313
Margin accounts with financial institution		**–**	370
Deposits with brokers		**16,635**	247,369
Cash and bank balances		**2,216,342**	1,137,535
Total current assets		**4,933,271**	3,678,303
Total assets		**6,027,091**	6,158,503

	Note	2018 HK$'000	2017 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**5,667,546**	5,667,546
Other reserves		**727,380**	784,797
Accumulated losses		**(790,058)**	(918,861)
		5,604,868	5,533,482
Non-controlling interests		**(248,036)**	(258,347)
Total equity		**5,356,832**	5,275,135
LIABILITIES			
Non-current liabilities			
Note payable		**–**	349,200
Derivative financial instruments		**–**	7,690
Total non-current liabilities		**–**	356,890
Current liabilities			
Loan and interest payables		**–**	196,721
Bank borrowings		**509,610**	200,450
Current tax liabilities		**51,347**	30,835
Trade payables		**8,687**	9,106
Derivative financial instruments		**15,430**	383
Accruals and other payables		**85,185**	88,983
Total current liabilities		**670,259**	526,478
Total liabilities		**670,259**	883,368
Total equity and liabilities		**6,027,091**	6,158,503

Notes:

1. STATUTORY FINANCIAL STATEMENTS

The financial information relating to the years ended 31 December 2018 and 2017 included in this preliminary announcement of annual results 2018 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for the years ended 31 December 2018 and 2017. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. GENERAL INFORMATION

The Company was incorporated in Hong Kong with limited liability. The address of its registered and business office is Suite 1302, 13/F, AIA Central, 1 Connaught Road, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

These consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated.

In the opinion of the directors of the Company, at 31 December 2018, CMI Financial Holding Company Limited ("CMI"), a company incorporated in Hong Kong, is the immediate holding company; China Minsheng Investment Corporation Limited ("CMIG"), a company incorporated in the People's Republic of China (the "PRC"), is the ultimate holding company. Subsequent to year end, both CMI and CMIG have reduced their shareholdings in the Company from 50.07% to 30.22%, as a result, CMI and CMIG are no longer the holding company and ultimate holding company of the Group.

3.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

3.2 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

In the year ended 31 December 2018, the Group has adopted the following amendments to HKFRSs which were effective for accounting periods beginning on or after 1 January 2018:

Amendments to HKAS 2	Classification and Measurement of Share-based Payment transactions
HKFRS 9	Financial Instrument
HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with customers

Other than as explained below regarding the impact of HKFRS 9, the adoption of above new and revised standard has had no significant financial effect on the consolidated financial statements of the Group.

3.3 NEW ACCOUNTING POLICY ADOPTED BY THE GROUP DURING THE YEAR ENDED 31 DECEMBER 2018

Standards applied during the year ended 31 December 2018

The Group has adopted the requirements of HKFRS 9 and HKFRS 15 from 1 January 2018. Under HKFRS 9, the classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application. As permitted by HKFRS 9, the Group has not restated comparatives. The adoption of HKFRS 15 "Revenue from contracts with customers" has had an insignificant effect on the consolidated financial statements of the Group.

Set out below are disclosures relating to the impact of the adoption of HKFRS 9 on the Group.

(i) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with HKAS 39 and HKFRS 9 as at 1 January 2018 are compared as follows:

Financial assets	**Original measurement under HKAS 39**	**New measurement category under HKFRS 9**	**Original carrying amount under HKAS 39** *HK$'000*	**New carrying amount under HKFRS 9** *HK$'000*
Non-current assets				
Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial assets at fair value through profit or loss	623,844	623,844
	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	1,376,830	1,376,830
Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	282,683	282,683

Financial assets	Original measurement under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39 *HK$'000*	New carrying amount under HKFRS 9 *HK$'000*
Current assets				
Margin receivables and other trade receivables	Amortised cost	Amortised cost	445,365	443,806
Loan and interest receivables	Amortised cost	Amortised cost	1,323,926	1,318,719
Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial assets at fair value through profit or loss	407,509	407,509
	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	33,900	33,900

With regards to financial assets measured at fair value through other comprehensive income, revaluation loss of HK$6,199,000 was transferred from investment revaluation reserve to accumulated losses upon transition to HKFRS 9 on 1 January 2018.

(ii) *Reconciliation of statement of financial position balances from HKAS 39 to HKFRS 9:*

For financial assets subject to Expected Credit Loss ("ECL") impairment, the carrying amounts in accordance with HKAS 39 has been remeasured upon transition to HKFRS 9 on 1 January 2018. The reconciliation of carrying amounts in accordance with HKAS 39 and HKFRS 9 is as follows:

	HKAS 39 carrying amount as at 31 December 2017 *HK$'000*	Remeasurement (Expected Credit Loss allowance) *HK$'000*	**HKFRS 9 carrying amount as at 1 January 2018** ***HK$'000***
Margin receivables and other trade receivables	445,365	1,559	**443,806**
Loan and interest receivables	1,323,926	5,207	**1,318,719**

The adjustment on the opening accumulated losses as at 1 January 2018 amounted to HK$6,766,000.

3.4 IMPACT OF STANDARDS ISSUED BUT NOT YET APPLIED BY THE GROUP

The Group has not applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The Group has commenced an assessment of the impact of these new standards and amendments, but is not yet in a position to state whether they would have a significant impact on its results and financial position.

HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will results in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$29,966,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

4. SEGMENT INFORMATION

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

For the year ended 31 December 2018

	Asset management *HK'000*	**Securities brokerage** *HK'000*	**Investment holding** *HK$'000*	**Investment banking** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**72,305**	**46,216**	**389,675**	**–**	**5,188**	**513,384**
Segment profit/(loss) before income tax	**36,861**	**4,546**	**254,121**	**(5,989)**	**(128,663)**	**160,876**
Other segment information:						
Interest income	**–**	**39,571**	**126,368**	**–**	**5,454**	**171,393**
Depreciation and amortisation	**(54)**	**(385)**	**(186)**	**–**	**(4,274)**	**(4,899)**
Staff costs and related expenses	**(9,630)**	**(10,643)**	**(17,333)**	**(3,865)**	**(67,367)**	**(108,838)**

For the year ended 31 December 2017

	Asset management *HK'000*	Securities brokerage *HK'000*	Investment holding *HK$'000*	Investment banking *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers	18,457	75,062	347,108	2,740	8,808	452,175
Segment profit/(loss) before income tax	430	44,458	295,742	(29,104)	(103,374)	208,152
Other segment information:						
Interest income	–	54,767	97,228	1,240	8,808	162,043
Depreciation and amortisation	(269)	(573)	(99)	–	(2,926)	(3,867)
Staff costs and related expenses	(6,241)	(7,121)	(10,867)	(12,982)	(52,141)	(89,352)

5. REVENUE

	2018	2017
	HK$'000	*HK$'000*
Interest income:		
Interest income from money lending business	**115,676**	124,221
Interest income from margin lending business	**39,568**	27,594
Other interest income	**16,149**	10,228
	171,393	162,043
Commission and fee income:		
Advisory fee income	**3,108**	3,585
Commission income from securities brokerage	**2,959**	3,270
Loan arrangement fee income	**3,384**	11,640
Fee income received from asset management	**72,304**	8,604
Referral fee income	**17,430**	–
Underwriting fee income	**–**	6,000
	99,185	33,099
Net investment income:		
Net gain on financial assets designated at fair value through profit or loss	**187,996**	133,269
Net loss on derivative financial instruments	**(9,895)**	(36,289)
Gain on disposal of available-for-sale investments	**–**	143,400
Dividend income	**64,705**	16,653
	242,806	257,033
	513,384	452,175

6. PROFIT BEFORE INCOME TAX

The Group's profit for the year is stated after charging/(crediting) the following:

	2018	2017
	HK$'000	*HK$'000*
Profit before income tax has been arrived at after charging/(crediting):		
Auditors' remuneration		
Audit fees	**2,255**	2,508
Non-audit fees	**(577)**	970
Loss on disposals of property, plant and equipment	**–**	37
Written-off of property, plant and equipment	**18**	124
Impairment losses on goodwill	**–**	538
Expected credit loss on loans receivables and margin receivables	**98,036**	–
Foreign exchange (gain)/losses, net	**(1,812)**	4,756
Written-back of trade and tax payables	**–**	(12,168)

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) and at the rates of income tax prevailing in the countries in which the Group operates respectively.

The PRC Enterprise Income Tax rate is 25% (2017: 25%).

	2018	2017
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
— charge for the year	**38,894**	17,627
— overprovision for prior year	**(2,085)**	(155)
PRC Enterprise Income Tax		
— charge for the year	**1,489**	790
— underprovision for prior year	**–**	1
Deferred income tax		
— credit for the year	**(19,027)**	(3,479)
	19,271	14,784

The income tax for the year can be reconciled to the profit before income tax per the consolidated statement of profit or loss as follows:

	2018	2017
	HK$'000	*HK$'000*
Profit before income tax	**160,876**	208,152
Income tax at income tax rate applicable to assessable profit of the operation in different jurisdictions	**30,617**	33,767
Tax effect of expenses not deductible for tax purpose	**3,964**	8,400
Tax effect of income not taxable for tax purpose	**(14,675)**	(26,168)
Over provision in prior year	**(2,085)**	(471)
Utilisation of tax losses previously not recognised	**(1,944)**	(1,257)
Tax effect of temporary difference not recognised in prior year now recognised	**355**	114
Tax effect of tax losses not recognised	**–**	363
Others	**3,039**	36
Income tax for the year	**19,271**	14,784

As at 31 December 2018, deferred tax asset of HK$25,979,000 (2017: HK$6,950,000) has been recognised for some of the unused tax losses. There were no material unrecognised tax losses which have been agreed with the Inland Revenue Department.

	2018 Before tax HK$'000	2018 Tax credit HK$'000	2018 After tax HK$'000	2017 Before tax HK$'000	2017 Tax credit HK$'000	2017 After tax HK$'000
Fair value losses on available-for-sale financial assets	–	–	–	47,720	503	48,223
Currency translation differences	(12,310)	–	(12,310)	14,166	–	14,166
Other comprehensive income	(12,310)	–	(12,310)	61,886	503	62,389
Deferred tax		–			503	

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

	2018 HK$'000	2017 HK$'000
Deferred tax assets		
— Net fair value losses	**2,027**	4,810
— Tax losses	**25,979**	6,950
	28,006	11,760

8. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: HK$Nil).

9. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$143,233,000 (2017: HK$192,033,000) and the weighted average number of ordinary shares of 28,928,719,000 (2017: 28,928,719,000) in issue during the year.

Diluted earnings per share

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the year ended 31 December 2018.

10. MARGIN RECEIVABLES AND OTHER TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Margin clients	**289,105**	442,855
Less: Expected credit losses allowances on margin receivables	**(21,592)**	–
	267,513	442,855
Trade receivables arising from the business of asset management	**59,119**	2,510
	326,632	445,365

The settlement terms of trade receivables arising from the business of securities dealing and brokerage excluding margin clients are two days after trade date.

Loans to margin clients are secured by clients' pledged Hong Kong-listed securities at fair value of HK$885,094,000 (2017: HK$1,442,588,600) which can be sold at the Company's discretion to settle margin call requirements imposed by their respective securities transactions. The loans are repayable on demand and bear interest at commercial rates.

Expected credit losses as at 1 January 2018 to reflect the adoption of HKFRS 9 is HK$1,559,000. Expected credit losses allowance ("ECL allowance") as at 31 December 2018 amounted to HK$21,592,000, the increase in ECL allowance of HK$20,033,000 was recognised in the consolidated statement of profit or loss.

The Group considered that the business nature of margin receivable are short-term with no significant over-due amounts and the directors are of the opinion that no further aging analysis is disclosed.

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

	2018	2017
	HK$'000	*HK$'000*
0–90 days	**59,119**	2,510
	59,119	2,510

The carrying amount of the margin receivables and other trade receivables approximate to their fair value.

11. LOAN AND INTEREST RECEIVABLES

As at 31 December 2018, these loan receivables bear interest at fixed rate ranged from 10% to 13% per annum (31 December 2017: 8.5% to 10%). Interest income derived from loan receivables was recognised and presented under "Interest income". The carrying value of the loan receivables approximate to their fair values.

Regular reviews on these loans receivables are conducted by the Portfolio Management and Operation Department based on the latest status of these loans, and the latest announced or available information about the borrowers and the underlying collateral held. Apart from collateral monitoring, the Group seeks to maintain effective control over its loans in order to minimise credit risk by regularly reviewing the borrowers' and/or guarantors' financial positions.

As these loan receivables will be settled within 12 months, the carrying amount approximate to their fair value.

Expected credit losses as at 1 January 2018 to reflect the adoption of HKFRS 9 is HK$5,207,000. Expected credit losses allowance ("ECL allowance") as at 31 December 2018 amounted to HK$83,182,000, the increase in ECL allowance of HK$78,003,000 was recognised in the consolidated statement of profit or loss.

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

	2018	2017
	HK$'000	*HK$'000*
Not past due or less than 1 month past due	**230,968**	1,323,926
1–3 months past due	**323,741**	–
	554,709	1,329,926
Less: ECL allowance	**(83,182)**	–
	471,527	1,323,926

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include the followings:

	2018	2017
	HK$'000	*HK$'000*
Financial assets designated at fair value through profit or loss		
Unlisted investment funds	**1,648,415**	1,502,666
Unlisted equity investments	**485,830**	–
Convertible bonds	**104,980**	156,847
Listed equity investment	**244,970**	33,900
	2,484,195	1,693,413
Classified as		
Non-current assets	**627,040**	1,659,513
Current assets	**1,857,155**	33,900
	2,484,195	1,693,413

The investments in unlisted investment funds of HK$1,648,415,000 (2017: HK$1,502,666,000) as above represent investments in unconsolidated structured entities. The maximum exposure to loss is HK$1,648,415,000 (2017: HK$1,502,666,000) which represents the fair value as at 31 December 2018.

The size of these unconsolidated structured entities is HK$1,681,949,000 (2017: HK$1,532,965,000).

During the year, the Group did not provide financial support to these unconsolidated entities and has no intention of providing financial or other support.

The above investments was designated upon initial recognition of fair value through profit or loss.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	2018	2017
	HK$'000	*HK$'000*
Financial assets designated at fair value through other comprehensive income	**245,531**	–
	245,531	–
Classified as		
Non-current assets	**245,531**	–
Current assets	**–**	–
	245,531	–

14. SHARE CAPITAL

		2018		2017	
		Number of shares	**Amount**	Number of shares	Amount
	Note	***'000***	***HK$'000***	*'000*	*HK$'000*
Ordinary shares, issued and fully paid:					
At 1 January		**28,928,719**	**5,667,546**	28,928,719	5,667,546
At 31 December		**28,928,719**	**5,667,546**	28,928,719	5,667,546

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Year 2018 has been a year of change and turbulence. Various factors such as Sino-American trade friction, political landscape of North Korea and the date of Brexit (i.e. late March this year) has cast a gloom over global economy. According to the economic statistics released by National Bureau of Statistics of China on 21 January 2019, the gross domestic product (GDP) of China in 2018 was RMB 90 trillion, representing an increase of 6.6% as compared to the previous year, which reflects China's economic slowdown.

Hong Kong's foreign trade has continued to grow amidst adverse effects such as fluctuations in the global financial market. According to a report released by Deloitte & Touche, Hong Kong continues to be one of the most competitive and attractive equity financing markets in the world thanks to its well-established capital market system, sound judicial system, advanced commercial infrastructure, fair and transparent regulatory regime, low-tax environment, and, in particular, the revolutionary changes in the Listing Rules brought by the Stock Exchange since last year where it allows innovative and high growth technology companies to go listing in Hong Kong with "weighted voting rights structures", while relaxing the listing restrictions specified for biotech companies and restrictions for secondary listing in Hong Kong. According to the statistics published by the Stock Exchange, as of 14 December 2018, Hong Kong has regained its top spot in the global initial public offering fundraising, with total equity funds raised through initial public offerings in Hong Kong reached HK$277.85 billion, which is the highest since 2010.

In 2018, overseas mergers and acquisitions by Chinese enterprises has continued to decline. The relevant domestic government authorities have successively issued a number of policies for mid-term corporates' overseas investment, including the introduction of Interim Measures for the Recordation (or Confirmation) and Reporting of Outbound Investment (《對外投資備案(核准)報告暫行辦法》), the official implementation of Catalogue of Sensitive Industries for Overseas Investment (2018 Edition) (《境外投資敏感行業目錄》(2018年版)) and Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》) and the announcement of Opinions on Guiding the Sound Development of Outbound Investment and Financing Funds (《關於引導對外投融資基金健康發展的意見》), which require a more sophisticated and facilitated management over Chinese enterprises' overseas mergers and acquisitions. Looking forward to 2019, the Ministry of Commerce of China stated that it will strengthen its policy guidance and enhance risk prevention while stressing on the security responsibilities of Chinese enterprises in overseas and responding to various risks in a timely and effective manner.

Fully leveraging on the geographical advantages from strategies of "basing in Hong Kong and facing the China mainland" as well as capitalizing the well-established market environment, local government support and national strategies such as "Belt and Road" Initiative and the development of "Guangdong-Hong Kong-Macao Greater Bay Area", the Company will strive to enhance its comprehensive financial services with an aim to serve the real economy, and create an integrated innovative financial service platform under the two-pronged strategy of "Traditional Finance + Financial Technology" through developing financial technology based on the traditional financial model.

BUSINESS REVIEW

Enhancing Comprehensive Financial Services and Kicking off the Two-pronged Strategy of "Investment + Investment Banking"

The Group obtained licenses for conducting regulated activities in Hong Kong under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), which equipped the Company with the ability to serve the whole life cycle of enterprises that provides a series of financial services from start-up capital support to further expansion, mergers and acquisitions as well as corporate restructuring to cater their needs, forging a sustainable business environment.

The Group has made a full use of its licenses and strengths in resources to explore new business opportunities, assisted enterprises in leveraging the strength of the capital market to achieve rapid development. The Group has also strived to serve high-end customers in both China and overseas by enhancing its comprehensive financial services as well as the two-pronged strategy of "Investment + Investment Banking" and focusing on its asset management and securities service.

Creating a New Environment for the Application of Financial Services for Blockchain Technology

In April 2018, the Company took lead in investment into Series E financing of eToro Group Ltd ("eToro"), a pioneer in the fin-tech industry, and developed strategic cooperation with eToro. As a result of the signing of strategic cooperation agreement, the Company has been reinforcing its cooperation with eToro in the optimization of online platform, business expansion and the adherence of globalized investment strategies, with an aim to seize market presence in innovative financial business and develop into an investment bank providing financial services for blockchain application.

The Group are looking forward to the joint cooperation with eToro in business expansion, further strengthening customer solicitation and cross-selling, while assisting eToro in expanding into China and Asia markets and capturing the future development opportunities in the capital market. The Company also hopes that both the Company and eToro can enjoy technological and product innovation through cooperation, and that the Group's future business can flourish enormously riding on business opportunities brought by market expansion.

Through diversified cooperation, the Company expects to provide integrated solutions with international vision for both domestic and foreign customers, and thus promote the Group's fin-tech strategies to a new level by creating a new environment for the application of financial services for blockchain technology with the use of new technology. The Company will grasp the opportunities to create a pioneering business model in emerging financial sectors such as fin-tech and other potential sectors within the financial industry.

Focusing on Vertical Businesses and Achieving Synergies

While the Group will focus on building up scale for each of its vertical businesses, it will continue to tap the potential for the synergies across various resources and platforms in securities brokerage, investment, investment banking and asset management, to better serve our customers. Furthermore, the Group will also create a pioneering business model in emerging financial sectors such as fin-tech and other potential sectors within the financial industry, as well as to facilitate industrial and technological revolution and bolster its development into the brand as an investment bank providing financial services for blockchain application.

In June 2018, the Company was honored with the "13th Outstanding China Enterprise Award — Outstanding Investment and Asset Management Group in China" (資本傑出中國投資及資產管理集團), which fully demonstrates the attention and recognition the Group has obtained in capital market in terms of investment and services for high-end customers, and also proves that the Group's strategies of active development in fin-tech are in line with the market trends and successfully making itself a trendsetter among industry players.

PROSPECT

The Company has established in-depth cooperation with a variety of enterprises by which the Company fully understands the various needs of enterprises in different stages of development and thus provides specialized capital solutions that facilitate corporate growth exclusively for each enterprise, while accomplishing its vision and goal as a well-established financial service provider.

Looking forward, the Company will follow the market trend by supporting the "Belt and Road" Initiative and seizing the opportunities brought by new economy and consumption upgrade. As CMIG Asia's financial services platform in Hong Kong, the Group will fully demonstrate its capability in providing comprehensive financial services, accommodate enterprises' financial needs throughout the entire corporate lifecycle, as well as implement and bolster its two-pronged strategy of "Investment + Investment Banking". The Group has also endeavored to be the "best financial planning partner" by leveraging partners' product research and development capability and resources as well as assisting in partners' effective access to quality resources and advanced technologies overseas, in order to be able to share fruits from economic development with its international investors through their cooperation in seizing opportunities in the China market.

FINANCIAL REVIEW

For the year ended 31 December 2018, the audited consolidated revenue of the Group was approximately HK$513,384,000 (2017: approximately HK$452,175,000), representing an increase of approximately 14% as compared with the corresponding period last year.

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

For the year ended 31 December 2018, in HK$'000

	2018	2017	Change
Interest income	**171,393**	162,043	6%
Commission and fee income	**99,185**	33,099	200%
Net investment income	**242,806**	257,033	(6%)
Total revenue	**513,384**	452,175	14%

The Group recorded profit of approximately HK$141,605,000 for the year ended 31 December 2018 (2017: approximately HK$193,368,000), the decrease in profit was mainly due to the net effects of the following factors:

(i) the increase in profit arising from the provision of asset management service as a result of good performance of a fund under management; and

(ii) the expected credit losses allowance recognised in the consolidated statement of profit or loss, which amounted to approximately HK$98,036,000, reflecting the increasing credit risk associated with loans portfolio.

On financial position and cash flows:

— the Group's total assets were approximately HK$6,027,091,000 as at 31 December 2018 (as at 31 December 2017: approximately HK$6,158,503,000), representing a decrease of approximately 2.1%

— net cash inflows/(outflows) from operating activities, investing activities and financing activities were approximately HK$1,360,835,000, HK$(32,597,000) and HK$(241,922,000) respectively for the year ended 31 December 2018 (2017: approximately HK$(259,741,000), HK$(46,656,000) and HK$5,945,000).

As at 31 December 2018, the Group's total cash and bank balances (excluding pledged bank deposits) were approximately HK$2,216,342,000 (as at 31 December 2017: approximately HK$1,137,535,000).

Key financial and business performance indicators

The key financial and business performance indicators of the Group are comprised of profitability; loan receivables; impaired loan receivables to total loan receivables ratio; and gearing ratio.

The Group recorded a profit attributable to owners of the Company of approximately HK$143,233,000 for the year ended 31 December 2018 which represented a 25.4% decrease as compared to approximately HK$192,033,000 for the year ended 31 December 2017.

Loan and interest receivables balance arising from money lending business decreased to approximately HK$471,527,000 as at 31 December 2018 (as at 31 December 2017: approximately HK$1,323,926,000).

Based on HKFRS 9 Expected Credit Losses ("ECL") assessment on margin receivables and loan receivables, the Group recognised HK$98,036,000 expected credit losses for the year ended 31 December 2018 (2017: Nil). Expected credit losses allowance to total loan receivables ratio is 12.4% as of 31 December 2018 (2017: Nil). The Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its loan receivables and to take prompt actions to pursue loans recovery regarding potential problem credits.

As at 31 December 2018, the Group had total assets of approximately HK$6,027,091,000 (as at 31 December 2017: approximately HK$6,158,503,000) and the gearing ratio (total debt to total equity) was approximately 9.5% (as at 31 December 2017: approximately 14.1%). The Group strives to achieve appropriate leverage level in order to grow its business effectively, and at the same time continue to monitor its liquidity prudently, manage key risks cautiously and set appropriate yet flexible business development strategies to strike a balance between business growth and risk management.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group's cash and bank balances (excluding pledged bank deposits) amounted to approximately HK$2,216,342,000 (as at 31 December 2017: approximately HK$1,137,535,000). The current ratio as at 31 December 2018 was 736.0% (as at 31 December 2017: 698.7%), which indicated that the Group's overall financial position remained strong.

The Directors are of the opinion that there are sufficient cash resources for the Group to meet its financial obligation and business requirements.

OPERATIONAL REVIEW

Funding, capital structure and capital management

The main objective of the Group's funding activities is to ensure the availability of funds at reasonable costs to meet all contractual financial commitments and to generate reasonable returns from available funds.

The Group relies principally on its share capital, internally generated capital, bank and other borrowings to fund its money lending business and investments. The Group's interest bearing borrowings in the form of bank borrowings, note payable, loan payables and margin payables amounted to approximately HK$509,610,000 as at 31 December 2018 (as at 31 December 2017: approximately HK$746,371,000). Based on the level of total debt to total equity of the Group, the Group's gearing ratio stood at a healthy level of 9.5% (2017: 14.1%) as at 31 December 2018. The Group's borrowings are mainly in US dollars and Hong Kong dollars, and have remaining average maturity periods within one year. The Group's cash and cash equivalents are mainly in US dollars, Renminbi and Hong Kong dollars. There were no foreign currency net investments hedged by foreign currency borrowings and other hedging instruments by the Group during the year under review.

Asset quality and credit management

The Group will continue to manage key risks cautiously and set appropriate yet flexible business development strategies to strike a balance between business growth and risk management. Based on HKFRS 9 ECL assessment on margin receivables and loans receivables, the Group recognised HK$20,033,000 and HK$78,003,000 expected credit losses allowance in consolidated statement of profit or loss respectively for the year ended 31 December 2018 (2017: Nil for both).

Furthermore, the Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its assets. Further, the Group's investments and cash and bank balances are placed with a diversified portfolio of reputable financial institutions.

Human resources management

The objective of the Group's human resources management is to reward and recognise well performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group. Staff enrolled in external training courses, seminars, professional and technical courses in order to update their technical knowledge and skills, to increase their awareness of the market developments, and to improve their management and business skills. Staff also participated in social activities organised by the Group to promote team spirit and social responsibility to the community.

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND RELATED HEDGING

The Directors considered that the Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in foreign currencies other than its functional currency, which is Hong Kong dollars. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency should the need arises.

STAFF AND REMUNERATION POLICY

As at 31 December 2018, the Group has 84 employees (as at 31 December 2017: 71 employees).

The employees are remunerated based on their work performances, professional experiences and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the Group's management.

CHARGES ON GROUP'S ASSET

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

As at 31 December 2018, in HK$'000

	2018	2017
Pledged deposits at bank	**299**	313
Total charges on Group's asset	**299**	313

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

The above asset is pledged with creditworthy counterparty with no recent history of default.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2018 (as at 31 December 2017: Nil).

CAPITAL COMMITMENTS

The Group has entered into a contract to commit investing into an unlisted investment fund. The non-cancellable capital commitment as at 31 December 2018 is approximately HK$34,474,000 (2017: HK$62,535,000).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Save as disclosed elsewhere in this announcement, the Group had no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

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

Throughout the year ended 31 December 2018, the Company has complied with most of the Code Provisions of the CG Code, save for the deviation of the Code Provisions A.2.1 and A.4.1 which are explained below.

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

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. Except Mr. Lyu Wei, as an independent non-executive Director, all the non-executive Directors and the remaining independent non-executive Directors are appointed for a specific term of three years. Although Mr. Lyu Wei is not appointed for a specific term, the Company believes that as all Directors are subject to retirement by rotation and re-election at the annual general meeting at least once for every three years pursuant to the Articles, such practice meets the same objective and is no less exacting than those prescribed under Code Provision A.4.1.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. All the Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2018.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises Ms. Zhou Hui (chairperson), Mr. Lyu Wei, Mr. Ling Yu Zhang, Dr. Guan Tao and Mr. Wang Yongli.

An Audit Committee meeting was held on 28 March 2019 and attended by Ms. Zhou Hui, Mr. Lyu Wei, Mr. Ling Yu Zhang and Mr. Wong Yongli, who have reviewed the annual results for the year ended 31 December 2018.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ANNUAL GENERAL MEETING

The 2019 annual general meeting (the "2019 AGM") is expected to be held in June 2019. A further announcement in relation to the date of the 2019 AGM and the closure of register of members will be published in accordance with the Listing Rules.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events after the reporting period and up to the date of this announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk under "Latest Listed Company Information" and on the website of the Company at www.cm-fin.com respectively.

The annual report of the Company for the year ended 31 December 2018 will be dispatched to shareholders and be published on the aforementioned websites in due course.

On behalf of the Board
China Minsheng Financial Holding Corporation Limited
Watanabe Tomohiko
Chairman

Hong Kong, 28 March 2019

As at the date of this announcement, the Board comprises (1) Mr. Watanabe Tomohiko, Mr. Ni Xinguang, Mr. Zheng Li and Ms. Li Wei as executive directors of the Company; (2) Mr. Wang Dongzhi as non-executive director of the Company; and (3) Mr. Lyu Wei, Mr. Ling Yu Zhang, Dr. Guan Tao, Ms. Zhou Hui and Mr. Wang Yongli as independent non-executive directors of the Company