

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the “Board”) of directors (the “Directors”) of China Minsheng Financial Holding Corporation Limited (the “Company”) presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	8	66,644	82,353
Commission and fee income	9	(10,115)	10,010
Net investment income	10	(45,033)	215,156
Total revenue	6	11,496	307,519
Commission expenses		—	(23)
		11,496	307,496
Other income		6	20,935
		11,502	328,431
Expenses			
Staff costs and related expenses		(44,169)	(64,891)
Premises expenses		(24,664)	(18,284)
Legal and professional fees		(6,104)	(12,966)
Depreciation	6	(2,906)	(2,274)
Information technology expenses		(2,829)	(2,718)
Expected credit losses allowance		(26,262)	4,453
Other operating expenses		(19,686)	(16,357)
Total operating expenses		(126,620)	(113,037)

	<i>Note</i>	Six months ended 30 June	
		2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Operating (loss)/profit		(115,118)	215,394
Share of post-tax loss of associates	14	(2,214)	(1,409)
Finance costs		<u>(5,854)</u>	<u>(16,661)</u>
(Loss)/profit before income tax	6	(123,186)	197,324
Income tax credit/(expenses)	7	<u>18,826</u>	<u>(21,795)</u>
(Loss)/profit for the period		<u>(104,360)</u>	<u>175,529</u>
(Loss)/profit attributable to:			
— Owners of the Company		(103,144)	176,361
— Non-controlling interests		<u>(1,216)</u>	<u>(832)</u>
		<u>(104,360)</u>	<u>175,529</u>
		<i>HK\$ Cents</i> <i>per share</i>	<i>HK\$ Cents</i> <i>per share</i>
(Loss)/earnings per share attributable to owners of the Company			
Basic (loss)/earnings per share	12	<u>(0.36)</u>	<u>0.61</u>
Diluted (loss)/earnings per share	12	<u>(0.36)</u>	<u>0.61</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
(Loss)/profit for the period	(104,360)	175,529
Other comprehensive (loss)/income		
<i>Items that may be reclassified</i>		
<i>subsequently to profit or loss</i>		
Change in fair value of financial assets at fair value through other comprehensive income	3,570	—
Currency translation differences	1,774	(1,737)
<i>Items that will not be reclassified to profit or loss</i>		
Change in fair value of financial assets at fair value through other comprehensive income	(53,728)	(41,008)
Other comprehensive loss for the period, net of tax	(48,384)	(42,745)
Total comprehensive (loss)/income for the period	(152,744)	132,784
Total comprehensive (loss)/income for the period attributable to:		
— Owners of the Company	(152,525)	131,383
— Non-controlling interests	(219)	1,401
	(152,744)	132,784

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
AS AT 30 JUNE 2019

		30 June 2019	31 December 2018
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	25,281	8,526
Right of use asset		34,603	–
Goodwill		15,871	15,871
Other intangible assets		700	700
Investments in associates	14	187,980	190,684
Rental and other deposits		24,660	5,468
Financial assets at fair value through profit or loss		625,403	627,040
Financial assets at fair value through other comprehensive income		950,575	245,531
Loan and interest receivable	15	233,137	–
Total non-current assets		2,098,210	1,093,820
Current assets			
Margin receivables and other trade receivables		77,735	326,632
Financial assets at fair value through profit or loss		426,245	1,857,155
Loan and interest receivables	15	499,554	471,527
Deferred tax assets		50,323	28,006
Tax receivables		2,839	469
Other receivables, prepayments and deposits		22,550	16,206
Pledged bank deposits		298	299
Deposits with brokers		291,725	16,635
Cash and bank balances		2,389,717	2,216,342
Total current assets		3,760,986	4,933,271
Total assets		5,859,196	6,027,091

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
EQUITY		
Equity attributable to owners of the Company		
Share capital	5,667,546	5,667,546
Other reserves	669,874	727,380
Accumulated losses	(886,691)	(790,058)
	5,450,729	5,604,868
Non-controlling interests	(248,255)	(248,036)
Total equity	5,202,474	5,356,832
LIABILITIES		
Non-current liabilities		
Lease liability	16,406	—
Total non-current liabilities	16,406	—
Current liabilities		
Loan and interest payables	231,515	—
Bank borrowings	78,601	509,610
Trade payables	202,727	8,687
Accruals and other payables	63,531	85,185
Derivative financial instruments	—	15,430
Current tax liabilities	45,205	51,347
Lease liability	18,737	—
Total current liabilities	640,316	670,259
Total liabilities	656,722	670,259
Total equity and liabilities	5,859,196	6,027,091

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1 GENERAL INFORMATION

China Minsheng Financial Holding Corporation Limited (the “Company”) and its subsidiaries (together, ‘the Group’) was incorporated in Hong Kong with limited liability. The address of its registered and business office is 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong. The condensed consolidated financial statements were authorised for issue on 28 August 2019.

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

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

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

The financial information relating to the year ended 31 December 2018 that is included in the condensed consolidated financial statements for the six months ended 30 June 2019 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

2 BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated financial statements were reviewed by the Audit Committee. The Board of Directors of the Group has approved the condensed consolidated financial statements on 28 August 2019.

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The preparation of the condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing the condensed consolidated financial statements, the significant judgement 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 for the year ended 31 December 2018 other than those relating to HKFRS 16 which was first adopted on 1 January 2019.

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

3 ACCOUNTING POLICIES

3.1 New accounting policy adopted by the Group during the six months ended 30 June 2019

Except as described below, the accounting policies applied in preparing these condensed consolidated financial statements are the same as those applied in preparing the consolidated financial statements for the year ended 31 December 2018, as disclosed in the Annual Report for 2018.

Standards applied during the half-year to 30 June 2019

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting HKFRS 16 *Leases*.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

HKFRS 16 Leases

This note explains the impact of the adoption of HKFRS 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 below.

The Group has adopted HKFRS 16 retrospectively, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of HKFRS 16

On adoption HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.4%.

Set out below are disclosures relating to the impact of the adoption of HKFRS 16 on the Group.

	2019 HK\$'000
(i) Operating lease commitments disclosed as at 31 December 2018	29,966
Discounted using the lessee's incremental borrowing rate of	
at the date of initial application	27,770
(Less): short-term leases recognised on a straight-line basis as expense	(1,117)
Lease liability recognised as at 1 January 2019	26,653
Of which are:	
Current lease liabilities	22,986
Non-current lease liabilities	3,667
	26,653

- (ii) The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Right-of use assets were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 HK\$'000	1 January 2019 HK\$'000
Properties	<u>34,603</u>	<u>26,056</u>

- (iii) The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets — increase by HK\$26,056,000
- lease liabilities — increase by HK\$26,653,000

The net impact on retained earnings on 1 January 2019 was a decrease of HK\$597,000.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated financial statements, 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 for the year ended 31 December 2018.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

There have been no material changes in the risk management policies since year end.

5.2 Liquidity risk

Compared to year ended 31 December 2018, the contractual undiscounted cash out flows for financial liabilities in the Group is as follows:

As at 30 June 2019

	On demand or less than 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
Lease liability	18,737	8,920	7,486	–	35,143
Bank borrowing	78,741	–	–	–	78,741
Loan and interest payables	232,742	–	–	–	232,742
Trade payables	211,380	–	–	–	211,380
Other payables	9,478	–	–	–	9,478
	<u>551,078</u>	<u>8,920</u>	<u>7,486</u>	<u>–</u>	<u>567,484</u>

As at 31 December 2018

	On demand or less than 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
Bank borrowings	525,427	–	–	–	525,427
Trade payables	8,687	–	–	–	8,687
Derivative financial instruments	15,430	–	–	–	15,430
Other payables	7,504	–	–	–	7,504
	<u>557,048</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>557,048</u>

5.3 Fair value of financial assets and liabilities

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June 2019.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through profit or loss				
— Listed equity investments	76,056	—	—	76,056
— Unlisted equity investment	—	—	484,730	484,730
— Unlisted investment funds	—	115,162	272,689	387,851
— Convertible bonds	—	103,011	—	103,011
Financial assets at fair value through other comprehensive income				
— Listed bond investments	—	758,183	—	758,183
— Unlisted investment fund	—	192,392	—	192,392
Total	76,056	1,168,748	757,419	2,002,223

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 December 2018.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets designated at fair value through profit or loss				
— Unlisted equity investments	—	—	485,830	485,830
— Unlisted investment funds	—	134,136	1,514,279	1,648,415
— Convertible bond	—	104,980	—	104,980
— Listed equity investments	244,970	—	—	244,970
Financial assets designated at fair value through other comprehensive income				
— Unlisted investment fund	—	245,531	—	245,531
Total	244,970	484,647	2,000,109	2,729,726
Liabilities				
Derivative financial instruments				
— Option contract	—	(11,036)	—	(11,036)
— Total return swap	—	(4,394)	—	(4,394)
Total	—	(15,430)	—	(15,430)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as financial assets at fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Unlisted investment funds classified as level 2 is mainly because they are open-ended investment fund and their underlying investments are listed equity investments.

Unlisted investment funds classified as level 3 is principally due to their underlying investments are unlisted equity or unlisted debt investments.

Below is the table setting out quantitative information about fair value measurements using significant unobservable inputs (Level 3).

Equity Investments	Fair value as at 30 June 2019 HK\$	Valuation techniques	Unobservable input	Range	Relationship of unobservable inputs to fair value
Unlisted investment funds	132,015,000	Net asset value (note a)	n/a	n/a	n/a
	140,673,000	Recent transaction	n/a	n/a	n/a
Unlisted equity investment	484,541,000	Discounted cash flow	Discount rate	26%	The higher the discount rate, the lower the fair value

(a) The Group has determined that the reported net asset value represents fair value at the end of the reporting period.

There have been no significant transfers between level 1, level 2 and level 3 for the period ended 30 June 2019.

There is no significant inter-relationships between unobservable inputs that materially affect fair values.

The following table presents the changes in level 3 items for the period/year ended 30 June 2019 and 31 December 2018 for recurring fair value measurements:

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Opening balance as at beginning of the period/year	2,000,109	1,932,134
Purchase	–	611,590
Disposal	(1,148,695)	(766,619)
Amounts recognised in profit or loss		
Currency translation difference	(1,837)	(3,262)
(Losses)/gains recognised in net investment income *	(92,158)	226,266
Closing balance as at period/year end	757,419	2,000,109
 * includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period/year	 (79,551)	 209,251

5.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Margin receivables and other trade receivables
- Loan and interest receivables
- Deposits with brokers
- Cash and bank balances
- Pledged bank deposits
- Other receivables
- Other payables
- Trade payables
- Bank borrowing
- Loan and interest payables
- Lease liability

6 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 activities (“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 condensed consolidated financial statements.

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2019 and 2018 is as follows:

30 June 2019

	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	(25,917)	32,943	(5,838)	–	10,308	11,496
Segment loss before income tax	(31,550)	(14,491)	(7,776)	(2,009)	(67,360)	(123,186)
Other segment information:						
Interest income	–	27,629	29,089	–	9,926	66,644
Depreciation and amortisation	(30)	(761)	–	–	(2,115)	(2,906)

30 June 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	5,224	24,569	272,322	–	5,404	307,519
Segment profit/(loss) before income tax	(9,298)	11,360	257,300	(3,671)	(58,367)	197,324
Other segment information:						
Interest income	8	20,643	58,403	–	3,299	82,353
Depreciation and amortisation	(24)	(150)	–	–	(2,100)	(2,274)

7 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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% (2018: 25%).

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
— charge for the period	4,642	24,611
— overprovision for prior year	(593)	—
PRC Enterprise Income Tax		
— charge for the period	31	—
Deferred income tax		
— credit for the period	(22,906)	(2,816)
	<u>(18,826)</u>	<u>21,795</u>

8 INTEREST INCOME

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Interest income from listed bond investments	3,065	—
Interest income from money lending business	40,437	58,403
Interest income from bank deposits	9,973	3,307
Interest income from margin lending business	13,169	20,643
	<u>66,644</u>	<u>82,353</u>

9 COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Advisory fee income	—	2,556
Commission income from securities brokerage	2,883	791
Management fee income earned from asset management	3,191	5,085
Performance-based fee income earned from asset management	(29,108)	—
Loan arrangement fee income	9,712	1,578
Underwriting fee income	2,431	—
Referral fee income	776	—
	<u>(10,115)</u>	<u>10,010</u>

10 NET INVESTMENT INCOME

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Dividend income	425	62,797
Net (loss)/gain on financial assets at fair value through profit or loss	(63,094)	152,672
Net gain/(loss) on derivative financial instruments	17,636	(313)
	<u>(45,033)</u>	<u>215,156</u>

11 DIVIDENDS

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

12 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$103,144,000 (2018: profit for the period approximately HK\$176,361,000) and the weighted average number of ordinary shares of 28,928,719,000 (2018: 28,928,719,000) in issue during the period.

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share amount was the same as basic (loss)/earnings per share amount as there were no potential dilutive ordinary shares outstanding for the six-month period ended 30 June 2019 and 30 June 2018.

13 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK\$20,346,000 (six months ended 30 June 2018: HK\$1,284,000) on additions to and HK\$684,000 (six months ended 30 June 2018: Nil) on disposals from fixed assets.

14 INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at 30 June 2019 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business	Country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Grand Flight Holding Company Limited	PRC	Cayman Islands	30	Note 1	Equity
Grand Flight Hooyoung Investment L.P.	PRC	Cayman Islands	30	Note 2	Equity

Note 1: Grand Flight Holding Company Limited is a company registered in Cayman Islands.

Note 2: Grand Flight Hooyoung Investment L.P. is an investment fund registered in Cayman Islands.

There is no quoted market price available for both associates.

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Investments in associates	<u>187,980</u>	<u>190,684</u>

The following table shows financial information of the associates of the Group.

	Grand Flight Holding Company Limited 30 June 2019 HK\$'000	Grand Flight Hooyoung Investment L.P. 30 June 2019 HK\$'000
At 30 June:		
Current assets	15,620	614,493
Current liabilities	<u>(3,513)</u>	<u>–</u>
Net current assets	<u>12,107</u>	<u>614,493</u>
Period ended 30 June:		
Revenue	7,766	–
Profit/(loss)	1,843	(7,813)
Total comprehensive income/(loss)	<u>1,843</u>	<u>(7,813)</u>
Opening net assets 1 January	10,294	625,319
Decrease in equity interest	–	(1,633)
Profit/(loss) for the period	1,843	(7,813)
Currency translation difference	<u>(30)</u>	<u>(1,380)</u>
Closing net assets	<u>12,107</u>	<u>614,493</u>
Interest in associates (30%)	<u>3,632</u>	<u>184,348</u>

15 LOAN AND INTEREST RECEIVABLES

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

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Not past due or less than 1 month past due	549,057	230,968
1–3 months past due	–	323,741
3–12 months past due	264,375	–
	813,432	554,709
Less: ECL allowance	(80,741)	(83,182)
	732,691	471,527

As at 30 June 2019, these loans receivable bear interest at fixed rate ranged from 8.00% to 16.66% per annum (31 December 2018: 10% to 13%). Interest income derived from loan receivables was recognised and presented under “Interest income from money lending business” (Note 8). The carrying value of the loan receivables approximate to their fair values.

Expected credit losses allowance (“ECL allowance”) attributable to loan and interest receivables as at 30 June 2019 amounted to HK\$80,741,000 (31 December 2018: HK\$83,182,000), the decrease in ECL allowance of HK\$2,441,000 was recognised in the condensed consolidated statement of profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS

Review

During the first half of 2019, due to the intensifying trade tension between China and the United States, prolonged uncertainties of Brexit, intensifying geopolitical situation, global economies remained sluggish. Although the performances of the traditional developed economies were better than expected, the economic activities of the emerging markets and developing economies were weak. During the period, the Chinese economy maintained in a reasonable range and continued its stable and growing development trend. According to the statistics of the National Bureau of Statistics of China, after preliminary calculation, the gross domestic product (GDP) of China in the first half of the year was RMB45.0933 trillion, representing a year-on-year growth of 6.3% based on comparable price. Capital market in Hong Kong was under the impact of uncertainties such as trade war between China and the United States and lack of private investments. During the first half of 2019, the general performance of Hong Kong economy could be characterized by super slow growth, decreasing domestic and external demand, stable employment rate and recovery of housing price. According to the analysis report made by KPMG, Hong Kong IPO market ranked third in terms of total proceeds raised. Number of IPOs on Main Board achieved a historical high of 68, raising an aggregate of HK\$69.2 billion, representing an increase of 44% as compared to the corresponding period last year, which also marked the highest amount raised in the first half of the year since 2016. The Central Government introduced “The Outline Development Plan for the Guangdong-Hong Kong-Macau Greater Bay Area (《粵港澳大灣區發展規劃綱要》)” (the “Plan”) in February 2019, which gives the leading position to Hong Kong and expressly support Hong Kong to maintain and enhance its position as the hub of international financing, shippings, trading center, international aviation and global offshore Renminbi business, and to strengthen its function as an international asset management center and risk management center.

Under the decreasing trend of the economy, opportunity in the bond market was relatively certain. In the first half of 2019, the market for the issuance and subscription of USD bonds issued by Chinese enterprises remained active. On the one hand, it was due to the policy change of US Federal Reserve interest rate, resulting in the rapid decrease of the term US treasury bond yield and the widening of interest different between the treasury bond of China and US. On the other hand, benefited from the further clarification of overseas bond issuance system, the regulating restrictions have been slightly loosened. For the first half of the year, total number of fixed interest USD bonds issued by Chinese enterprises amounted to more than USD110 billion. The issuers were mainly real estate and financial institutions. Urban investment bonds recorded a year-on-year decrease. For USD bonds issued by Chinese enterprises, the market is in a balanced situation. Risk preference has been substantially modified and the market tends to be prudent on making periodic judgments in general. Risk assets price is expected to decrease. In view of this, our investment strategy for the second half of 2019 will remain prudent and focus will be put on leading enterprises in the industry.

For the first half of 2019, the Company closely follows the development trend of the economy and actively pushed forward its investment business, investment banking business, asset management business and securities business, fully exerted the advantages of the Hong Kong capital market. The Company continued to devote itself in connecting the advantageous resources overseas. Through the business model combining “Investment banking + securities dealer”, the Company expanded its business scale in a dedicating, mindful, stable and orderly manner. Risk control was carefully executed to provide better and more diversified services for our clients by leveraging on our effective execution ability. As for the investment banking business, relying on the momentum derived from the issuance of overseas bond by the Chinese real estate enterprises, the Company acted as the joint global coordinator, joint bookrunner and joint lead manager for a number of times, successfully assisted certain corporate clients to issue their USD bonds, accumulated issuance scale amounted to more than USD2.1 billion. Securities investments for proprietary trading mainly consist of high yield fixed income securities and an investment of more than HK\$1 billion was completed. For the investment business, attention was paid to the structural investment and strategic investment opportunity for those leading corporation in the field of finance, real estate, consumption upgrade, internet, manufacturing and engineering etc. and an investment of more than HK\$800 million was completed. Development of traditional business such as securities brokerage and margin financing continued. A remarkable breakthrough was made on improving client services and expanding client base. A new management team was formed in June for our asset management business, consisting of professionals with solid expertise, great understanding on the markets in both China and Hong Kong and extensive experience. We firmly believe that the team will be able to enhance the level of asset management and management scale on different perspective including research and development and innovation of asset management products, integration of capital and resources in the industry, risk control and compliance management etc.. It is estimated that scale of the additional managing asset will be amounted to more than HK\$3 billion.

Prospect

In the second half of 2019, with the further adjustment of interest policy by the US Federal Reserve, interest rate reduction is likely to occur in the future. Global macro-economic policy became looser. It is expected that the economic growth may only maintain a slow growing pace with substantial risk of falling back. Especially, the trading friction and tension of the geopolitical relationship posed uncertainties to the global economic development. For the Chinese economy, intensifying trading friction has put pressure on the economic growth of China in the second half of the year. It is estimated that China’s actual GDP in 2019 will increase by 6.2%. Regarding policies, following global policy shift, the Chinese government deeply explored the huge growing momentum through economic policies stimulating domestic demand. Aggressive financial policies are expected to play its part to support the stable growth of infrastructure investment, helping Chinese economy to develop steadily.

The Company will continue its prudent development strategic direction, expand its business scale, enhance its capability and improve its financial performance, creating higher value for our customers, shareholders and business partners. Our strategic goal is to provide customers with all-rounded professional financial solutions and quality services, and we are working hard to become an excellent full license professional financial corporation as soon as possible. In the meantime, we will gradually expand the business in other Asian economies and financial center, such as Japan. We will be focused on areas such as technology, medical and fine works. Leveraging on the low cost funding and our resources advantage in Hong Kong, we will connect the capital and economic strength of China and other Asian regions so as to provide cross-region international financial service and improve our ability to cover the investment and financing business in the Asia market.

Looking forward, “setting foothold in Hong Kong, covering Asia, focusing on the future globalization process” is our long-term goal. We will rely on the position of Hong Kong as the international financial center to seize the opportunity brought about by the establishment of Guangdong-Hong Kong-Macau Greater Bay Area, integration of Shenzhen, Hong Kong and Macau, and the connection between capital markets of China and Hong Kong, aggressively expand and push forward the business of Asian leading economies. The Company will insist on the development of both traditional financial business and innovative fin-tech business, grasp the market opportunity to expand its business, hence maximizing the interest of all our shareholders and investors.

Significant Investments

As at 30 June 2019, the Group held financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments with a market value of approximately HK\$2,002,223,000. The details of significant investments (each of which carrying value more than 2% of the total assets of the Group) as at 30 June 2019 are as follows:

Stock code/ISIN (where applicable)	Name of investee company/fund	Nature of investments	Number of shares/units held	Investment costs HK\$'000	Fair value as at 30 June 2019 HK\$'000	Percentage of Group's total assets as at 30 June 2019 HK\$'000	Unrealised gain/(loss) on change in fair value for the period ended 30 June 2019 HK\$'000	Realised gain/(loss) for the period ended 30 June 2019 HK\$'000	Impairment losses for the period ended 30 June 2019 HK\$'000	Dividend income for the period ended 30 June 2019 HK\$'000
Financial assets at fair value through other comprehensive income										
Not applicable	Chariot SPC Fund — Chariot SP II	Investment in unlisted investment fund	24,000	240,000	192,392	3.3%	N/A	-	-	-
XS2003471617	Agile Group Holdings Ltd.	Investment in listed bond	200,000	156,873	161,482	2.8%	N/A	-	-	-
XS1976760782	Ronshine China Holdings Ltd.	Investment in listed bond	200,000	155,806	154,837	2.6%	N/A	-	-	-
(Note 1)	Kaisa Group Holdings Ltd.	Investment in listed bond	330,000	264,622	265,330	4.5%	N/A	-	-	-
Financial assets at fair value through profit or loss										
Not applicable	Shareholder Value Fund	Investment in unlisted investment fund	17,925	139,007	132,015	2.3%	(77,916)	(15,616)	-	-
Not applicable	eToro Group Ltd.	Investment in unlisted preferred shares	1,216,248	391,891	484,541	8.3%	(1,099)	-	-	-
Not applicable	Crimson Partners, LP	Investment in unlisted investment fund	(Note 2)	141,209	140,673	2.4%	(536)	-	-	-

Note 1: As at 30 June 2019, the Group held 30,000, 196,000 and 104,000 units for the 2021 Notes (XS1937801212), 2022 Notes (XS1973544700) and 2023 Notes (XS2002235518) respectively issued by Kaisa Group Holdings Ltd.

Note 2: As at 30 June 2019, the Group had invested USD18 million in Crimson Partners, LP as limited partnership investor.

Looking ahead, the stock market will remain volatile. The performance of proprietary investment will be affected by unstable market conditions. The Group will continue to implement strict risk control to minimise the impact of market volatility and will seek potential investment opportunities to diversify its investment portfolio with an aim to maximise value for the shareholders.

Financial Review

For the six months ended 30 June 2019, the unaudited condensed consolidated revenue of the Group was approximately HK\$11,496,000, representing a decrease of approximately 96% as compared with corresponding period last year. The significant decrease in revenue was driven by the unrealised fair value loss on financial assets at fair value through profit or loss.

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

For the six months ended 30 June, in HK\$'000

	2019	2018	Change
Interest income	66,644	82,353	(19%)
Commission and fee income	(10,115)	10,010	(201%)
Net investment income	(45,033)	215,156	(121%)
Total revenue	11,496	307,519	(96%)

The Group recorded loss of approximately HK\$104,360,000 for the six months ended 30 June 2019, while profit of approximately HK\$175,529,000 was recorded for the six months ended 30 June 2018, mainly due to the unrealised loss arising from the adverse fair value of financial assets at fair value through profit or loss for the six months ended 30 June 2019.

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

For the financial position as at six months ended 30 June 2019, total assets of the Group was approximately HK\$5,859,196,000 (31 December 2018: approximately HK\$6,027,091,000), representing a decrease of approximately 2.79%. Net cash (outflow)/inflow from operating activities, investing activities and financing activities for the period under review were approximately HK\$411,270,000, HK\$(19,856,000) and HK\$(214,539,000) (six months ended 30 June 2018: approximately HK\$254,026,000, HK\$(1,284,000) and HK\$(294,888,000) respectively. The depreciation for property, plant and equipment for the period under review was approximately HK\$2,906,000 (six months ended 30 June 2018: approximately HK\$2,274,000).

Employee relations

As at 30 June 2019, the Group has 63 employees (as at 30 June 2018: 80 employees).

Total staff costs and related expenses for the period under review were approximately HK\$44,169,000 (six months ended 30 June 2018: approximately HK\$64,891,000).

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

Liquidity and financial resources

As at 30 June 2019, the Group's cash and bank deposits (excluding pledged bank deposits) amounted to approximately HK\$2,389,717,000 (as at 31 December 2018: approximately HK\$2,216,342,000). The gearing ratio as at 30 June 2019 (total debts to total equity) was approximately 6.64% (as at 31 December 2018: 9.5%), which indicated that the Group's overall financial position remained strong.

Segment information

The details of segment information are set out in Note 6 to the condensed consolidated financial statements.

Capital structure

There were no changes to the Group's capital structure during the six months ended 30 June 2019.

Material acquisitions and disposals of subsidiaries and associates

Save as disclosed, the Group had no material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2019.

Charges on Group's assets

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

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Pledged deposits at bank	<u>298</u>	<u>299</u>
Total charges on Group's assets	<u>298</u>	<u>299</u>

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

Exposure to exchange rate fluctuation and related hedging

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

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2019 (as at 31 December 2018: Nil).

Donations

No donation was made by the Group for charitable and other purposes during the six months ended 30 June 2019 (Six months ended 30 June 2018: HK\$0.2 million).

CORPORATE GOVERNANCE

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

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

Throughout the period under review, the Company has complied with most of the Code Provisions of the CG Code, save for the deviation from Code Provisions A.2.1 and A.4.1 which is explained below.

According to Code Provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. 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 for Mr. Lyu Wei, an independent non-executive Director who retired on 28 June 2019, all the non-executive Directors and the remaining independent non-executive Directors are appointed for a specific term of three years. Mr. Lyu Wei retired following the annual general meeting held on 28 June 2019.

Upon the retirement of Mr. Lyu Wei as an independent non-executive director, the chairman of nomination committee, a member of the remuneration committee and audit committee of the Company on 28 June 2019, the number of the independent non-executive Directors and the members of audit committee of the Company fell below the minimum number required under Rule 3.10A and 3.21 of the Listing Rules. The Company has been actively identifying suitable candidate(s) to fill the vacancies as soon as practicable and in any event within three months of the conclusion of the AGM, and will make the further announcement(s) as and when appropriate.

Review of Accounts

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

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and has discussed with the management the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2019.

The Company's external auditor, PricewaterhouseCoopers Hong Kong has reviewed the interim financial information for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. All the Directors of the Board have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2019.

OTHER INFORMATION

Pre-emptive Rights

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

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

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

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

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

The interim report of the Company for the six months ended 30 June 2019 will be despatched to the shareholders and published on the websites of the HKEx and the Company in due course.

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

Hong Kong, 28 August 2019

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