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 2019

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 2019 together with the comparative figures of the corresponding year in 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Interest income		**176,649**	171,393
Commission and fee income		**2,782**	99,185
Investment income		**8,746**	64,705
Total revenue	*4,5*	**188,177**	335,283
Net (loss)/gain on financial assets designated at fair value through profit or loss		**(323,773)**	178,101
Other income		**102**	256
Commission expenses		**(1)**	(255)
Staff costs and related expenses		**(88,968)**	(108,838)
Premises expenses		**(38,309)**	(40,003)
Legal and professional fees		**(14,344)**	(17,457)
Depreciation		**(7,853)**	(4,899)
Information technology expenses		**(5,814)**	(5,439)
Expected credit losses allowance		**(240,082)**	(98,036)
Other operating expenses		**(36,224)**	(44,934)
Share of post-tax loss of associates		**(65,394)**	(1,708)
Finance costs		**(10,985)**	(31,195)
(Loss)/profit before income tax	*6*	**(643,468)**	160,876
Income tax credit/(expense)	*7*	**72,874**	(19,271)
(Loss)/profit for the year		**(570,594)**	141,605

	Note	2019 HK$'000	2018 HK$'000
(Loss)/profit attributable to:			
— Owners of the Company		**(568,815)**	143,233
— Non-controlling interests		**(1,779)**	(1,628)
		(570,594)	141,605
		HK$ Cents per share	*HK$ Cents per share*
(Loss)/earnings per share attributable to owners of the Company			
Basic (loss)/earnings per share	*9*	**(1.90)**	0.50
Diluted (loss)/earnings per share	*9*	**(1.90)**	0.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(570,594)**	141,605
Other comprehensive (loss)/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	**(69,637)**	(39,935)
Items that may be reclassified subsequently to profit or loss		
Net change on fair value on financial assets designated at other comprehensive income, net of tax	**(288)**	–
Exchange differences on translation of foreign operations	**(3,907)**	(12,310)
Other comprehensive (loss)/income for the year, net of tax	**(73,832)**	(52,245)
Total comprehensive (loss)/income for the year	**(644,426)**	89,360
Total comprehensive (loss)/income for the year attributable to:		
— Owners of the Company	**(648,096)**	79,049
— Non-controlling interests	**3,670**	10,311
	(644,426)	89,360

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**27,022**	8,526
Right-of-use assets		**24,630**	–
Goodwill		**15,871**	15,871
Other intangible assets		**700**	700
Investments in associates		**138,942**	190,684
Rental and other deposits		**6,585**	5,468
Financial assets designated at fair value through profit or loss	*12*	**853,734**	627,040
Financial assets designated at fair value through other comprehensive income	*13*	**1,372,404**	245,531
Financial assets at amortised cost		**523,001**	–
Deferred tax assets		**99,194**	28,006
Total non-current assets		**3,062,083**	1,121,826
Current assets			
Margin receivables and other trade receivables	*10*	**78,709**	326,632
Financial assets designated at fair value through profit or loss	*12*	**217,587**	1,857,155
Loan and interest receivables	*11*	**175,089**	471,527
Other interest receivables		**53,058**	–
Tax receivables		**694**	469
Other receivables, prepayments and deposits		**13,294**	16,206
Pledged bank deposits		**292**	299
Deposits with brokers		**18,936**	16,635
Cash and bank balances		**2,117,233**	2,216,342
Total current assets		**2,674,892**	4,905,265
Total assets		**5,736,975**	6,027,091

	Note	2019 HK$'000	2018 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**6,154,374**	5,667,546
Other reserves		**647,082**	727,380
Accumulated losses		**(1,359,470)**	(790,058)
		5,441,986	5,604,868
Non-controlling interests		**(244,366)**	(248,036)
Total equity		**5,197,620**	5,356,832
LIABILITIES			
Non-current liability			
Lease liabilities		**11,534**	–
Total non-current liability		**11,534**	–
Current liabilities			
Loan and interest payables		**312,933**	–
Bank borrowings		**–**	509,610
Margin payables		**31,325**	–
Current tax liabilities		**30,051**	51,347
Trade payables		**–**	8,687
Derivative financial instruments		**–**	15,430
Accruals and other payables		**139,996**	85,185
Lease liabilities		**13,516**	–
Total current liabilities		**527,821**	670,259
Total liabilities		**539,355**	670,259
Total equity and liabilities		**5,736,975**	6,027,091

Notes:

1. STATUTORY FINANCIAL STATEMENTS

The financial information relating to the years ended 31 December 2019 and 2018 included in this preliminary announcement of annual results 2019 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 2018 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 2019 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for the years ended 31 December 2019 and 2018. 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 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, 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.

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- HKFRS 16 *Leases*

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed below.

3.3 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE GROUP

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3.4 HKFRS 16 *LEASES*

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

The Group has adopted HKFRS 16 retrospectively from 1 January 2019 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.

Adjustment 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 not recognised as a liability	**(1,117)**
	Lease liabilities 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. Other right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. 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:

	31 December 2019 *HK$'000*	1 January 2019 *HK$'000*
Properties	**24,630**	26,056

(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. 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 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	**(26,492)**	**34,271**	**160,860**	**–**	**19,538**	**188,177**
Net (loss)/gain on financials assets designated at fair value through profit or loss	**–**	**–**	**(323,909)**	**–**	**136**	**(323,773)**
	(26,492)	**34,271**	**(163,049)**	**–**	**19,674**	**(135,596)**
Segment profit/(loss) before income tax	**(43,107)**	**(27,854)**	**(445,338)**	**(3,129)**	**(124,040)**	**(643,468)**
Other segment information:						
Interest income	**7**	**21,328**	**127,829**	**8,059**	**19,426**	**176,649**
Depreciation and amortisation	**(56)**	**(1,522)**	**–**	**–**	**(6,275)**	**(7,853)**
Staff costs and related expenses	**(7,447)**	**(12,145)**	**(3,692)**	**(3,000)**	**(62,684)**	**(88,968)**

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	209,600	–	7,162	335,283
Net gain on financial assets designated at fair value through profit or loss	–	–	178,367	–	(266)	178,101
	72,305	46,216	387,967	–	6,896	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)

5. REVENUE

	2019 ***HK$'000***	2018 *HK$'000*
Interest income:		
Interest income from loan lending business	**50,738**	115,676
Interest income from margin financing business	**21,278**	39,568
Interest income from investment in debt instrument classified as financial assets at amortised cost	**21,708**	–
Interest income from financial assets designated at fair value through other comprehensive income	**55,332**	–
Interest income from financial assets designated at fair value through profit or loss	**8,059**	–
Other interest income	**19,534**	16,149
	176,649	171,393
Commission and fee income:		
Advisory fee income	**93**	3,108
Commission income from securities brokerage	**3,754**	2,959
Loan arrangement fee income	**15,560**	3,384
Fee income received from asset management	**(26,592)**	72,304
Referral fee income	**777**	17,430
Underwriting fee income	**9,190**	–
	2,782	99,185
Investment income:		
Dividend income	**8,746**	64,705
	8,746	64,705
	188,177	335,283

6. (LOSS)/PROFIT BEFORE INCOME TAX

	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit before income tax has been arrived at after charging/(crediting):		
Auditors' remuneration	**2,850**	2,255
Written-off of property, plant and equipment	**684**	18
Expected credit losses:		
— loan and interest receivables	**206,440**	78,003
— margin receivables	**33,064**	20,033
— financial assets at amortised cost	**578**	–
	240,082	98,036
Foreign exchange loss/(gain), net	**7,666**	(1,812)

7. INCOME TAX

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%).

	2019	2018
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
— charge for the year	**5,066**	38,894
— overprovision for prior year	**(9,566)**	(2,085)
PRC Enterprise Income Tax		
— charge for the year	**–**	1,489
— underprovision for prior year	**31**	–
Deferred tax		
— credit for the year	**(91,453)**	(19,027)
— underprovision for prior year	**23,048**	–
Income tax (credit)/expense	**(72,874)**	19,271

8. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: HK$Nil).

9. (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 year attributable to owners of the Company of approximately HK$568,815,000 (2018: profit of HK$143,233,000) and the weighted average number of ordinary shares of approximately 29,895,651,000 (2018: 28,928,719,000) in issue during the year.

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 years ended 31 December 2019 and 2018.

10. MARGIN RECEIVABLES AND OTHER TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Margin receivables	**128,890**	289,105
Less: Expected credit losses allowances on margin receivables	**(54,656)**	(21,592)
	74,234	267,513
Trade receivables arising from the businesses of asset management	**4,475**	59,119
	78,709	326,632

Loans to margin clients are secured by clients' pledged Hong Kong-listed securities at fair value of HK$381,824,000 (2018: HK$885,094,000) which can be sold at the discretion of a subsidiary of the Group to settle margin call requirements imposed by their respective securities transactions. The loans are repayable on demand and bear interest at commercial rates.

Expected credit losses allowance as at 31 December 2019 amounted to HK$54,656,000, the increase in ECL allowance of HK$33,064,000 was recognised in the consolidated statement of profit or loss.

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

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

	2019	2018
	HK$'000	*HK$'000*
0–90 days	**4,475**	59,119

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 2019, these loan receivables bear interest at fixed rate ranged from 8% to 11.5% per annum (31 December 2018: 10% to 13%). 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 allowance as at 31 December 2019 amounted to HK$289,617,000, the increase in ECL allowance of HK$206,440,000 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:

	2019 ***HK$'000***	2018 *HK$'000*
Not past due or less than 1 month past due	**200,331**	230,968
1–3 months past due	**–**	323,741
3–6 months past due	**–**	–
6 months to 1 year past due	**264,375**	–
	464,706	554,709
Less: ECL allowance	**(289,617)**	(83,182)
	175,089	471,527

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2019	2018
	HK$'000	*HK$'000*
Financial assets designated at fair value through profit or loss		
Unlisted investment funds	**180,199**	1,648,415
Unlisted equity investments	**459,669**	485,830
Convertible bonds	**348,388**	104,980
Listed equity investments	**44,328**	244,970
Listed debt investments	**38,737**	–
	1,071,321	2,484,195
Classified as:		
Non-current assets	**853,734**	627,040
Current assets	**217,587**	1,857,155
	1,071,321	2,484,195

The investments in unlisted investment funds of HK$180,199,000 (2018: HK$1,648,415,000) as above represent investments in unconsolidated structured entities. The maximum exposure to loss is HK$180,199,000 (2018: HK$1,648,415,000) which represents the fair value as at 31 December 2019.

The size of these unconsolidated structured entities is HK$1,085,655,000 (2018: HK$3,259,257,000).

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 were 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:

	2019	2018
	HK$'000	*HK$'000*
Financial assets designated at fair value through other comprehensive income		
Unlisted investment fund	**168,600**	245,531
Listed debt investments	**1,203,804**	–
	1,372,404	245,531
Classified as:		
Non-current assets	**1,372,404**	245,531
Current assets	**–**	–
	1,372,404	245,531

The investment in unlisted investment fund of HK$168,600,000 (2018: HK$245,531,000) as above represents investment in unconsolidated structured entity. The maximum exposure to loss is HK$168,600,000 (2018: HK$245,531,000) which represents the fair value as at 31 December 2019.

The size of the unconsolidated structured entity is HK$168,600,000 (2018: HK$245,531,000).

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

The interest receivables derived from listed debt investments have been recognised as other interest receivables in consolidated statement of financial position.

14. SHARE CAPITAL

		2019		2018	
		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
Issue of new shares on placement	*(a)*	**5,785,740**	**486,828**	–	–
At 31 December		**34,714,459**	**6,154,374**	28,928,719	5,667,546

(a) On 3 October 2019, the Company entered into the placing agreement with the placing agents, pursuant to which the Company has conditionally agreed to place, through the placing agents, on a best efforts basis, up to an aggregate of 5,785,740,000 placing shares at a placing price of HK$0.085 per placing share to not less than six placees who and whose ultimate beneficial owners shall be independent third parties. The placing was completed on 1 November 2019, and net proceeds of approximately HK$486,828,000 were credited to the Company's share capital.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2019, the global economy continued to slow down with shrinking manufacturing activities and weak demand. The economic growth rate dropped to 3%, the lowest level since the economic crisis in 2008. As intensifying trade frictions and geopolitical tensions have created uncertainty over international cooperation, business confidence, investment decisions and global trade were adversely affected. Even though various central banks and financial institutions have taken measures to mitigate the impact, the outlook remains uncertain. During the period, the Chinese economy continued to maintain a medium-high growth. According to data released by the National Bureau of Statistics of China, the GDP growth rate of China for 2019 was 6.1%, which is within the expected range of 6% to 6.5%. However, due to the combined effects of cyclical factors and long term structural trends, the real growth achieved was lower than a year earlier. Although China and the United States have reached an agreement on phase one trade deal, the gloomy global economic outlook and ongoing trade tensions still present downside risks in the short run. In Hong Kong, social incidents had posed significant impact on consumption and the tourism industry, leading to further plunge in overall investment expenditure amid negative business sentiment. As a result, the GDP fell by 1.2% for the whole year. The value of total exports of goods dropped by 4.1%. The employment rate decreased by 1.8%. The total retail sales plummeted by 24.1%. All recorded the biggest decline in nearly a decade.

Despite the market sentiment and investors' confidence in 2019 being affected by the US-China trade friction, Brexit and slow growth in major economies, the global capital markets grew strongly. As for the IPO markets, Saudi Aramco raised US$25.6 billion on its local stock exchange, making it the world's largest-ever IPO. China launched the Sci-Tech innovation board for A-share in July 2019. During the year, a total of 70 high-tech companies were listed and raised US$11.6 billion, accounting for approximately 32% of the total IPO funds raised for A-shares. It is expected that the SZSE ChiNext will carry out a reform of registration-based system in future to further enhance the diversification, competitiveness and attractiveness of the capital markets in China. Alibaba's secondary listing in Hong Kong raised US$12.9 billion, supporting HKEX to secure the world's top IPO fundraising market in 2019. As for the bond markets, amid the economic downward momentum, opportunities in the bond markets were relatively certain. In 2019, thanks to the Fed's interest rate cut, improved financing environment, fewer available quality investment targets and inherent investment advantages of offshore bonds, such as low valuation, high yield, sufficient supply and low default rate, the market for the issuance and subscription of Chinese-issued USD bonds remained active. A total of 690 new bonds were issued during the year, with a total issue size of US$215.8 billion (excluding floating-rate bonds and convertible bonds), setting a record in terms of issue counts and money raised. The bond issuers were mainly from the real estate, finance and urban investment sectors. The expansion in size of perpetual bonds was one of the market highlights this year. According to the Merrill Lynch Total Bond Return Index, in 2019, the rates of return on investment in investment grade and non-investment grade Chinese-issued USD bonds were approximately 10.2% and 14%, respectively. Bond prices demonstrated a unilateral rise to a relatively large extent. The primary and secondary markets achieved good performance with strong market demand. It is expected that the favourable factors will continue in the next one to two quarters. Given the above, we will maintain a prudent investment strategy for 2020 with particular attention being paid to leading enterprises in their respective industries.

BUSINESS REVIEW

In 2019, the Company closely followed the development trend of the economy and actively pushed forward its investment business, investment banking business, asset management business and securities business, fully capitalizing on the advantages of the Hong Kong capital markets and persistently integrating the advantageous resources overseas. Through a complementary business model of "Investment Banking + Securities Dealer", the Company expanded its business scale in a deliberate, prudent 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, riding the wave of overseas bond issues by the Chinese real estate enterprises, the Company successfully assisted certain corporate clients to issue US dollars bonds on a scale of more than US$2.5 billion in total by acting as a joint global coordinator, joint bookrunner and joint lead manager on several occasions. Securities investments for proprietary trading mainly consist of high yield fixed income securities with more than HK$1.5 billion having been invested. For the investment business, we identified opportunities for structural investment and strategic investment in those leading corporations in the finance, real estate, consumption upgrade, internet, manufacturing and engineering sectors with more than HK$900 million having been invested. Development of traditional business such as securities brokerage and margin financing continued. Remarkable headway was made in improving customer services and expanding client base. Having set up a new management team in early June of the reporting period, our asset management business successfully raised its first high-yield fixed-income fund and expanded into the Japanese fund management business with innovation, achieving effective improvements in risk control, compliance and operational efficiency.

PROSPECT

The year 2020 kicked off with an epidemic which is still wreaking havoc on the economy and daily life with a tendency to spread across the globe and escalate. The International Monetary Fund has made downward revision to its growth forecasts for China and the global economy by 0.4% and 0.1% to 5.6% and 3.2%, respectively. However, the continuous impact of the outbreak is still unpredictable, adding considerable uncertainties to the Company's operation. At the same time, although China and the United States have signed the Phase 1 trade agreement, various contradictions in ideology, geopolitics and other aspects remain. The implementation of subsequent agreements is subject to great uncertainty and thus further increases downward pressure on the economy. Nevertheless, the Chinese government is expected to enhance economic vitality by way of structural reforms, tax cuts and fee reductions, support the development of small and medium enterprises, and reform state-owned enterprises to benefit the private sectors, thus deeply exploring the potential growth dynamics. Aggressive financial policies are expected to gather strength to support the stable growth of infrastructure investment and promote a steady development of the Chinese economy.

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-round professional financial solutions and quality services, and we are striving to become a fully-licensed professional financial corporation in good standing as soon as possible. In the meantime, we will gradually expand the business in other Asian economies and financial centres, such as Japan. We will be focused on areas such as technology, medical and sophisticates industries. Leveraging on the low-cost funding and our resources advantage in Hong Kong, we will connect the capital and economic strengths of China and other Asian regions to provide cross-region international financial services and enhance our ability to cover the investment and financing business in the Asian market. At the same time, given the recovery of the domestic secondary market, the Company will actively take advantage of such investment opportunities to realize investment diversification.

Looking forward, “Setting a 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 centre to seize the opportunities arising from 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 businesses in leading economies of Asia. The Company will insist on the development of both traditional financial business and innovative fin-tech business, and grasp market opportunities for steading business expansion, hence maximizing the interests of all our shareholders and investors.

FINANCIAL REVIEW

For the year ended 31 December 2019, the consolidated revenue of the Group was approximately HK$188,177,000 (2018: HK$335,283,000), representing a decrease of approximately 44% 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 years ended 31 December 2019 and 2018

	2019	2018	Change
	HK$’000	*HK$’000*	
Interest income	**176,649**	171,393	3%
Commission and fee income	**2,782**	99,185	(97%)
Investment income	**8,746**	64,705	(86%)
Total revenue	**188,177**	335,283	(44%)

The Group recorded a loss of approximately HK$570,594,000 for the year ended 31 December 2019 (2018: profit of HK$141,605,000), which was mainly due to the net effects of the following factors:

(i) net loss arising from the decrease in the fair value of the Group's financial assets through profit or loss;

(ii) additional provision for impairment of financial assets; and

(iii) increase in share of loss of associates.

On financial position and cash flows:

— the Group's total assets were approximately HK$5,736,975,000 as at 31 December 2019 (as at 31 December 2018: HK$6,027,091,000), representing a decrease of 4.8%; and

— net cash (outflows)/inflows from operating activities, investing activities and financing activities were approximately HK$(342,430,000), HK$(40,696,000) and HK$297,376,000 respectively for the year ended 31 December 2019 (2018: HK$1,360,835,000, HK$(32,597,000) and HK$(241,922,000)).

As at 31 December 2019, the Group's total cash and bank balances (excluding pledged bank deposits) were approximately HK$2,117,233,000 (as at 31 December 2018: HK$2,216,342,000).

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 loss attributable to owners of the Company of approximately HK$568,815,000 for the year ended 31 December 2019 as compared to a profit of approximately HK$143,233,000 for the year ended 31 December 2018.

Loan and interest receivables balance arising from lending business decreased to approximately HK$175,089,000 as at 31 December 2019 (as at 31 December 2018: HK$471,527,000).

Based on HKFRS 9 Expected Credit Losses ("ECL") assessment on margin receivables, loan receivables and financial assets at amortised cost, the Group recognised an aggregate expected credit losses allowance of approximately HK$240,082,000 in consolidated statement of profit or loss for the year ended 31 December 2019 (2018: HK$98,036,000). Expected credit losses allowance to total margin receivables, loan receivables and financial assets at amortised cost ratio is approximately 30.9% as at 31 December 2019 (as at 31 December 2018: 12.4%). 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 2019, the Group had total assets of approximately HK$5,736,975,000 (as at 31 December 2018: HK$6,027,091,000) and the gearing ratio (total debt to total equity) was approximately 6.6% (2018: 9.5%). 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 2019, the Group's cash and bank balances (excluding pledged bank deposits) amounted to approximately HK$2,117,233,000 (as at 31 December 2018: HK$2,216,342,000). The current ratio as at 31 December 2019 was approximately 506.8% (as at 31 December 2018: 731.8%), which indicated that the Group's overall financial position remained strong.

The Directors are of the opinion that there are sufficient financial resources for the Group to meet its obligations 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, banks and other borrowings to fund its loan lending business and investments. The Group's interest bearing borrowings in the form of bank borrowings, margin payables, repurchase agreements, and loan payables amounted to approximately HK$344,258,000 as at 31 December 2019 (as at 31 December 2018: HK$509,610,000). Based on the level of total debt to total equity of the Group, the Group's gearing ratio stood at a healthy level of approximately 6.6% as at 31 December 2019 (as at 31 December 2018: 9.5%). The Group's borrowings are mainly denominated in US dollars, and have remaining average maturity periods of less than one year. The Group's cash and cash equivalents are mainly denominated 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, loans receivables and financial assets at amortised cost, the Group recognised expected credit losses allowance of HK$33,064,000, HK$206,440,000 and HK$578,000 in consolidated statement of profit or loss respectively for the year ended 31 December 2019 (2018: HK$20,033,000, HK$78,003,000 and HK$Nil).

Furthermore, the Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its financial 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 2019, the Group has 62 employees (as at 31 December 2018: 84 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 ASSETS

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

	2019	2018
	HK$'000	*HK$'000*
Pledged deposits at bank	**292**	299
Total charges on the Group's assets	**292**	299

Deposits at bank are 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 2019 (as at 31 December 2018: 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 2019 is approximately HK$20,725,000 (as at 31 December 2018: HK$34,474,000).

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 2019.

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 of the Listing Rules on the Stock Exchange.

Throughout the year ended 31 December 2019, 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. Tomohiko Watanabe acts as both the chairman and the chief executive officer of the Company, with effect from 5 March 2019. Although the roles of the chairman and chief executive officer of the Company are taken up by the same individual, such arrangement facilitates the development and execution of the Group's business strategies and enhances efficiency and effectiveness of its operation.

According to 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 the 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.

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 independent non-executive Directors has reduced from three to two, which falls below the minimum number required under Rule 3.10(1) of the Listing Rules. Mr. Lyu was also a member of the audit committee of the Company and the vacancy thereof resulted in the non-fulfilment of the requirements under Rule 3.21 of the Listing Rules by the Company. The Company has applied to the Stock Exchange, and the Stock Exchange has granted to the Company, a waiver from strict compliance with Rules 3.10(1) and 3.21 of the Listing Rules from 28 September 2019 to 28 December 2019 for filling the vacancy. Following the appointment of Mr. Dong Hao ("Mr. Dong") as an independent non-executive Director with effect from 27 December 2019, the Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. In addition, Mr. Dong has also been appointed as a member of the audit committee of the Company with effect from 27 December 2019. As a result, the Company has been in compliance with Rules 3.10 and 3.21 of the Listing Rules following the appointment of Mr. Dong.

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 of 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 2019.

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. Wang Yongli and Mr. Dong Hao.

An Audit Committee meeting was held on 20 March 2020 and attended by Ms. Zhou Hui, Mr. Wong Yongli and Mr. Dong Hao, who have reviewed the annual results for the year ended 31 December 2019.

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 2019 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 2020 annual general meeting (the "2020 AGM") is expected to be held in June 2020. A further announcement in relation to the date of the 2020 AGM and the closure of register of members will be published in accordance with the Listing Rules.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Impact of the Outbreak of the Novel Coronavirus-Infected Pneumonia

Since the outbreak of the Novel Coronavirus-Infected Pneumonia in January 2020, the precautionary measures to contain the pneumonia outbreak have been implemented across the world. The outbreak of the Novel Coronavirus-Infected Pneumonia has an impact on the operation of enterprises in certain regions or industries and the overall economic condition, which may affect the asset quality or asset revenue of the Group's credit assets and investment assets to a certain extent. The impact depends on the situation and duration of the outbreak as well as the implementation of various regulatory policies. The Group will continue to closely monitor the outbreak of the Novel Coronavirus-Infected Pneumonia and carry out an assessment on and actively respond to its impact on the financial position and operating results of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2019, 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 2019 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
Tomohiko Watanabe
Chairman

Hong Kong, 25 March 2020

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