

# 中民金融

CMFinancial

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

(Incorporated in Hong Kong with limited liability)

Stock Code: 245

# 2019

## INTERIM REPORT



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## CORPORATE INFORMATION

### Board Of Directors

#### Executive Directors

Watanabe Tomohiko

*(Chairman and Chief Executive Officer)*

(Appointed as Chairman and Executive

Director on 18 February 2019 and appointed as Chief Executive Officer on 5 March 2019)

Ni Xinguang *(Vice Chairman)*

Zheng Li (Resigned as Acting Chief Executive

Officer on 24 May 2019 and resigned

as Executive Director on 15 August 2019)

Li Wei (Resigned as Executive Vice President on 24 May 2019)

#### Non-executive Director

Wang Dongzhi (Re-designated as

Non-executive Director and ceased to be Chairman on 18 February 2019)

Ma Jianting (Resigned on 18 February 2019)

#### Independent Non-executive Directors

Lyu Wei (Retired on 28 June 2019)

Ling Yu Zhang (Resigned on 27 June 2019)

Guan Tao (Resigned on 28 March 2019)

Zhou Hui (Appointed on 21 March 2019)

Wang Yongli

Hu Zhengheng (Appointed on 12 November 2018 and resigned on 18 March 2019)

### Audit Committee

Zhou Hui *(Chairperson)*

(Appointed as Chairperson and member on 21 March 2019)

Lyu Wei (Retired on 28 June 2019)

Ling Yu Zhang (Resigned on 27 June 2019)

Wang Yongli

Guan Tao (Resigned as member on 28 March 2019)

Hu Zhengheng (Resigned as chairman and member on 18 March 2019)

### Nomination Committee

Lyu Wei *(Chairman)* (Retired on 28 June 2019)

Ling Yu Zhang (Resigned on 27 June 2019)

Zhou Hui (Appointed as member on 21 March 2019)

Wang Yongli

Guan Tao (Resigned as member on 28 March 2019)

Hu Zhengheng (Resigned as member on 18 March 2019)

### Remuneration Committee

Wang Yongli *(Chairman)*

Lyu Wei (Retired on 28 June 2019)

Zhou Hui (Appointed as member on 21 March 2019)

Ling Yu Zhang (Resigned on 27 June 2019)  
Guan Tao (Resigned as member on 28 March 2019)

Hu Zhengheng (Resigned as member on 18 March 2019)

### **Strategy Execution Committee**

Watanabe Tomohiko (*Chairman*)

(Appointed as chairman and member on 18 February 2019)

Ni Xinguang

Zheng Li

(Resigned as member on 15 August 2019)

Li Wei

Wang Dongzhi (Resigned as chairman and member on 18 February 2019)

### **Company Secretary**

Wong Choi Chak (Resigned on 24 May 2019)

Sit Man Pan (Appointed on 24 May 2019 and resigned on 28 August 2019)

Wong Wai Yee Ella (Appointed on 28 August 2019)

### **Principal Bankers**

Bank of China (Hong Kong) Limited

China Construction Bank Corporation

China Merchants Bank, Hong Kong Branch

China Merchants Bank, Off-shore Banking Department

China Everbright Bank, Hong Kong Branch

China Minsheng Bank, Hong Kong Branch

Chong Hing Bank Limited

Cathay Bank, Hong Kong Branch

Far Eastern International Bank

Industrial Bank Co., Ltd.

### **Solicitors**

*Hong Kong Law*

Herbert Smith Freehills

### **Independent Auditor**

PricewaterhouseCoopers

*Certified Public Accountants*

### **Registered Office**

22/F, China Taiping Tower

8 Sunning Road

Causeway Bay

Hong Kong

### **Share Registrar And Transfer Office**

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

### **Stock Code**

245 HK

### **Website**

[www.cm-fin.com](http://www.cm-fin.com)

## 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 RMB 45.0933 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 USD 110 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 US\$ 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	Fair value as at 30 June 2019	Percentage of Group's total assets as at 30 June 2019	Unrealised	Realised gain/ (loss) for the period ended 30 June 2019	Impairment losses for the period ended 30 June 2019	Dividend income for the period ended 30 June 2019
							gain/(loss) on change in fair value for the period ended 30 June 2019			
				HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000	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 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	<b>66,644</b>	82,353	(19%)
Commission and fee income	<b>(10,115)</b>	10,010	(201%)
Net investment income	<b>(45,033)</b>	215,156	(121%)
Total revenue	<b>11,496</b>	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	298	299
Total charges on Group's assets	298	299

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).

On behalf of the Board

**China Minsheng Financial Holding Corporation Limited**

**Watanabe Tomohiko**

*Chairman*

Hong Kong, 28 August 2019

## DIRECTORS' INTEREST IN SHARES

As at 30 June 2019, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "SFO") as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out below:

### 1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

Name of director	Number of shares held		Total	Percentage of the issued share capital (Note (b))
	Personal interests	Corporate interests		
Ni Xinguang ("Mr. Ni")	46,068,000	416,004,000 (Note (a))	462,072,000	1.6%

Notes:

- (a) 416,004,000 shares are owned by Group First Limited, a private company wholly owned by Mr. Ni, representing approximately 1.4% of the issued share capital of the Company. By virtue of the SFO, Mr. Ni is deemed to have interest in the shares held by Group First Limited.
- (b) The percentage was calculated based on the total number of 28,928,719,250 ordinary shares of the Company in issue as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

## **2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations**

As at 30 June 2019, none of the Directors or chief executive of the Company, had any short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

## **SHARE OPTIONS**

The Company adopted a new share options scheme on 9 December 2013 (the “2013 Share Option Scheme”) to replace the share option scheme adopted on 28 May 2004 (the “2004 Share Option Scheme”).

On 5 June 2015, an ordinary resolution was duly passed in an extraordinary general meeting to approve the refreshment of 2013 Share Option Scheme limit to 241,365,125 being 10% of the then total number of shares in issue.

Based on the existing outstanding number of share options as of 30 June 2019 and assume that no further share options are to be granted in the six months to 31 December 2019, no further share option cost will be charged to the statement of profit or loss as share option expense.

There is no outstanding share options under the 2004 Share Option Scheme and the 2013 Share Option Scheme and no share options were granted or exercised during the period under review.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2019, so far as was known to the Directors of the Company, the following persons, other than the Directors and chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company, which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

### Long positions in the shares and underlying shares of the Company

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Percentage of the issued share capital (Note (d))
China Minsheng Investment Group Corporation Ltd. (formerly known as China Minsheng Investment Corporation Ltd.)	Interests of a controlled corporation (Note (a))	8,742,660,000	30.22%
CMI Financial Holding Company Limited	Beneficial owner (Note (a))	8,742,660,000	30.22%
China Minsheng Asia Asset Management Co, Ltd (formerly known as Minsheng (Shanghai) Assets Management Company Limited)	Interests of a controlled corporation (Note (a))	8,742,660,000	30.22%
Vered Holdings (Hong Kong) Limited ("Vered Hong Kong")	Interests of a controlled corporation (Note (b))	8,133,000,000	28.11%
Vered Holdings Group Ltd	Beneficial owner (Note (b))	8,133,000,000	28.11%
Vered Investment Co., Ltd	Interests of a controlled corporation (Note (b))	8,133,000,000	28.11%
薔薇控股(深圳)有限公司 ("Vered Shenzhen")	Interests of a controlled corporation (Note (b))	8,133,000,000	28.11%
薔薇控股股份有限公司 ("Vered Holding")	Interests of a controlled corporation (Note (b))	8,133,000,000	28.11%
World Modern Investments Limited ("World Modern")	Security interest in shares (Note (c))	8,100,041,390	28.00%
高立文 ("Mr. Ko")	Interests of a controlled corporation (Note (c))	8,100,041,390	28.00%

Notes:

- (a) The shares of the Company are held by CMI Financial Holding Company Limited, which is wholly owned by China Minsheng Asia Asset Management Co, Ltd. China Minsheng Asia Asset Management Co, Ltd is wholly owned by China Minsheng Investment Group Corporation Limited.
- (b) The shares of the Company are held by Vered Holdings Group Ltd, which is wholly owned by Vered Investment Co., Ltd, and which in turn is wholly owned by Vered Hong Kong. Vered Hong Kong is wholly owned by Vered Shenzhen, which in turn is wholly owned by Vered Holding.
- (c) As World Modern is wholly owned by Mr. Ko, Mr. Ko is deemed to be interested in the security interest in the 8,100,041,390 shares of the Company charged in favour of World Modern for the purpose of Part XV of the SFO.
- (d) The percentage has been calculated based on the total number of 28,928,719,250 ordinary shares of the Company in issue as at 30 June 2019.

All the interests disclosed under this section represent long position in the shares of the Company.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at 30 June 2019, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the sections headed "Directors' Interest in Shares" and "Share Options" above, at no time during the period under review was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. Except 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 report 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.

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

	Note	Six months ended 30 June	
		2019 HK\$'000	2018 HK\$'000
Interest income	8	66,644	82,353
Commission and fee income	9	(10,115)	10,010
Net investment income	10	(45,033)	215,156
<b>Total revenue</b>	6	<b>11,496</b>	307,519
Commission expenses		–	(23)
		<b>11,496</b>	307,496
Other income		6	20,935
		<b>11,502</b>	328,431
<b>Expenses</b>			
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	17, 18	(26,262)	4,453
Other operating expenses		(19,686)	(16,357)
<b>Total operating expenses</b>		<b>(126,620)</b>	(113,037)

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

The notes on pages 26 to 42 form an integral part of these condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
<b>(Loss)/profit for the period</b>	<b>(104,360)</b>	175,529
<b>Other comprehensive (loss)/income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Change in fair value of financial assets at fair value through other comprehensive income	<b>3,570</b>	–
Currency translation differences	<b>1,774</b>	(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	<b>(53,728)</b>	(41,008)
<b>Other comprehensive loss for the period, net of tax</b>	<b>(48,384)</b>	(42,745)
<b>Total comprehensive (loss)/income for the period</b>	<b>(152,744)</b>	132,784
<b>Total comprehensive (loss)/income for the period attributable to:</b>		
— Owners of the Company	<b>(152,525)</b>	131,383
— Non-controlling interests	<b>(219)</b>	1,401
	<b>(152,744)</b>	132,784

The notes on pages 26 to 42 form an integral part of these condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 30 JUNE 2019

	Note	30 June 2019 HK\$'000	31 December 2018 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
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	15	625,403	627,040
Financial assets at fair value through other comprehensive income	16	950,575	245,531
Loan and interest receivable	17	233,137	–
<b>Total non-current assets</b>		<b>2,098,210</b>	1,093,820
<b>Current assets</b>			
Margin receivables and other trade receivables	18	77,735	326,632
Financial assets at fair value through profit or loss	15	426,245	1,857,155
Loan and interest receivables	17	499,554	471,527
Deferred tax assets	20	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
<b>Total current assets</b>		<b>3,760,986</b>	4,933,271
<b>Total assets</b>		<b>5,859,196</b>	6,027,091

		<b>30 June 2019 HK\$'000</b>	31 December 2018 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	19	<b>5,667,546</b>	5,667,546
Other reserves		<b>669,874</b>	727,380
Accumulated losses		<b>(886,691)</b>	(790,058)
		<b>5,450,729</b>	5,604,868
Non-controlling interests		<b>(248,255)</b>	(248,036)
<b>Total equity</b>		<b>5,202,474</b>	5,356,832
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liability		<b>16,406</b>	–
<b>Total non-current liabilities</b>		<b>16,406</b>	–
<b>Current liabilities</b>			
Loan and interest payables	21	<b>231,515</b>	–
Bank borrowings		<b>78,601</b>	509,610
Trade payables	22	<b>202,727</b>	8,687
Accruals and other payables		<b>63,531</b>	85,185
Derivative financial instruments		–	15,430
Current tax liabilities		<b>45,205</b>	51,347
Lease liability		<b>18,737</b>	–
<b>Total current liabilities</b>		<b>640,316</b>	670,259
<b>Total liabilities</b>		<b>656,722</b>	670,259
<b>Total equity and liabilities</b>		<b>5,859,196</b>	6,027,091

The notes on pages 26 to 42 form an integral part of these condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company									
	Share capital	Share-based payments reserve	Special capital reserve	Foreign currency	Statutory surplus reserve	Investment revaluation reserve	Accumulated losses	Total	Non- controlling interests	Total equity
				translation reserve						
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>At 31 December 2018</b>	5,667,546	8,125	726,699	25,163	7,328	(39,935)	(790,058)	5,604,868	(248,036)	5,356,832
Adjustments recognised on adoption of HKFRS 16	-	-	-	-	-	-	(597)	(597)	-	(597)
<b>At 1 January 2019</b>	5,667,546	8,125	726,699	25,163	7,328	(39,935)	(790,655)	5,604,271	(248,036)	5,356,235
<b>Comprehensive income</b>										
Loss for the period	-	-	-	-	-	-	(103,144)	(103,144)	(1,216)	(104,360)
<b>Other comprehensive income</b>										
Currency translation difference	-	-	-	777	-	-	-	777	997	1,774
Change in fair value of financial assets through other comprehensive income	-	-	-	-	-	(50,158)	-	(50,158)	-	(50,158)
<b>Total comprehensive income for period ended 30 June 2019</b>	-	-	-	777	-	(50,158)	(103,144)	(152,525)	(219)	(152,744)
<b>Total transactions with owners, recognised directly in equity</b>										
Settlement of share-based payments	-	(1,017)	-	-	-	-	-	(1,017)	-	(1,017)
<b>At 30 June 2019</b>	5,667,546	7,108	726,699	25,940	7,328	(90,093)	(893,799)	5,450,729	(248,255)	5,202,474

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to owners of the Company										
	Share-based payments		Special capital reserve	Foreign currency translation		Investment revaluation		Accumulated losses	Total	Non-controlling interests	Total equity
	Share capital	reserve		reserve	reserve	surplus	reserve				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>At 31 December 2017</b>	5,667,546	9,023	726,699	49,412	5,862	(6,199)	(918,861)	5,533,482	(258,347)	5,275,135	
Impact on transition to HKFRS 9 (Note 3.2)	-	-	-	-	-	6,199	(12,964)	(6,765)	-	(6,765)	
<b>At 1 January 2018</b>	5,667,546	9,023	726,699	49,412	5,862	-	(931,825)	5,526,717	(258,347)	5,268,370	
<b>Comprehensive income</b>											
Profit for the period	-	-	-	-	-	-	176,361	176,361	(832)	175,529	
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(41,008)	-	(41,008)	-	(41,008)	
Appropriation of surplus reserves	-	-	-	-	738	-	(738)	-	-	-	
<b>Other comprehensive income</b>											
Currency translation difference	-	-	-	(3,970)	-	-	-	(3,970)	2,233	(1,737)	
<b>Total comprehensive income for period ended 30 June 2018</b>	-	-	-	(3,970)	738	(41,008)	175,623	131,383	1,401	132,784	
<b>Total transactions with owners, recognised directly in equity</b>											
Recognition of share-based payments	-	(898)	-	-	-	-	-	(898)	-	(898)	
<b>At 30 June 2018</b>	5,667,546	8,125	726,699	45,442	6,600	(41,008)	(756,202)	5,657,202	(256,946)	5,400,256	

The notes on pages 26 to 42 form an integral part of these condensed consolidated financial statements.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
<b>Cash flows (used in)/from operating activities</b>	<b>(220,379)</b>	564,938
Purchases of financial assets at fair value through other comprehensive income	<b>(754,612)</b>	–
Purchases of financial assets at fair value through profit or loss	–	(602,919)
Proceeds from disposals of financial assets at fair value through profit or loss	<b>1,369,451</b>	196,408
Proceeds from disposals of derivative financial instruments	–	107
Dividend received	<b>425</b>	54,964
Bank and other interest received	<b>38,059</b>	75,463
Interest paid	<b>(9,082)</b>	(17,099)
Income tax paid	<b>(12,592)</b>	(17,836)
<b>Net cash flows from operating activities</b>	<b>411,270</b>	254,026
<b>Cash flows used in investing activities</b>		
Decrease in investment in associates	<b>490</b>	–
Purchases of property, plant and equipment	<b>(20,346)</b>	(1,284)
<b>Net cash flows used in investing activities</b>	<b>(19,856)</b>	(1,284)

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
<b>Cash flows from financing activities</b>		
Proceeds from other loan	<b>231,514</b>	–
Proceeds from bank borrowing	–	150,000
Repayment of bank borrowing	<b>(428,467)</b>	(444,888)
Principal element of lease rentals paid	<b>(17,586)</b>	–
<b>Net cash flows used in financing activities</b>	<b>(214,539)</b>	(294,888)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>176,875</b>	(42,146)
Cash and cash equivalents at the beginning of the period	<b>2,216,342</b>	1,137,535
Exchange losses on cash and cash equivalents	<b>(3,500)</b>	(11,718)
<b>Cash and cash equivalents at end of the period</b>	<b>2,389,717</b>	1,083,671
<b>Analysis of the balances of cash and cash equivalents:</b>		
<b>Cash and bank balances</b>	<b>2,389,717</b>	1,083,671

The notes on pages 26 to 42 form an integral part of these condensed consolidated financial statements.

## 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”).

## 2 Basis of preparation (Continued)

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. PricewaterhouseCoopers's independent review report to the Board of Directors is included on page 43.

## 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%.

### 3 Accounting policies (Continued)

#### 3.1 New accounting policy adopted by the Group during the six months ended 30 June 2019 (Continued)

Adjustments recognised on adoption of HKFRS 16 (Continued)

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	<b>29,966</b>
Discounted using the lessee's incremental borrowing rate of at the date of initial application	<b>27,770</b>
(Less): short-term leases recognised on a straight-line basis as expense	<b>(1,117)</b>
<b>Lease liability recognised as at 1 January 2019</b>	<b>26,653</b>
Of which are:	
Current lease liabilities	<b>22,986</b>
Non-current lease liabilities	<b>3,667</b>
	<b>26,653</b>

- (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.

### 3 Accounting policies (Continued)

#### 3.1 New accounting policy adopted by the Group during the six months ended 30 June 2019 (Continued)

(ii) (Continued)

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

	30 June 2019 HK\$'000	1 January 2019 HK\$'000
Properties	34,603	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 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 Financial risk management and financial instruments (Continued)

### 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 HK'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
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
	<b>551,078</b>	<b>8,920</b>	<b>7,486</b>	<b>–</b>	<b>567,484</b>

#### As at 31 December 2018

	On demand or less than 1 year HK'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
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
	<b>557,048</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>557,048</b>

## 5 Financial risk management and financial instruments (Continued)

### 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
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
— 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
<b>Financial assets at fair value through other comprehensive income</b>				
— Listed bond investments	—	758,183	—	758,183
— Unlisted investment fund	—	192,392	—	192,392
<b>Total</b>	<b>76,056</b>	<b>1,168,748</b>	<b>757,419</b>	<b>2,002,223</b>



## 5 Financial risk management and financial instruments (Continued)

### 5.3 Fair value of financial assets and liabilities (Continued)

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
<b>Assets</b>				
<b>Financial assets designated at fair value through profit or loss</b>				
— 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
<b>Financial assets designated at fair value through other comprehensive income</b>				
— Unlisted investment fund	—	245,531	—	245,531
<b>Total</b>	244,970	484,647	2,000,109	2,729,726
<b>Liabilities</b>				
<b>Derivative financial instruments</b>				
— Option contract	—	(11,036)	—	(11,036)
— Total return swap	—	(4,394)	—	(4,394)
<b>Total</b>	—	(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.

## 5 Financial risk management and financial instruments (Continued)

### 5.3 Fair value of financial assets and liabilities (Continued)

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
<b>Opening balance as at beginning of the period/year</b>	<b>2,000,109</b>	1,932,134
Purchase	–	611,590
Disposals	<b>(1,148,695)</b>	(766,619)
Amounts recognised in profit or loss		
Currency translation difference	<b>(1,837)</b>	(3,262)
(Losses)/gains recognised in net investment income*	<b>(92,158)</b>	226,266
<b>Closing balance as at period/year end</b>	<b>757,419</b>	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	<b>(79,551)</b>	209,251

## 5 Financial risk management and financial instruments (Continued)

### 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)

## 6 Segment information (Continued)

### 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	<b>4,642</b>	24,611
— overprovision for prior year	<b>(593)</b>	–
PRC Enterprise Income Tax		
— charge for the period	<b>31</b>	–
Deferred income tax		
— credit for the period	<b>(22,906)</b>	(2,816)
	<b>(18,826)</b>	21,795

## 8 Interest income

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

## 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	<b>2,883</b>	791
Management fee income earned from asset management	<b>3,191</b>	5,085
Performance-based fee income earned from asset management	<b>(29,108)</b>	–
Loan arrangement fee income	<b>9,712</b>	1,578
Underwriting fee income	<b>2,431</b>	–
Referral fee income	<b>776</b>	–
	<b>(10,115)</b>	10,010

## 10 Net investment income

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

## 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 of 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	187,980	190,684

#### 14 Investments in associates (Continued)

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
<b>At 30 June:</b>		
Current assets	15,620	614,493
Current liabilities	(3,513)	–
Net current assets	12,107	614,493
<b>Period ended 30 June:</b>		
Revenue	7,766	–
Profit/(loss)	1,843	(7,813)
Total comprehensive income/(loss)	1,843	(7,813)
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	(30)	(1,380)
Closing net assets	12,107	614,493
Interest in associates (30%)	3,632	184,348

#### 15 Financial assets at fair value through profit or loss

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

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Financial assets at fair value through profit or loss		
Unlisted investment funds	<b>387,850</b>	1,648,415
Unlisted equity investment	<b>484,730</b>	485,830
Convertible bonds	<b>103,011</b>	104,980
Listed equity investments	<b>76,057</b>	244,970
	<b>1,051,648</b>	2,484,195
Classified as:		
Non current assets	<b>625,403</b>	627,040
Current assets	<b>426,245</b>	1,857,155
	<b>1,051,648</b>	2,484,195

## 16 Financial assets at fair value through other comprehensive income

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

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Financial assets at fair value through other comprehensive income		
Unlisted investment fund	192,392	245,531
Listed bond investments	758,183	–
	<b>950,575</b>	245,531

## 17 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	–
	<b>813,432</b>	554,709
Less: ECL allowance	(80,741)	(83,182)
	<b>732,691</b>	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.



## 18 Margin receivables and other trade receivables

Loans to margin clients are secured by client's pledged Hong Kong-listed securities at fair value of HK\$424,571,000 (2018: HK\$885,094,000) which can be sold at the Company's discretion to settle margin call requirements imposed by their respective securities transactions. The loans are repayable on demand and bear interest at commercial rates. No ageing analysis is disclosed as in the opinion of the Directors of the Company, the ageing analysis does not give additional value in the view of the revolving nature of the business of securities margin financing.

Expected credit losses allowance ("ECL allowance") attributable to margin receivables as at 30 June 2019 amounted to HK\$50,295,000 (31 December 2018: HK\$21,592,000). The increase in ECL allowance of HK\$28,703,000 was recognized in the consolidate statement of profit or loss.

## 19 Share capital

*Ordinary shares, issued and fully paid:*

	Number of shares '000	Share capital HK\$'000
<b>At 31 December 2018, 1 January 2019 and 30 June 2019</b>	28,928,719	5,667,546

## 20 Deferred tax assets

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the end of the reporting period.

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

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
<b>Deferred tax assets</b>		
— Net fair value losses	—	2,027
— Tax losses	<b>50,323</b>	25,979
	<b>50,323</b>	28,006

## 21 Loan and interest payables

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Corporate loan	<b>231,515</b>	—
The carrying amount of the above borrowing are repayable: Within one year	<b>231,515</b>	—

As at 30 June 2019, loan and interest payables is an unsecured corporate loan which bearing an interest at the rate of 0.3% per month. The corporate loan has been settled in July 2019.

## 22 Trade payables

The following is an ageing analysis of trade payables based on the settlement due date:

	30 June 2019 HK\$'000	31 December 2018 HK\$'000
Current to 1 month	202,727	8,678

As at 30 June 2019, included in the trade payables is the trade payables to financial institution of approximately HK\$202,727,000 in relation to the purchase of notes. The balance is interest free and repayable on the settlement date of the relevant trades. The trade payables have been settled in early July 2019.

## 23 Related party transactions

- (a) In addition to those related party transactions disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Commission income (Note i)	–	373
Interest income (Note ii)	2,421	1,087
Management fee income received from asset management (Note iii)	3,191	–
Performance-based fee income received asset management (Note iv)	(29,108)	–

Note i: During the period ended 30 June 2019, the Group received commission fees income from immediately holding company and fellow subsidiaries. Commission fee income is determined with reference to the market rate offered to other third party clients.

Note ii: During the period ended 30 June 2019, the Group lent unsecured loans to a related party of the Company and received interest income at an interest rate of 11.50% p.a. (2018: 11.50%).

Note iii: During the period ended 30 June 2019, the Group provides fund management service to a related party fund and recognised fund management fee of HK\$3,191,000. The fund management fee is determined with reference to the market rate offered to other third party investor of the fund.

Note iv: During the period ended 30 June 2019, the Group provides fund management service to a related party fund and recognised fund performance fee of HK\$(29,108,000). The fund performance fee is determined with reference to the market rate offered to other third party investor of the fund.

#### **24 Contingent liabilities**

There are no significant contingent liabilities relating to the Group as at 30 June 2019 (as at 31 December 2018: Nil).

#### **25 Events after the period end**

The Group has no significant events subsequent to the period ended 30 June 2019 to the date of this report.

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

### **TO THE BOARD OF DIRECTORS OF CHINA MINSHENG FINANCIAL HOLDING CORPORATION LIMITED**

*(incorporated in Hong Kong with limited liability)*

### **INTRODUCTION**

We have reviewed the interim financial information set out on pages 17 to 42, which comprises the condensed consolidated statement of financial position of China Minsheng Financial Holding Corporation Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **SCOPE OF REVIEW**

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

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the this interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 28 August 2019