中民金融
CM Financial

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
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Tomohiko Watanabe
(Chairman and Chief Executive Officer)
(Appointed as Executive Director and Chairman on 18 February 2019 and appointed as Chief Executive Officer on 5 March 2019)
Ni Xinguang *(Vice Chairman)*
Li Wei (Resigned as Executive Vice President on 24 May 2019)
Zheng Li (Resigned as Acting Chief Executive Officer on 24 May 2019 and resigned as Executive Director on 15 August 2019)

Non-executive Directors

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

Zhou Hui (Appointed on 21 March 2019)
Wang Yongli
Dong Hao (Appointed on 27 December 2019)
Lyu Wei (Retired on 28 June 2019)
Ling Yu Zhang (Resigned on 27 June 2019)
Guan Tao (Resigned on 28 March 2019)
Hu Zhengheng (Resigned on 18 March 2019)

AUDIT COMMITTEE

Zhou Hui *(Chairperson)*
(Appointed as Chairperson and member on 21 March 2019)
Wang Yongli
Dong Hao (Appointed as member on 27 December 2019)
Lyu Wei (Retired on 28 June 2019)
Ling Yu Zhang (Resigned as member on 27 June 2019)
Guan Tao (Resigned as member on 28 March 2019)
Hu Zhengheng (Resigned as Chairman and member on 18 March 2019)

NOMINATION COMMITTEE

Tomohiko Watanabe *(Chairman)* (Appointed as Chairman and member on 27 December 2019)
Wang Yongli
Zhou Hui (Appointed as member on 21 March 2019)
Dong Hao (Appointed as member on 27 December 2019)
Lyu Wei (Retired on 28 June 2019)
Ling Yu Zhang (Resigned as member on 27 June 2019)
Guan Tao (Resigned as member on 28 March 2019)
Hu Zhengheng (Resigned as member on 18 March 2019)

REMUNERATION COMMITTEE

Wang Yongli *(Chairman)*
Zhou Hui (Appointed as member on 21 March 2019)
Dong Hao (Appointed as member on 27 December 2019)
Lyu Wei (Retired on 28 June 2019)
Ling Yu Zhang (Resigned as member 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

Tomohiko Watanabe *(Chairman)*
(Appointed as Chairman and member on 18 February 2019)
Ni Xinguang
Li Wei
Wang Dongzhi (Resigned as Chairman and member on 18 February 2019)
Zheng Li
(Resigned as member on 15 August 2019)

COMPANY SECRETARY

Wong Wai Yee Ella (Appointed on 28 August 2019)
Sit Man Pan (Appointed on 24 May 2019 and resigned on 28 August 2019)
Wong Choi Chak (Resigned on 24 May 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, Hong Kong Branch
Industrial Bank Co., Ltd., Hong Kong Branch

SOLICITORS

Hong Kong Law
Herbert Smith Freehills

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE (relocated from 8 July 2019)

22/F, China Taiping Tower
8 Sunning Road
Causeway Bay
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE (changed from 11 July 2019)

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

245 HK

WEBSITE

www.cm-fin.com

CHAIRMAN'S STATEMENT

Tomohiko Watanabe
Chairman

Dear Shareholders,

1. IMPROVEMENT ON MANAGEMENT STRUCTURE

In 2019, with the change of the shareholding structure, China Minsheng Financial Holding Corporation Limited (the "Company") welcomed new board members and appointed new management. This could be described as the initiation of governance under the new management.

During last year, the management of the Company was committed to getting a better understanding of the employees working in the front, middle and back offices, delineating and strengthening each department's functions, revisiting and actively recovering invested projects, accelerating the commencement of new business and effectively reducing costs. With the full support of the major shareholders of the Company, the above measures proved fruitful.

2. EXECUTION OF "INVESTMENT BANKING + SECURITIES DEALER" BUSINESS STRATEGY

In 2019, the Company and its subsidiaries (the "Group") adhered to and implemented the business strategy with a focus on "Investment banking + securities dealer" model, strived to establish an integrated financial holding platform for actively pushing forward its securities and investment businesses based on the fixed income business. At the same time, the Company's reputation and status in the capital markets have been effectively enhanced by deepening inter-industry cooperation and increasing market participation. In addition, as for asset management business, the Company has focused on improving its return on investment and built a solid business system by regrouping its professional team and adopting a combination of deploying its own capital for investment and external financing in a flexible manner.

3. COMPLETION OF STRATEGIC PLACING

Moreover, to further support the Company's business growth, seize market opportunities and increase project implementation, the Company successfully completed the placing of shares in November 2019 under the general mandate granted to the board of directors of the Company at the annual general meeting held on 28 June 2019. The proceeds will lay a solid foundation for the Company's future development with great strategic significance.

4. BUSINESS EXPANSION IN JAPAN

In the fourth quarter of 2019, the Company made steady progress in the preparatory work for commencing business in Japan. As the first step, the Group's has set up a subsidiary in Japan in January 2020 which will engage in the establishment and fundraising of Japanese investment funds. It is expected that this will further expand our business in Japan based on the Greater China business centered on Hong Kong, thereby promoting diversification of the Company's business.

5. BUSINESS EXPANSION IN MAINLAND CHINA

In late 2019, the Company actively carried out preparation work for its business in Mainland China. The primary objective of business in Mainland China is to complete the establishment and raise of private securities funds and private equity funds. At the same time, we commenced our work on market-oriented investment and financing, developed strategic cooperation with major companies in financial sector and industry in Mainland China and enhanced the Company's brand recognition, thereby promoting the overall development of the Company's business.

PROSPECT FOR 2020

As there are still numerous uncertainties over the macro-economy, 2020 will be another challenging year for the global economy. The Company will strengthen its risk management and will also use its own international advantages to actively capture business opportunities in different regions. As a financial services company, the Company aims at reaching new highs and strives to create greater value for shareholders.

Tomohiko Watanabe
Chairman

Hong Kong, 25 March 2020

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 last year. 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 The Stock Exchange of Hong Kong Limited 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 sophisticated 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: approximately 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 HK$'000	2018 HK$'000	Change
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 approximately 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 HK$'000	2018 HK$'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 annual report, the Group had no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2019.

SIGNIFICANT INVESTMENTS

As at 31 December 2019, the Group had investments in financial assets designated at fair value through profit or loss, financial assets designated at fair value through other comprehensive income and financial assets at amortised cost with an aggregate carrying amount of approximately HK$2,966,726,000 (as at 31 December 2018: HK$2,714,296,000). The details of significant investments (each of which carrying value more than 2% of the total assets of the Group) as at 31 December 2019 are as follow:

Name of investee company/fund	Nature of investments	Classification	Number of shares/ units held	Investment costs HK$000	Fair value/ Carrrying value as at 31 December 2019 HK$000	Percentage of Group's total assets as at 31 December 2019 HK$000	Unrealised gain/(loss) on change in fair value for the year ended 31 December 2019 HK$000	Realised gain/(loss) for the year ended 31 December 2019 HK$000	Dividend income for the year ended 31 December 2019 HK$000
eToro Group Ltd.	Investment in unlisted preferred shares	Financial assets at fair value through profit or loss	1,216,248	391,891	459,483	8.0%	(26,157)	–	–
Wison Offshore & Marine Ltd.	Investment in unlisted convertible bond	Financial assets at fair value through profit or loss	Not applicable	298,167	295,938	5.2%	(2,229)	–	–
Chariot SPC Fund — Chariot SP II	Investment in unlisted investment fund	Financial assets at fair value through other comprehensive income	24,000	240,000	168,600	2.9%	–	–	–
Agile Group Holdings Ltd.	Investment in listed bond	Financial assets at fair value through other comprehensive income	150,000	117,655	122,167	2.1%	–	–	–
Great Courage Global Ltd.	Investment in unlisted note	Financial assets at amortised cost	Not applicable	233,636	233,058	4.1%	–	–	–
Kaisa Group Holdings Ltd.	Investment in listed bond	Financial assets at amortised cost/financial assets at fair value through other comprehensive income	371,000	293,973	296,932	5.2%	–	–	–
Zensun Enterprises Ltd.	Investment in listed bond	Financial assets at amortised cost/financial assets at fair value through other comprehensive income	300,000	232,350	232,149	4.0%	–	–	–
Yango Justice International Ltd.	Investment in listed bond	Financial assets at amortised cost/financial assets at fair value through other comprehensive income	220,000	167,381	172,463	3.0%	–	–	–
Excellence Commercial Management Ltd.	Investment in listed bond	Financial assets at fair value through other comprehensive income/ financial assets at fair value through profit or loss	200,000	156,307	154,854	2.7%	(207)	(136)	–
Ronshine China Holdings Ltd.	Investment in listed bond	Financial assets at amortised cost/financial assets at fair value through other comprehensive income	200,000	155,541	160,821	2.8%	–	–	–
Jingrui Holdings Ltd.	Investment in listed bond	Financial assets at amortised cost/financial assets at fair value through other comprehensive income	160,000	124,554	121,648	2.1%	–	–	–

Name of investee company/fund	Nature of investments	Classification	Number of shares/ units held	Investment costs HK$000	Fair value/ Carrrying value as at 31 December 2019 HK$000	Percentage of Group's total assets as at 31 December 2019 HK$000	Unrealised gain/(loss) on change in fair value for the year ended 31 December 2019 HK$000	Realised gain/(loss) for the year ended 31 December 2019 HK$000	Dividend income for the year ended 31 December 2019 HK$000
Other significant investments as disclosed in 2018									
Shareholder Value Fund	Investment in unlisted investment fund	Financial assets at fair value through profit or loss	23,736	139,007	82,072	1.4%	(127,859)	(15,616)	–
Fullgoal China Access RQFII Fund SPC — Fullgoal Industrial Investment Fund Segregated Portfolio	Investment in unlisted investment fund	Financial assets at fair value through profit or loss	Not applicable	1,008,845	Not applicable	Not applicable	(99,431)	100,719	–
Central China Dragon Growth Fund SPC — Central China Dragon Growth Fund SP3	Investment in unlisted investment fund	Financial assets at fair value through profit or loss	966,000	96,792	–	0.0%	(110,736)	1,400	8,001
Crimson Partners, LP	Investment in unlisted investment fund	Financial assets at fair value through profit or loss	Not applicable	141,210	98,127	1.7%	(43,083)	–	–

Looking ahead, the stock market is expected to 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 of the Company.

USE OF PROCEEDS

The net proceeds from the issue of new shares of the Company through the placing of 5,785,740,000 ordinary shares of the Company at the price of HK$0.085 per share (the "Placing"), after deduction of the related underwriting fees and issuance expenses paid by the Company in connection therewith, were approximately HK$487 million. The utilisation of net proceeds from the Placing is set out below:

Use of net proceeds	Total amount planned to be used HK$'million	Actual amount utilised up to 31 December 2019 HK$'million	Remaining balance as at 31 December 2019 HK$'million
General working capital	37	11	26
Investment opportunities (Note)	450	–	450
Total	487	11	476

Note: On 20 December 2019, the Group has entered into a facility agreement with a borrower pursuant to which the Group has agree to make available to the borrower a secured term loan in the principal amount of up to US$36,500,000. The facility has been drawn down in January 2020. Details of the term loan are set out in the Company's announcement dated 20 December 2019.

The Group will constantly evaluate its investment strategy and may change or modify its plans upon the changing market condition to suit the business development of the Group.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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.

The Group's revenue is mainly derived from business activities in Hong Kong and Mainland China. An analysis of the Group's revenue is set out in note 5 to the consolidated financial statements.

Particulars of the Company's major subsidiaries as at 31 December 2019 are set out in note 15 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to various key risks including credit risk, interest rate risk, liquidity risk, operational risk and market risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in note 3 "Financial Risk Management" to the consolidated financial statements included in this annual report.

The Group's long term profitability and business growth are affected by the volatility and uncertainty of macroeconomic conditions (including but not limited to gross domestic product growth, consumer and asset price indexes, and credit demand), financial volatility (exacerbated by the recent Brexit impact and divergent monetary policies of United States and other countries), and uncertain economic outlook and political conditions of Hong Kong, Mainland China, United States, Eurozone and other countries. The divergence of monetary policies in major advanced economies is expected to continue to contribute partly to the volatility of fund and trade flows and that of asset prices and economic growth momentum in Hong Kong and Mainland China. Financial risk could quickly spill over from one to another nation given their increasing economic and political ties amongst each other. In particular, the potential impact on economic activities and on property, stock and commodity prices of Hong Kong are subject to political and economic developments of Mainland China, United States, Eurozone and other countries.

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of its business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realises that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputable third-party providers and closely monitors their performance.

BUSINESS REVIEW

A fair review of the Group's business and its outlook are set out in the section headed "Management Discussion & Analysis". No significant event affecting the Group has occurred since the end of the financial year under review.

The Group complies with the requirements under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), the Listing Rules and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and ordinances relating to occupational safety for the interest of employees of the Group.

The Group is committed to raising environmental awareness among its staff, partners, and stakeholders. It implemented energy saving practices in certain office premises. For example, the Group runs an internal recycling program on a continuous basis for consumable goods such as toner cartridges to minimize the impact on the environment and natural resources. The Group has taken the initiative to reduce energy use and waste, to use environmentally friendly products and aims to lead by example.

Going green will always continue to be a key focus for the Group. Green plants are kept in office and plant care service provider is responsible to take care of the plants every week. The Group currently uses and will continue to install lighting fixtures with LED lighting or T5 fluorescent tubes. Indoor temperature is maintained at 25°C to save energy.

The Group will review its environmental policies from time to time and will consider further eco-friendly practices in the operation of the Group's businesses to move towards enhancing environmental sustainability.

Further discussions on the Group's environmental policy and our relationship with various stakeholders are covered by the "Environmental, Social and Governance Report" section on pages 48 to 62 of this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND BUSINESS PARTNERS

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

The Group encompasses working relationships with business partners to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to business partners before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analysis on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

REPORT OF THE DIRECTORS

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 69 to 70 of this annual report.

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

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.

SHARES CAPITAL

Details of the shares are set out in note 27 to the consolidated financial statements.

RESERVES

Details of the movements in reserves during the year are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2019, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong), amounted to HK$Nil (2018: HK$Nil).

FIVE YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, are summarised on page 140 of this annual report.

DIRECTORS OF THE COMPANY

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Tomohiko Watanabe *(Chairman)* (Appointed as Executive Director and Chairman on 18 February 2019 and appointed as Chief Executive Officer on 5 March 2019)
Ni Xinguang *(Vice Chairman)*
Li Wei (Resigned as Executive Vice President on 24 May 2019)
Zheng Li (Resigned as Acting Chief Executive Officer on 24 May 2019 and resigned as Executive Director on 15 August 2019)

Non-executive Directors

Wang Dongzhi (Resigned as Chairman and re-designated as Non-executive Director on 18 February 2019)
Ma Jianting (Resigned on 18 February 2019)

Independent Non-executive Directors

Zhou Hui (Appointed on 21 March 2019)
Wang Yongli
Dong Hao (Appointed on 27 December 2019)
Lyu Wei (Retired on 28 June 2019)
Ling Yu Zhang (Resigned on 27 June 2019)
Guan Tao (Resigned on 28 March 2019)
Hu Zhengheng (Resigned on 18 March 2019)

The persons who were directors of the subsidiaries of the Company during the year (not including those Directors listed above) were:

Cai Zaoping
Chen Danhua
Chen Xiao (Appointed on 8 May 2019 and resigned on 14 May 2019)
Chen Xiaoyan
Cheng Zhihan
Ding Hao (Resigned on 15 October 2019)
Ge Ming (Appointed on 2 September 2019)
Guo Jun
Guo Yifan
Han Qian
Ho Kai Yin, Anthony (Resigned on 8 May 2019)
Lau Tak Wa
Lee Nelson Ho Wing (Appointed on 14 May 2019)
Leung Man Chak (Resigned on 21 May 2019)
Lin Dong
Lin Wei
Liu Tianfeng
Liu Yiping
Lui Siu Man (Appointed on 2 December 2019)
Mao Haiying
Ni Mei-Xiu
Shen Zhaoyu
Song Zhengtang (Appointed on 26 June 2019)
Sui Yuwei
Tan Wentao (Resigned 4 April 2019)
Wang Bing (Appointed on 21 August 2019)
Wang Weiqi (Appointed on 10 October 2019)
Wei Jian (Appointed on 8 May 2019)
Wei Wenjun
Xi Chenxing
Xu Jiashu
Xu Lixia
Zhong Miaoyao (Appointed on 9 August 2019)
Zhang Ruichen
Zhangyi

DIRECTORS' PROFILES

Directors' profiles are set out on pages 45 to 47 of this annual report.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, namely Mr. Wang Yongli, Ms. Zhou Hui and Mr. Dong Hao an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

For the executive Directors, Mr. Tomohiko Watanabe entered into a service contract with the Company for a term of three years with effect from 18 February 2019. Mr. Ni Xinguang entered into a service contract with the Company for a period of two years commencing from 1 April 2008 which has expired on 31 March 2010. Mr. Ni has not entered into any new written service contract with the Company but is subject to retirement by rotation in accordance with the Articles. Ms. Li Wei entered into a service contract with the Company for a term of three years with effect from 30 July 2018. For the non-executive Directors, Mr. Wang Dongzhi entered into a service contract with the Company for a term of three years with effect from 24 July 2017. For the independent non-executive Directors, Mr. Wang Yongli entered into an appointment letter with the Company for a term of three years with effect from 12 November 2018. Ms. Zhou Hui entered into an appointment letter with the Company for a term of three years with effect from 21 March 2019. Mr. Dong Hao entered into an appointment letter with the Company for a term of three years with effect from 27 December 2019.

No Director proposed for re-election at the 2020 AGM has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OF ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 December 2019, the interests or short positions of each Director or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), 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 ordinary shares held Personal interests	 Corporate interests	Total	Percentage of the issued share capital *(Note (b))*
Ni Xinguang ("Mr. Ni")	46,068,000	416,004,000 *(Note (a))*	462,072,000	1.33%

Notes:

(a) 416,004,000 shares were owned by Group First Limited, a private company wholly owned by Mr. Ni, representing approximately 1.20% of the issued share capital of the Company. By virtue of the SFO, Mr. Ni is deemed to have interest of the shares held by Group First Limited. There has been no change to such interest of Mr. Ni from 31 December 2019 to the date of this report.

(b) The percentage was calculated based on the total number of 34,714,459,250 ordinary shares of the Company in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 2019 and the date of this report, none of the Directors or chief executives 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 Part XV of the SFO or 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 31 December 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 Part XV of the SFO or pursuant to the Model Code.

EQUITY-LINKED AGREEMENTS

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

Share Options

The Company adopted a share option 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"). Since then, no further option can be granted under the 2004 Share Option Scheme, but all options granted previously will remain exercisable in accordance with the terms of the 2004 Share Option Scheme and the relevant letters of offers to the respective grantees.

There was no outstanding option held under 2004 Share Option Scheme and 2013 Share Option Scheme as at 31 December 2019.

Details of the 2013 Share Option Scheme are listed below in accordance with Rule 17.09 of the Listing Rules:

Purpose of the 2013 Share Option Scheme:	The purpose of the 2013 Share Option Scheme is to enable the Company to grant options (the "Options") to selected Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to the Group or any entity in which the Group holds an equity interest (an "Invested Entity"). The Company considers that the Invested Entity may contribute to the Group's profits. The Company also considers that the granting of the Options to the employees, directors, officers or consultants of the Invested Entity would provide an incentive for their contribution to the Invested Entity which indirectly benefits the Group.

Eligible Participants (each, an "Eligible Participant", and collectively, the "Eligible Participants"):	Any full time or part time employees of the Group or any Invested Entity (including any Directors, whether executive or non-executive and whether independent or not, of the Company or any Subsidiary or any Invested Entity); any holder of any securities issued by the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sublicensee) or distributors, landlords or tenants (including any sub-tenants) of the Group or any Invested Entity or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group or any Invested Entity.
Maximum entitlement of each Eligible Participant:	The total number of shares issued and to be issued upon exercise of the Options granted to each Eligible Participant or grantee (including exercised and outstanding Options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the shares in issue. Where it is proposed that any offer is to be made to an Eligible Participant (or where approximate, an existing grantee) which would result in the shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the twelve (12)-month period up to and including the relevant date of grant to exceed such limit, such offer and any acceptance thereof must be conditional upon shareholders' approval in general meeting with such Eligible Participant (or where appropriate, an existing grantee) and his, her or its associates abstaining from voting.
The amount payable on application or acceptance of the Option and the period within which payments or calls must be made or loans for such purposes must be paid:	HK$1.00 is to be paid by each grantee as consideration for the grant of Option within 21 days from the date of offer.
Remaining life of the 2013 Share Option Scheme:	The 2013 Share Option Scheme shall be valid and effective for the period commencing from 9 December 2013 and expiring at the close of business on its tenth (10th) anniversary i.e. 9 December 2023.

Further details of share options were stipulated in note 30 to the consolidated financial statements.

Apart from the aforesaid, at no time during the year ended 31 December 2019 was the Company or any of its subsidiaries or its fellow subsidiaries, or its parent company or its other associated corporations a party to any arrangement to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

SHARE AWARD PLAN

On 19 December 2018, the Company adopted a share award plan ("Share Award Plan"). The purpose of the plan is to recognise and reward the contributions of certain eligible participants to the growth and development of the Group and to give incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

No shares have been granted under the Share Award Plan up to the date of this report.

Details of the Share Award Plan are set out in the Company's announcement dated 19 December 2018.

PURCHASE, SALE OR REDEMPTION OF 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.

DIRECTORS' MATERIALS INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Apart from the particulars disclosed in note 33 under the heading "Related Party Transactions" to the consolidated financial statements, there were no transaction, arrangement and contract of significance in relation to the Group's business to which the Company's holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director and the director's connected party had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 33 to the consolidated financial statements.

Continuing Connected Transactions

During the year ended 31 December 2019, the Group had the following continuing connected transactions.

Asset Management

Shareholder Value Offshore Fund ("Fund") was established in November 2016. At the time of its establishment, the Fund had a total of three investors, two of whom are independent third parties of the Company, whilst CM Securities Investment Limited ("CMSI"), an indirectly wholly own subsidiary of the Company, contributed seed capital as the one of the three investors. Pursuant to the Investment Management Agreement in November 2016, CM Asset Management (Hongkong) Company Limited ("CMAM"), an indirect wholly owned subsidiary of the Company, is the fund manager of the Fund.

On 21 December 2018, a previous independent third party shareholder of the Fund transferred ("Transfer") its fund shares ("Fund Shares") to CMI Financial Holding Corporation ("CMI"), pursuant to which, CMI acquires approximately 35.30% shareholding interest in the Fund, on top of the original approximately 18.4% shareholding of CMI indirectly owned in the Fund through CMSI (an indirect wholly owned subsidiary of CMI), the shareholding of CMI interest in the Fund has subsequently become approximately 53.7% since 21 December 2018.

CMI is a wholly owned indirect subsidiary of China Minsheng Investment Group Corporation Ltd ("CMIG"), and CMIG was a controlling shareholder of the Company on the date of Transfer. Accordingly, subsequent to the aforementioned of the Transfer, the Fund became a connected person of the Company. The asset management services fees provided to CMAM by the Fund therefore became continuing connected transactions of the Company under Chapter 14A of the Listing Rules by virtue of the Transfer that took place between the investor and CMI.

CMAM shall be entitled to (1) an annual management fee calculated based on 1.5% of the net asset value of the Fund; and (2) an annual performance fee calculated based on 15% of the realised and unrealised appreciation in the net asset value of the Fund with a duration of three years ending 31 December 2021.

Pursuant to the announcement dated 27 February 2019, the annual caps for the maximum amount of fees payable by Fund to the Group for the three years ending 31 December 2021 are HK$21.88 million, HK$22.11 million and HK$22.34 million, respectively.

As each of CMI and CMIG ceased to be a connected person of the Company after 1 November 2019, the service fee provided by the Fund to CMAM ceased to be continuing connected transactions of the Company since 1 November 2019.

Asset management fees (including reversal of prior year performance fee) incurred for the period from 1 January 2019 to 1 November 2019 (date of which the Fund ceased to be connected person of the Group) comprised management fee income of HK$4,634,000 and a reversal of performance fee income of HK$49,543,000 which resulted in a net reversal of income amounting to approximately HK$44,909,000 (2018: a net income of HK$2,180,000), which is within the annual cap of HK$21,880,000 for the year ended 31 December 2019.

For further details, please refer to the announcement of the Company dated 27 February 2019.

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions above have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreement governing them, on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements HKSAE 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transaction disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Connected Transaction

Term loan

On 16 March 2018, Tianjin Tong Ming Xin Peng Corporate Management Company Limited ("Tianjin TM"), an indirectly wholly owned subsidiary of the Company entered into a loan agreement ("Loan Agreement") with CMIG Asia, a company established in the PRC with limited liability and is wholly-owned by China Minsheng Investment Group Corporation Ltd, pursuant to which the Tianjin TM has agreed to provide the loan ("the Loan") to CMIG Asia with amount not more than RMB75,000,000 for a term of two years from 16 March 2018 to 15 March 2020 at an interest rate of 11.5% per annum.

The Loan is provided to CMIG Asia for short term working capital use of its PRC operation. Loan Agreement have been negotiated on an arm's length basis and on normal commercial terms and in the ordinary and usual course of business of the Group, and the transactions contemplated thereunder and the Loan Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Tianjin TM is an indirect wholly-owned subsidiary of the Company. CMIG was a substantial shareholder of the Company on the date of the Loan Agreement. CMIG Asia was a direct wholly-owned subsidiary of CMIG and was therefore a connected person of the Company. The entering into of the Loan Agreement therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

As mentioned above, CMIG ceased to be a connected person of the Company after 1 November 2019, hence the Loan no longer constituted a connected transaction of the Company since 1 November 2019.

For the period from 1 January 2019 to 1 November 2019 (date of which the CMIG Asia ceased to be connected person of the Group), the total interest income received by the Group from CMIG Asia were approximately HK$4,627,000 (2018: HK$4,219,000).

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 16 March 2018 for further details.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate Directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the highest paid individuals of the Group are set out in notes 8 and 9 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2019, so far as was known to the Directors, the following persons, other than the Directors and chief executives 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))*
蔷薇控股股份有限公司	Interest of controlled corporation *(Note (a))*	8,133,000,000	23.43%
蔷薇控股(深圳)有限公司	Interest of controlled corporation *(Note (a))*	8,133,000,000	23.43%
Vered Holdings (Hong Kong) Limited ("Vered Hong Kong")	Interest of controlled corporation *(Note (a))*	8,133,000,000	23.43%
Vered Investment Co., Ltd ("Vered Investment")	Interest of controlled corporation *(Note (a))*	8,133,000,000	23.43%
Vered Holdings Group Ltd ("Vered Holdings")	Beneficial owner *(Note (a))*	8,133,000,000	23.43%
World Modern Investments Limited	Beneficial owner *(Note (b))*	4,600,041,390	13.25%
高立文	Interest of controlled corporation *(Note (b))*	4,600,041,390	13.25%
Hong Kong Baohui Toda Limited	Beneficial owner *(Note (c))*	3,500,000,000	10.08%
Zhao Xinlong	Interest of controlled corporation *(Note (c))*	3,500,000,000	10.08%

(a) 8,133,000,000 shares are held by Vered Holdings, which is wholly owned by Vered Investment, and which in turn is wholly owned by Vered Hong Kong. Vered Hong Kong is wholly owned by 蔷薇控股(深圳)有限公司, which in turn is wholly owned by 蔷薇控股股份有限公司.

(b) 4,600,041,390 shares were held by World Modern Investments Limited, which is wholly owned by Mr.高立文. By virtue of the Securities and Futures Ordinance ("SFO"), Mr. 高立文 was deemed to have interest in the shares held by World Modern Investments Limited.

(c) 3,500,000,000 shares were held by Hong Kong Baohui Toda Limited, which is wholly owned by Mr. Zhao Xinlong. By virtue of the SFO, Mr. Zhao Xinlong is deemed to have interest in the shares held by Hong Kong Baohui Toda Limited.

(d) The percentage has been calculated based on the total number of 34,714,459,250 ordinary shares of the Company in issue as at 31 December 2019.

Save as disclosed above, the Directors and the CEO are not aware that there is any party who, as at 31 December 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 the nominal value 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 "Share Options" and "Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company of Any Specified Undertaking of the Company or Any Other Associated Corporation" above, at no time during the year ended 31 December 2019 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

RETIREMENT BENEFITS

The Group did not operate any retirement scheme up to 30 November 2000. With effect from 1 December 2000, MPF Scheme has been set up for employees, including executive Directors of the Company, in Hong Kong, in accordance with the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"). Under the MPF Scheme, the Group's contributions are at 5% of employees' relevant income as defined in the MPF Ordinance up to a maximum of HK$1,500 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme from 31 December 2000. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

COMPETING INTERESTS

None of the Directors and their respective close associates (as defined under the Listing Rules) had any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year ended 31 December 2019 and up to the date of this report.

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set up by the remuneration committee of the Company (the "Remuneration Committee") on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 30 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the revenue attributable to the five largest customers of the Group accounted for approximately 29.90% of the Group's total revenue while the revenue attributable to the largest customer of the Group was approximately 13.19% of the Group's total revenue. The Group is a provider of financial services. In the opinion of the Board, it is therefore of no value to disclose details of the Group's suppliers.

Save as disclosed above, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any beneficial interest in the Group's 5 largest customers or suppliers.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2019, there was a sufficiency of public float the Company's securities as required under the Listing Rules.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

AUDITOR

The auditor appointed by the Company in the past three years is PricewaterhouseCoopers.

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.

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

Hong Kong, 25 March 2020

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.

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 was 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.

Under the Code Provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting and he should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In addition, under the Code Provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of the Shareholders. During the year ended 31 December 2019, the annual general meeting was held on 28 June 2019, and the whole Board and the auditor of the Company responsible for the audit of the Company's financial statements for the year ended 31 December 2018 have attended the meeting to answer questions of the Shareholders.

BOARD OF DIRECTORS

Functions and role

The Board has overall responsibility in formulating the strategic development of the Group, monitoring and controlling the Company's operation and financial performance. All the appointed Directors are subject to rotation for re-appointment at the annual general meeting, and each of the Directors is subject to retirement by rotation at least once every three years. Appropriate and sufficient information was provided to each of the Directors to keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Company.

The independent non-executive Directors are expressly identified in all corporate communications such as circular, announcement or relevant corporate communications in which the names of Directors are disclosed. Each of the independent non-executive Directors has filed an annual confirmation to the Company confirming their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors meet the independence guideline set out in Rule 3.13 of the Listing Rules and are independent.

To the best knowledge of the Company, there is no financial, business, family relationship among the members of the Board as at 31 December 2019. All of them are free to exercise their individual judgment.

Composition

As at the date of this Report, the Board comprises seven Directors, of which three are executive Directors, one is non-executive director and three are independent non-executive Directors. One of the three independent non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise, which complies with the requirement of the Listing Rules. The Directors' respective biographical information is set out in this annual report under the heading "Directors' Profiles" and the names of current Directors on Board and their positions are as follows:

Name of Directors	Position
Executive Directors	
Mr. Tomohiko Watanabe	Chairman and CEO
Mr. Ni Xinguang	Vice Chairman
Ms. Li Wei	
Non-executive Director	
Mr. Wang Dongzhi	
Independent Non-executive Directors	
Ms. Zhou Hui	
Mr. Wang Yongli	
Mr. Dong Hao	

The Board held twelve Board meetings (including four regular Board meetings) during the financial year ended 31 December 2019. Appropriate and sufficient information was provided to the Board in a timely manner for their review before the meetings. Attendance of individual Directors at Board meetings is set out in the section of "Attendance of Board Meetings, Audit Committee Meetings, Nomination Committee Meetings, Remuneration Committee Meetings and Annual General Meeting in 2019".

Chairman and CEO

The positions and roles of Chairman and CEO are held and performed. Mr. Tomohiko Watanabe has been appointed as the CEO of the Company on 5 March 2019, after which he has been acting as both the Company's CEO and Chairman.

Board Practices

The Board, led by the Chairman, is responsible for overall management of the Company's business, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. The Chairman shall ensure that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the secretary of the Board. With the support of executive Directors and the company secretary of the Company (the "Company Secretary"), the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. Twelve Board meetings (including four regular Board meetings) were held during the year for facilitating the function of the Board. The Board believes that the Board meetings held during the financial year were adequate to cover all major issues during the year. In any event all Directors were available for consultation by management from time to time during the year.

The Board also reserves for its decisions on all major matters of the Company, including: the approval and monitoring of major policy matters, overall strategies and annual budgets and business plans, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information and other significant financial and operational matters.

Management is responsible for the day-to-day operations of the Group under the leadership of the CEO. The CEO, working with the management team, is responsible for managing the businesses of the Group including implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group. All Directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group. Apart from the regular Board meetings, the Chairman may hold meetings with the independent non-executive Directors without the presence of executive Directors.

In order to ensure that the Board is able to fulfill its responsibilities, the Board has established and delegated specific responsibilities to the Audit Committee, Nomination Committee and Remuneration Committee. The details of the committees are stipulated on pages 37 to 41 of this report.

Sufficient formal notice of every regular Board meeting is given to all Directors to give them the opportunity to attend. Board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The secretary of the Board shall attend all regular Board meetings and shall seek external advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors shall have full access to information on the Group and are able to seek independent professional advice whenever deemed necessary. The secretary of the Board shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings. Draft and final versions of Board minutes have been sent to all Directors for their comment and records respectively within a reasonable time after the board meeting.

Appropriate insurance cover on Directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

The Company Secretary, Ms. Wong Wai Yee Ella, is responsible to the Board for ensuring that Board procedures are followed and that the Board is fully briefed on all legislative, regulatory and corporate governance developments and has regarded to them when making decisions. The Company Secretary is also responsible for advising the Board on the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Buy-backs, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations. During the year ended 31 December 2019, Ms. Wong Wai Yee Ella undertook not less than 15 hours of professional training to update her skills and knowledge.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors, including non-executive Director and independent non-executive Directors, should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. Each newly appointed Director would receive a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and update all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and to enhance their awareness of good corporate governance practices.

During the year ended 31 December 2019, the Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

Name of Directors	Attended Seminars or Briefing/Read Materials
Executive Directors	
Mr. Tomohiko Watanabe (Appointed on 18 February 2019)	✓
Mr. Ni Xinguang	✓
Mr. Zheng Li (Resigned on 15 August 2019)	✓
Ms. Li Wei	✓
Non-executive Directors	
Mr. Ma Jianting (Resigned on 18 February 2019)	✓
Mr. Wang Dongzhi (Re-designated as non-executive Director on 18 February 2019)	✓
Independent Non-executive Directors	
Mr. Lyu Wei (Retired on 28 June 2019)	✓
Mr. Ling Yu Zhang (Resigned on 27 June 2019)	✓
Dr. Guan Tao (Resigned on 28 March 2019)	✓
Mr. Hu Zhengheng (Resigned on 18 March 2019)	✓
Mr. Wang Yongli	✓
Ms. Zhou Hui (Appointed on 21 March 2019)	✓
Mr. Dong Hao (Appointed on 27 December 2019)	✓

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company for each financial period which gives a true and fair view of the financial position of the Group and financial performance and cash flows for that period and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. With the assistance of the Company Secretary, the Directors also ensure the publication of the consolidated financial statements of the Group in a timely manner.

The report of the external auditor of the Company, PricewaterhouseCoopers, with regard to their reporting responsibilities on the Company's consolidated financial statements is set out in the Independent Auditor's Report on pages 63 to 68 of this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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

Composition

The Company established an Audit Committee in 1999. It has written terms of reference in compliance with the CG Code. 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 the Audit Committee on 28 June 2019, 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 and a member of the Audit Committee with effect from 27 December 2019, the composition and members of the Audit Committee has been in compliance with the requirements under Rule 3.21 of the Listing Rules. As at 31 December 2019, the Audit Committee consists of three independent non-executive Directors, namely Ms. Zhou Hui (the chairperson), Mr. Wang Yongli and Mr. Dong Hao respectively. The Audit Committee meets twice a year on a half year basis, or more frequently if required.

Functions and Role

The primary functions of the Audit Committee are, inter alias, to assist the Board in fulfilling its overseeing responsibilities with respect to maintaining appropriate relationship with external auditor, and, to review the annual and interim report and other financial information provided by the Company to its shareholders, the public and other matters within the scope of the terms of reference. On 28 January 2019, the Board adopted a set of the revised terms of reference of the Audit Committee in line with the newly Listing Rules requirement in relation to the amendments to the corporate governance code and corporate governance report effective from 1 January 2019. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

In discharging its responsibilities, the Audit Committee performed the following work during the year of 2019:

(i) reviewed the effectiveness of audit process in accordance with applicable standards;

(ii) reviewed the consolidated financial statements and reports and the change in accounting principles and policies and assessment of potential impacts on the Group's consolidated financial statements;

(iii) reviewed the Group's risk management and internal control systems and discussed the relevant issues including financial, operational and compliance controls; and

(iv) reviewed the internal control matters reported by internal auditor and external auditor and ensure the Board will provide a timely response to the issues raised therein.

During the year ended 31 December 2019, six Audit Committee meetings were held and the record of attendance of individual member is listed out on page 42 of this annual report.

NOMINATION COMMITTEE

Composition

The Nomination Committee has been established with a defined terms of reference in consistent with the CG Code on 30 March 2012. As at 31 December 2019, the Nomination Committee consists of one executive Director, namely Mr. Tomohiko Watanabe (chairman) and three independent non-executive Directors, namely Mr. Wang Yongli, Ms. Zhou Hui and Mr. Dong Hao. The Nomination Committee meets at least once a year.

Functions and Role

The primary duties of the Nomination Committee are, inter alias, reviewing the structure, size and composition of the Board, making recommendations to the Board on Board succession, identifying individuals suitably qualified to become Board members and assessing the independence of independent non-executive Directors. On 24 September 2013, the Board adopted a set of the revised terms of reference of the Nomination Committee in line with the newly Listing Rules requirement in relation to board diversity effective from 1 September 2013 (The Board adopt a set of newly revised term of reference of the Nomination Committee on 23 March 2017). The revised terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange. In addition, the Company has also adopted a nomination policy on 28 January 2019 in sight of the new Listing Rules that came into effective 1 January 2019. Please see pages 39 to 40 of this annual report for further details.

The Nomination Committee is responsible for making recommendations to the Board on nomination and appointment of Directors and Board succession, with a view to appoint to the Board individuals with suitable experience and capabilities to maintain and improve the competitiveness of the Company.

Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the skills, past experience, qualifications, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive Director, the Board Diversity Policy, the Company's needs and other relevant statutory requirements and regulations. During the year ended 31 December 2019, (i) Mr. Tomohiko Watanabe was appointed as an executive Director, the Chairman and the Chief Executive Officer of the Company; (ii) Mr. Wang Dongzhi was re-designated as a non-executive Director and ceased to be the Chairman of the Company; (iii) Mr. Ma Jianting resigned as a non-executive Director; (iv) Mr. Ling Yu Zhang resigned as an independent non-executive Director; (v) Ms. Zhou Hui was appointed as an independent non-executive Director; (vi) Mr. Guan Tao resigned as an independent non-executive Director; (vii) Mr. Zheng Li resigned as an executive Director and the Acting CEO of the Company; (viii) Ms. Li Wei resigned as the Executive Vice President of the Company; (ix) Mr. Hu Zhengheng resigned as an independent non-executive Director; (x) Mr. Lyu Wei retried as an independent non-executive Director; and (xi) Mr. Dong Hao was appointed as an independent non-executive Director.

During the year ended 31 December 2019, five Nomination Committee meetings were held for, inter alia, considering the retirement and re-election of the Directors at the annual general meeting, the appointment of Mr. Tomohiko Watanabe as an executive Director, the Chairman and the Chief Executive Officer of the Company, the re-designation of Mr. Wang Dongzhi as a non-executive Director, the appointment of Ms. Zhou Hui as an independent non-executive Director, the appointment of Mr. Dong Hao as an independent non-executive Director and the respective appointments of the Directors as the chairman or members of the committees of the Board. The record of attendance of individual member is listed out on page 42 of this annual report.

Nomination Policy

On 28 January 2019, the Company has adopted a nomination policy setting out the procedure for selection, appointment and re-appointment of directors containing the selection criteria to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

Pursuant to the Nomination Policy, the Nomination Committee will nominate suitable candidates to the Board with the following selection criteria:

- Reputation for integrity

- Potential contribution to the Board in terms of qualification, skills, independence and experience in the business of the Company

- Commitment in respect of available time and relevant interest

- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

The Nomination Committee may nominate candidates, and/or invite nominations of candidates from Board members, for consideration by the Nomination Committee prior to its meetings from time to time for casual vacancies and/or candidates to stand for election at a general meeting.

In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from shareholders, a circular will be sent to shareholders. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders.

A shareholder can serve a notice to the Company Secretary of the Company within the lodgement period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the shareholder circular. The particulars of the candidates so proposed will be sent to all shareholders for information by a supplementary circular.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting, and the ultimate responsibility for selection and appointment of Directors rests with the entire Board.

REMUNERATION COMMITTEE

Composition

The Remuneration Committee had been established with written terms of reference in compliance with the CG Code. As at 31 December 2019, the Remuneration Committee members consists of three independent non-executive Directors, namely Mr. Wang Yongli (chairman), Ms. Zhou Hui and Mr. Dong Hao. respectively. The Remuneration Committee meets at least once a year.

Functions and Role

The primary objectives of the Remuneration Committee include determining the remuneration policy, structure and remuneration packages of the Directors and senior management and make recommendations to the Board, and other related matters. The Remuneration Committee is responsible for establishing transparent procedures to develop such remuneration policy and structure which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange. On 23 March 2017, the Board adopted a set of the revised term of reference of the Remuneration Committee. The revised term of reference setting out the Remuneration Committee's authority duties and responsibility are available on both the websites of the Company and the Stock Exchange. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive Directors and senior management.

The Remuneration Committee are responsible for reviewing the market conditions, time commitment, responsibilities, performance of individuals and any other relevant information and propose to the Board for consideration and approval. None of the executive Directors can determine his own remuneration.

During the year ended 31 December 2019, Remuneration Committee meetings were held to review the existing remuneration policy and structure of Company, to review and recommend the remuneration of executive Directors and senior management for Board approval and to recommend the remuneration of Mr. Mr. Tomohiko Watanabe, the newly appointed executive Director and the Chief Executive Officer and Ms. Zhou Hui and Mr. Dong Hao, the newly appointed independent non-executive Directors. The record of attendance of individual member is listed out on page 42 of this annual report.

Emolument Policy

The emolument policy of the employees and senior management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement, for the Board approval.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees.

BOARD DIVERSITY POLICY

On 9 July 2013, the Company has adopted a board diversity policy (the "Policy") setting out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

The Board will consider to set measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

During the year ended 31 December 2019, the Nomination Committee has reviewed the Policy to ensure its continued effectiveness.

CORPORATE GOVERNANCE FUNCTION

All members of the Board are responsible for performing the corporate governance functions. The terms of reference of corporate governance functions was adopted by the Board at the Board meeting held on 30 March 2012 and is in compliance with paragraph D3.1 of the CG Code. During the year ended 31 December 2019, the Board has reviewed the policy of the corporate governance of the Company and the corporate governance report.

ATTENDANCE OF BOARD MEETINGS, AUDIT COMMITTEE MEETINGS, NOMINATION COMMITTEE MEETINGS, REMUNERATION COMMITTEE MEETINGS AND ANNUAL GENERAL MEETING IN 2019

	Attendance/Number of Meetings Held				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting held on 28 June 2019
Directors					
Executive Directors:					
Tomohiko Watanabe *(Note 1)*	10/10	N/A	N/A	N/A	1/1
Ni Xinguang	11/12	N/A	N/A	N/A	1/1
Zheng Li *(Note 2)*	9/9	N/A	N/A	N/A	1/1
Li Wei	12/12	N/A	N/A	N/A	1/1
Non-executive Directors:					
Ma Jianting *(Note 3)*	2/2	N/A	N/A	N/A	N/A
Wang Dongzhi *(Note 4)*	12/12	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Lyu Wei *(Note 5)*	7/7	3/3	3/4	3/3	0/1
Ling Yu Zhang *(Note 6)*	7/7	3/3	4/4	2/3	N/A
Wang Yongli	12/12	6/6	4/5	4/4	N/A
Hu Zhengheng *(Note 7)*	4/4	1/1	2/3	2/2	N/A
Guan Tao *(Note 8)*	5/5	1/2	4/4	3/4	N/A
Zhou Hui *(Note 9)*	7/7	5/5	2/2	2/2	1/1
Dong Hao *(Note 10)*	N/A	N/A	N/A	N/A	N/A

Notes:

1. Mr. Tomohiko Watanabe was appointed as an executive Director on 18 February 2019 and was appointed as the Chairman of the Nomination Committee on 27 December 2019.

2. Mr. Zheng Li resigned as an executive Director on 15 August 2019.

3. Mr. Ma Jianting resigned as non-executive Director on 18 February 2019.

4. Mr. Wang Dongzhi was re-designated as non-executive Director on 18 February 2019.

5. Mr. Lyu Wei retired as an independent non-executive Director on 28 June 2019.

6. Mr. Ling Yu Zhang resigned as an independent non-executive Director on 27 June 2019.

7. Mr. Hu Zhengheng resigned as an independent non-executive Director on 18 March 2019.

8. Dr. Guan Tao resigned as an independent non-executive Director on 28 March 2019.

9. Ms. Zhou Hui was appointed as an independent non-executive Director on 21 March 2019.

10. Mr. Dong Hao was appointed as an independent non-executive Director on 27 December 2019.

AUDITOR'S REMUNERATION

During the year ended 31 December 2019, the fees paid or payable to external auditor of the Company, PricewaterhouseCoopers were HK$2,850,000 for statutory audit services rendered and HK$183,500 for non-audit service rendered to the Group respectively. The non-audit service represents taxation service fee.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavors to maintain good investor relationship with the Shareholders and potential investors by way of annual general meeting, publication of interim and annual reports on the websites of the Company and the Stock Exchange, and timely press releases on the Company's website. A Shareholder's Communication Policy was adopted by the Board on 30 March 2012 aiming at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company.

Shareholders are encouraged to attend the annual general meetings for which a notice would be served properly. The Chairman and/or Directors are available to answer questions on the Group's business at the meetings. At general meetings, separate resolutions are proposed on each substantial and separate issue such as the election of individual Directors and re-appointment of auditor.

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's registered office at 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong.

SHAREHOLDERS' RIGHT

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Hong Kong Companies Ordinance and the Articles, an extraordinary general meeting can be convened by a written request signed by the Shareholders holding not less than one-twentieth of the paid-up share capital of the Company, stating the objects of the meeting, and deposited at the Company's registered office at 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong.

Procedures for putting forward Proposals at a General Meeting

A Shareholder shall make a written requisition to the Board or the Company Secretary at the Company's registered office at 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong, specifying the shareholding information of the Shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Procedures for Directing Shareholders' Enquiries to the Board

Secretary may at any time send their enquires and concerns to the Board in writing through the Company Secretaries at the Company's registered office at 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong or send email to ir@cm-fin.com.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

During the year under review, there was no change in the Company's constitutional documents.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Board complied with the code provisions on risk management and internal control as set out in the CG code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

Mr. Tomohiko Watanabe ("Mr. Watanabe"), aged 54, was appointed as the Chairman, an executive Director and the Chairman of the Strategy Execution Committee on 18 February 2019, appointed as CEO on 5 March 2019 and the Chairman of the Nominination Committee on 27 December 2019, and has directorship in a number of subsidiaries of the Company. Mr. Watanabe is the vice-president of Vered Holdings Corporation (薔薇控股股份有限公司) ("Vered"). Prior to joining Vered, Mr. Watanabe had been employed by MUFG Bank (China), Ltd. (previously known as Bank of Tokyo-Mitsubishi UFJ (China), Ltd.) in various positions since 2009, including the General Manager of its China Business Division to take responsibility for corporate banking business for Chinese SOE and Multi-National corporations in the Greater China region, China Investment Banking Division and Corporate Planning Division, and also as Deputy General Manager of MUFG Bank (China), Ltd.'s Beijing branch.

Mr. Watanabe holds or had previously obtained the Class 2 Sales Representative qualification in Japan, series 7 and series 63 licence in the United States of America, and module 1B (dealing in securities) and module 4A (advising on corporate finance) qualifications in Singapore.

Mr. Watanabe obtained a bachelor degree in Economics from the Political Science and Economics, Waseda University in Japan.

Mr. Ni Xinguang ("Mr. Ni"), aged 50, was appointed as an executive Director of the Company and a member of the Strategy Execution Committee on 11 January 2017 and Vice Chairman on 21 November 2017. He previously served as the Chairman and an executive Director from 12 March 2004 until his re-designation as a non-executive Director on 11 December 2015, He re-designated as an executive Director on 11 January 2017. He is also currently a director of Cheong Wa Limited, China Seven Star Group Secretarial Services Limited, China Seven Star Network Financial Management Limited, Cyberspring Limited, China Fame International Investment Limited, Fuzhou Landun Science of Life Co., Ltd., Kailey International Limited, King Respect Limited, Power Giant Limited, Seven Star Shopping Limited, Smart Idea Investment Limited, Top Pro Limited, World Grace Holdings Limited, World Structure Limited, Seven Star Shopping (China) Co., Ltd.* (七星購物(中國)有限公司), Shanghai Seven Star Qiangguan Investment Management Co., Ltd.* (上海七星強冠投資管理有限公司) and Shanghai Seven Star New Energy Investment Co., Ltd. (上海七星新能源投資有限公司) which are all subsidiaries of the Company.

Mr. Ni has extensive experience in the retail, distribution and printing business in the People's Republic of China. Further to a Diploma in Education, Mr. Ni also has a Degree of Master of Business Administration from the Nanyang Technological University in the Republic of Singapore.

* For identification purposes only

DIRECTORS' PROFILES

Ms. Li Wei ("Ms. Li"), aged 43, was appointed as executive Director of the Company on 30 July 2018 and as a member of the Strategy Execution Committee of the Company on 17 August 2018. Ms. Li served as the Executive Vice President of the Company from 17 August 2018 to 23 May 2019, and has directorship in a number of subsidiaries of the Company. Ms. Li was the executive director and chief risk and operating officer of Ascent International Holdings Limited (Stock Code: 264.HK) and resigned on 7 September 2018. Ms. Li was employed by KEE Holdings Company Limited (Stock Code: 2011.HK) as the chief risk and operating officer from September 2017 to July 2018. Ms. Li was appointed by Capital Finance Holdings Limited ("CFHL") (Stock Code: 8239.HK) to act as its chief operating officer, executive director, authorised representative and compliance officer from 24 August 2015, 1 July 2016, 1 January 2016 and 1 July 2016 respectively, and Ms. Li's appointments to such roles have ceased on 30 September 2017. Ms. Li has been appointed as the executive president , vice Chairlady and deputy chief executive officer of CFHL with effect from 21 September 2019.

Ms. Li obtained a bachelor's degree in enterprise management from Tianjin Normal University in the PRC and a master's degree in management from Tianjin University in the PRC.

Mr. Wang Dongzhi ("Mr. Wang"), aged 53, resigned as the Chairman and re-designated as a non-executive Director on 18 February 2019. Mr. Wang previously was appointed as the First Deputy Chief Executive Officer and executive Director on 24 July 2017 and was re-designated as CEO on 21 November 2017. He was promoted as the Chairman and ceased to be the CEO on 17 August 2018. He graduated from Fudan University with a bachelor degree in International Finance. Mr. Wang is currently the chairman and president of China Minsheng Asia Asset Management Company Limited. He had previously worked in various positions at China Minsheng Bank during the period from February 2002 to October 2016, including general manager of the Department of Health Business, deputy general manager of the Department of Notes Business, vice president, member of the Party Committee, secretary of the Disciplinary Committee and deputy head of the Branch Preparation Team of Sanya Branch, head of Management Department of the Company Bank Management Bureau of the Beijing Management Division, president of Beijing Nanerhuan Branch, vice president and assistant president of Beijing Chaoyangmen Branch, and department manager of the Affair Department of the Company Affair Division 2 of the Beijing Management Division. Mr. Wang had also previously served as manager of the International Business Department of Luoyang Branch and president of Kaihai Branch of Bank of Communication, and deputy manager of Luoyang Branch of Bank of China.

Ms. Zhou Hui ("Ms. Zhou"), aged 57, was appointed as an independent non-executive Director, the chairperson of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee on 21 March 2019. She graduated from the Renmin University of China (中國人民大學) with a master's degree in economics and holds the qualification of a senior professional accountant (高級會計師) in the PRC. Prior to joining the Company, Ms. Zhou had served at various managerial and finance-related positions at Huaneng Power International, Inc. (華能國際電力股份有限公司), a company whose shares are listed on the Stock Exchange (stock code: 902) and the Shanghai Stock Exchange (stock code: 600011) and whose American Depositary Receipts are traded on the New York Stock Exchange (ticker symbol: HNP), including chief accountant from March 2006 to January 2016, and vice general manager from October 2012 to March 2018. In addition, Ms. Zhou served as the vice chairperson of Huaneng Sichuan Hydropower Co., Ltd. (華能四川水電有限公司) and China Huaneng Finance Corporation (中國華能財務有限責任公司) from June 2005 to December 2016 and from March 2006 to October 2016, respectively. She was also a supervisor of China Yangtze Power Co., Ltd. (中國長江電力股份有限公司, a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600900)) from June 2010 to August 2016, a supervisor of Hainan Nuclear Power Co., Ltd. (海南核電有限公司) from August 2011 to September 2017 (including serving as the chairperson of the supervisory committee from December 2011 to September 2017), and a director of Tuas Power Ltd. (大士能源有限公司) from March 2008 to May 2018.

Mr. Wang Yongli ("Mr. Wang"), aged 55, was appointed as an independent non-executive Director, Chairman of the Remuneration Committee, member of the Audit Committee and the Nomination Committee on 12 November 2018. Mr. Wang graduated from the Xiamen University with a doctorate degree in Economics, and holds the qualification of a senior accountant in the PRC. Mr. Wang has 29 years of experience in the finance industry. Mr. Wang is the founding dean of the Fujian Straits Block Chain Research Institute* (福建海峽區塊鏈研究院) and the chairman of the Fintech & Sharing Finance 100 Forum (金融科技與共享金融100人論壇) and the chairman of the CCF50 (中國文化金融50人論壇). Prior to joining our Company, Mr. Wang had served as the vice chairman of the China International Futures Co., Ltd. and from August 2015 to June 2017, he had been appointed as the senior vice president of LeEco Holdings (Beijing) Co., Ltd. and the chief executive officer of LeEco Finance. From May 1989 to July 2015, Mr. Wang held various positions in the Bank of China, including the member of Party Committee of the head office, assistant to the president, vice president, executive director and senior research fellow. Mr. Wang has been appointed as the Chief economist of Shenzhen Hai Wang Group Company Limited* (深圳海王集團股份有限公司) since December 2018. Mr. Wang has been an independent director of China Shipbuilding Industry Company Limited, a company listed on the Shanghai Stock Exchange (601989.SSE) since July 2015 and an independent director of Digital China Information Service Company Ltd., a company listed on the Shenzhen Stock Exchange (000555.SZSE) since April 2018. Mr. Wang has in-depth knowledge and abundant practical experience in monetary finance, finance accounting, risk management, foreign exchange reserves, futures and derivatives, internet finance, digital coin and block chain.

Save as disclosed above, the Directors have not held any other positions in the Company or any of its subsidiaries and each of them is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, none of the Directors held any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report.

Mr. Dong Hao ("Mr. Dong"), aged 63, was appointed as an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee on 27 December 2019. Mr. Dong is currently an independent director of Fujian Green Pine Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300132). Prior to joining Fujian Green Pine Co., Ltd., Mr. Dong served as the deputy director of the Judicial Bureau of Yan'an City of Shaanxi Province (陝西延安市司法局副局長), deputy director of the research office of, deputy president and president of the administrative tribunal of, deputy head of the Intermediate People's Court of Zhuhai City (珠海市中級人民法院研究室副主任、行政庭副庭長、庭長、副院長), president of the docket tribunal and the administrative tribunal of the Higher People's Court of Guangdong Province (廣東省高級人民法院立案庭庭長、行政庭庭長), head of Zhuhai Intermediate People's Court (珠海市中級人民法院院長), and vice president of Guangzhou University (廣州大學副校長). Mr. Dong obtained his master degree in administrative law from China University of Political Science and Law in 1991 and doctoral degree in constitutional and administrative law from Wuhan University in 1998.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

China Minsheng Financial Holding Corporation Limited (the "Company") and its subsidiaries (collectively known as the "Group" or "we") are pleased to present our *2019 Environmental, Social and Governance Report*. This report is an authentic reflection on the sustainability strategy of the Group, which includes our initiatives and performances in actively undertaking our economic, social and environmental responsibilities. We would also like to take this opportunity to communicate these accomplishments with our stakeholders.

REPORTING STANDARD

This report has been prepared in accordance with the *Environmental, Social and Governance Reporting Guide*, which is the Appendix 27 to the *Rules Governing the Listing of Securities* (the "Listing Rules") issued by the Stock Exchange of Hong Kong Limited. An index of content with reference to the ESG Reporting Guide is provided at the end of this report for the convenience of the stakeholders.

REPORTING PERIOD AND SCOPE

Unless otherwise specified, the information disclosed in this report covers the financial year from 1 January 2019 to 31 December 2019 (the "Reporting Period"). Comparative figures for the period from 1 January 2018 to 31 December 2018 are also presented for reference. This report covers the Group's operations in Hong Kong, including the businesses of asset management services, securities brokerage services, investment holding and investment banking.

ESG GOVERNANCE

As a part of our corporate governance, the Board of Directors ("the Board") is responsible for formulating the ESG strategy of the Group and ensuring that the risk management and internal control systems are effective.

Together with the delegated management, the Board evaluates current ESG-related policies and other internal control procedures and reviews existing and potential risks associated with the Group, including ESG risks, on a regular basis.

More details of our corporate governance and risk management framework are available in the *Corporate Governance Report*, which can also be found on pages 32 to 44 of this Annual Report.

STAKEHOLDERS ENGAGEMENT

The Group formulates and adapts its sustainability strategies for addressing risks, seizing opportunities and responding to the needs and expectations from different sectors. A variety of channels has been established for our stakeholders to voice their opinions on our past performances and future policies in sustainable development.

We identified clients, shareholders, employees, business partners, regulatory authorities and the community as our key stakeholders. Respective means of communication with each group of key stakeholders are listed in the following table.

Key Stakeholders	Concerned Issues	Communication Channels
Clients	— Service quality and satisfaction — Information security and data privacy	— Client visit/meeting — Feedback via front-line staff — Customer service hotline/ email — WeChat public account — Satisfaction survey
Shareholders	— Creating shareholder value — Business strategy — Corporate governance and risk management — Information transparency	— Annual general meetings and other general meetings — Regular publications and disclosures — Investor communication meeting
Employees	— Remuneration and welfare benefits — Working environment — Career development and training — Employees' rights protection	— Internal announcements and notices — Performance review — Staff activities — Staff training
Business partners	— Financial performance — Business integrity and anti-corruption — Maintaining close relationship for mutual growth	— Meetings/conferences — Telephone/email — Business negotiations — Contracts and agreements
Regulatory authorities	— Compliance with relevant laws and regulations	— Ad-hoc enquiries — Regulator's inspection — Regular publications and information disclosure
Community	— Community investment — Financial services — Green operation	— Company website — Regular publications and announcements — Community engagement/ services

YOUR FEEDBACK

We hope to promote communication between the Group and our stakeholders through this report. Understanding and responding to the needs of our stakeholders are crucial to our continuous growth and success. We sincerely invite you to provide your valuable opinion. Your input can help us further optimize our sustainability management and performance. If you have any questions or suggestions, please forward your comments to ir@cm-fin.com. Your feedback will be highly appreciated.

ANTI-MONEY LAUNDERING

As a financial institution, one of our core social responsibilities is to prevent and detect money-laundering. We actively fulfil such an obligation and are not aware of any non-compliance cases against relevant laws and regulations, including but not limited to the *Anti-Money Laundering and Counter-Terrorist Financing Ordinance* (Cap. 615). In addition, we have implemented various policies to prevent the Group from being used for money laundering.

We strictly follow the Anti-Money Laundering requirements of SFC and provided trainings to colleagues for helping them identify these illegal activities. We also provide guidance to our staff on the following aspects: (i) client identity verification, (ii) client risk grading, (iii) retention of transaction records, (iv) large amount and suspicious trading reports. Our compliance department regularly reviews the AML procedures to ensure that they are consistent with international and local regulatory updates.

BUSINESS INTEGRITY

We believe that integrity is the foundation of fulfilling corporate social responsibilities and achieving sustainable development. We uphold a high standard of business ethics and pursue strict anti-corruption policies and control measures. Our internal rules and policies require employees to safeguard the Group's reputation and interests and explicitly prohibit employees from engaging in fraudulent behaviours or deception.

We observe applicable laws and regulations in Hong Kong, including but not limited to the *Prevention of Bribery Ordinance* (Cap. 201) and have zero tolerance to corruption in its all forms. Our internal rules and policy in relation to confidentiality and conflict of interest set out standards and guidelines in professional conduct, dealing with trade secrets, avoidance of related parties transactions and financial disciplines. Bribery offering and taking are clearly defined and possible bribery acts in brokerage, investment banking, and asset management are stated to prevent such offenses. Rules of ex-ante approval, whistle-blowing, investigation and accountability mechanisms are also established to prevent our staffs from participating in any bribery acts or improper behaviours..

During the Reporting Period, the Group, its directors and employees were not involved in any legal cases concerning corrupted practices. We are not aware of any material non-compliance cases relating to bribery, extortion, fraud and money laundering.

PRODUCTS AND SERVICES QUALITY

The Group insists on putting client's interest first and providing quality services. We comply with requirements in accordance with the *Inland Revenue Ordinance* (Cap. 112), the *Securities and Futures Ordinance* (Cap. 571) and the Listing Rules. We have set up processes to assure compliance, service quality and due diligence throughout our operation.

We have established a client feedback and complaint handling process to ensure proper and timely handling of complaints while protecting client's rights. We also strive to improve our customer experience so as to provide innovative, efficient and convenient services to our clients. Based on client's feedbacks, we continue to optimize our business operation processes and enhance working efficiency.

DATA SECURITY AND CLIENT PRIVACY

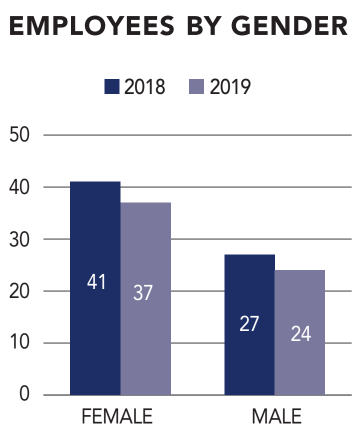
Protecting client's privacy is a crucial part of our service obligation. We pay great attention to client information security and take it into account in our business operations. We have formulated and implemented a data privacy and security policy to standardize the handling of client data. It clearly defines the process for client information access, transfer and management so that improper disclosure or abusive use of client information are prevented.

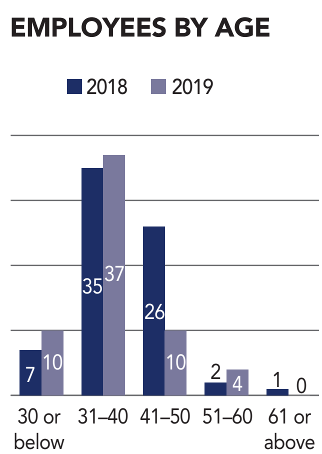
We implement information system control to strictly regulate our operation and maintenance and the use and storage of information. We signed confidentiality undertakings with the relevant personnel to maintain the client information security and transaction security.

During the Reporting Period, we are not aware of any significant non-compliance with relevant laws and regulations relating to privacy matters in connection with our provision of services, including but not limited to the *Personal Data (Privacy) Ordinance* (Cap. 486). We have not received any complaint concerning breaches of clients' privacy nor we have identified any leak or loss of client data.

OUR PEOPLE

Employees are the cornerstone for our business success and further development. We are committed to create and maintain a working environment in which our employee are satisfied with their well-being and professional growth. As of 31 December 2019, we employed a total of 61 (2018: 68) full-time staff in Hong Kong.





EQUAL OPPORTUNITY, RECRUITMENT AND DISMISSAL

We have been striving to build a diversified talent team that upholds equal opportunity and respect the uniqueness of each individual. We ensure that our recruitment process is free from any forms of discrimination against one's ethnicity, gender, age, religion, disability or sexual preference and would only consider the competencies, experience and qualification of candidates in the process. The same philosophy also applies in the workplace and we make our every effort in eliminating discrimination, harassment or assault in our offices. For employee dismissal, our human resources department will arrange exit interview with every resigned employee in order to understand the reasons and identify possible improvements in our talent management.

REMUNERATION AND BENEFITS

We attract and retain talents by offering competitive remuneration packages and other benefits. Our remuneration policy is designed to encourage employees at all levels in making contributions to achieve our development goals and we will take into account one's position, responsibilities and performance. We offer discretionary bonus based on the performance of the Group and the result of individual appraisal.

Our management periodically review the remuneration policy and packages according to economic and market conditions and the Group's performance. Besides, the Group has been adopting a share option scheme for eligible employees (including Directors) so as to provide incentives for the continuing contributions and foster mutual growth of the participants and the Group.

Our staff members are entitled to five-day working week, statutory holidays, paid annual leave, sick leave, paternity and maternity leaves, wedding and funeral leaves and life and accident insurance. We organized various types of employee activities in promoting work-life balance, including outings and festival luncheons. We believe these activities facilitate communication within the workforce, enhance our internal cohesion, nurture a sense of belongings among our staff and help shaping our corporate culture.

TRAINING AND DEVELOPMENT

In accordance with the requirements of the Securities and Futures Commission (SFC) of Hong Kong, Responsible Officers and Licensed Representatives of the Company have to attend continuous professional training each year. Hence, professional training is essential for the very operation of the company. Moreover, we are convinced that staff training and development is fundamental for the Group to retain talents and remain competitive in the industry.

We organize both internal and external training and encourage our staff to participate in those trainings. Topics of internal training depends on the development needs of the Group and those of the staff, such as latest updates on industry trends and relevant financial laws and regulations. To support personal growth of our employees, we also provide subsidies, fee reimbursement and leaves for staff attending relevant examinations.

Gender	Percentage Received Training
Male	70%
Female	58%
Staff Category	**Percentage Received Training**
Senior Management	67%
General Staff	66%

OCCUPATIONAL HEALTH AND SAFETY

In view of our business nature, our staff work inside offices and are not exposed to significant occupational health and safety risks. We comply with the relevant laws and regulations, including the *Occupational Safety and Health Ordinance* (Cap. 509). Despite the low risk, we strive to create a healthy and safe workplace through the adoption of the following measures:

- Keep passages and stairs clear and accessible
- Organize fire drills
- Equip offices with first-aid boxes and other medical supplies
- Maintain adequate indoor air ventilation
- Clean and sanitize office area to maintain a hygenic workplace
- Provide medical and dental benefits
- Offer annual body check for all staff

In spite of our best endeavours, one employee encountered a traffic accident on the way to work, which result in a loss of 15 working days. No other cases in relation to work-related injuries or fatalities were recorded during the Reporting Period and the Group was not aware of any non-compliance with the *Occupational Safety and Health Ordinance* (Cap. 509).

EMPLOYMENT PRACTICES

We strictly comply with the local labour laws and standards and are committed in forbidding child labour and forced labour. We scrutinize the identification documents of candidates and sign labour contracts with successful candidates before they officially join us.

During the Reporting Period, no non-compliance incidents with relevant labour and employment laws and regulations, including the *Employment Ordinance* (Cap. 57), *Employees' Compensation Ordinance* (Cap. 282), *Minimum Wage Ordinance*, (Cap. 608), was identified.

ENVIRONMENT

Our business is office based and we do not create significant negative environmental impact. Nonetheless, we fully aware our responsibility in environmental protection and sustainable development. We have taken actions in advocating and supporting green operation and green office, so as to cultivate the consciousness of employees in energy saving and recycling and minimize our impact to the environment.

During the Reporting Period, the Group was not aware of any significant non-compliance with the relevant environmental laws and regulations, including Air Pollution Control Ordinance (Cap. 311), Waste Disposal Ordinance (Cap. 354) and Water Pollution Control Ordinance (Cap. 358).

ENERGY CONSUMPTION

Our business nature determines that energy consumption is our major impact on the environment and the major source of our greenhouse gas ("GHG") emission. We have been implementing the practices below in our offices to reduce the energy usage:

— set the temperature of air conditioning in all offices at 25°C to avoid unnecessary power consumption;

— use energy efficient lighting fixtures;

— prefer the procurement of energy efficient electrical appliances based on their Grading under the Hong Kong EMSD Mandatory Energy Efficiency Labelling Scheme (MEELS); and

— remind employees to switch off all air-conditioning, lighting and idle office equipment when leaving, especially before holidays.

Emission/Use of Resources	2019	2018	Unit
Total energy consumption	210.56	174.50	MWh
Energy intensity per office floor area	90.74	111.87	kWh/m^2
GHG emissions			
— Scope 1*	5.09	–	tonnes CO_2 eq
— Scope 2	154.51	137.85	tonnes CO_2 eq
GHG intensity per office floor area	0.07	0.09	tonnes CO_2 eq/m^2
Air Emissions			
— NO_X emission*	0.85	–	kg
— SO_X emission*	0.03	–	kg
— Particulate Matter emission*	0.06	–	kg

* We did not generate significant Scope 1 GHG emission or air emission in 2018.

WATER USAGE AND SEWAGE DISCHARGE

Our daily operation does not consume a significant amount of water or generate a large amount of sewage. Our water comes from the Water Supplies Department of Hong Kong and we do not have any issue in sourcing water. We use water for drinking, toilet flushing and office cleaning. We raise the awareness on water conservation in our office and encourage our employees to develop a habit of water saving. Water conservation slogans are put up in our office to remind employees of proper water usage. Water consumption data is not available as the property manager of our offices do not record the water usage of individual tenant.

WASTE MANAGEMENT

We do not generate hazardous waste in our daily operation. Non-hazardous waste includes paper and other general office waste. Our waste management practices comply with the applicable environmental laws and regulations.

We consume a relatively large amount of paper. Therefore, we carry out the following initiatives to reduce paper usage and help protect the environment.

Use electronic communication such as messaging

Promote the attitude of "Think before you Print"

Set duplex printing as the default

Recycle printer toner cartridge

During the Reporting Period, we have generated about 3.71 tonnes of non-hazardous waste (2018: 4.26 tonnes). The intensity is approximately 1.60 kg (2018: 2.73 kg) per square meter of office floor area.

SUPPLY CHAIN MANAGEMENT

We do not produce any physical product; hence we do not have significant procurement. Our major suppliers are service providers of property management and information technology, as well as office supplies vendors. We maintain strategic partnerships with and support our suppliers through an open and fair procurement process. In making procurement decisions, we take into account the following aspects of the potential suppliers: compliance with laws and regulations, past experience in product or services, environmental sustainability, products and services quality and the current market price. We prefer selecting suppliers who share the same environmental, social and ethical values with us.

COMMUNITY INVESTMENT

We cultivate an awareness on social responsibility among our staff and encourage them to participate in voluntary works and charitable activities. In 2019, we have donated HK$42,000 to World Wide Fund Hong Kong and joined their "Walk for Nature 2019" event. 28 participants, including our employees and their family, enjoyed a relaxing weekend with beautiful natural scene in Mai Po Nature Reserve while learning about the importance of conservation and ways to live a sustainable lifestyle.

HKEX ESG GUIDE CONTENT INDEX

Subject Areas and Aspects		Section/Explanation	Page Number
A. Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	• Environment • Energy consumption • Water use and sewage discharge • Waste management	54 54 55 55
KPI A1.1	The types of emissions and respective emission data.	• Energy consumption	54
KPI A1.2	Greenhouse gas emissions in total and intensity.	• Energy consumption	54
KPI A1.3	Total hazardous waste produced and intensity.	• We do not generate hazardous waste in our operations.	–
KPI A1.4	Total non-hazardous waste produced and intensity.	• Waste management	55
KPI A1.5	Description of measures to mitigate emissions and results achieved.	• Environment • Energy consumption	54 54
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	• Waste management	55

Subject Areas and Aspects		Section/Explanation	Page Number
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	• Environment • Energy consumption	54 54
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	• Energy consumption	54
KPI A2.2	Water consumption in total and intensity.	• Water usage and sewage discharge	55
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	• Energy consumption	54
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	• Water usage and sewage discharge	55
KPI A2.5	Total packaging material used for finished products and with reference to per unit produced.	• We have no tangible goods and no packaging is involved in our operation.	–
Aspect A3: Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	• Environment • Energy consumption	54 54
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	• Environment • Energy consumption • Waste Management	54 54 55

Subject Areas and Aspects		Section/Explanation	Page Number
B. Social			
Employment and Labour Standards			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	• Equal opportunity, recruitment and dismissal • Remuneration and benefits • Employment practices	51 52 53
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	• Our people	51
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	• Not disclosed	–
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	• Occupational health and safety	53
KPI B2.1	Number and rate of work-related fatalities.	• Occupational health and safety	53
KPI B2.2	Lost days due to work injury.	• Occupational health and safety	53
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	• Occupational health and safety	53

Subject Areas and Aspects		Section/Explanation	Page Number
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	• Training and development	52
KPI B3.1	The percentage of employees trained by gender and employee category.	• Training and development	52
KPI B3.2	The average training hours completed per employee by gender and employee category.	• Not disclosed	–
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	• Employment practices	53
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	• Employment practices	53
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	• Not disclosed	–
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	• Supply chain management	55
KPI B5.1	Number of suppliers by geographical region.	• Not disclosed	–
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	• Not disclosed	–

Subject Areas and Aspects		Section/Explanation	Page Number
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	• Products and services quality	50
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	• We do not produce tangible goods.	–
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	• Not disclosed	–
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	• Not disclosed	–
KPI B6.4	Description of quality assurance process and recall procedures.	• Products and services quality	50
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	• Data security and client privacy	51

Subject Areas and Aspects		Section/Explanation	Page Number
Aspect B7: Anti-Corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	• Business integrity • Anti-money laundering	50 50
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	• Business integrity	50
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	• Business integrity	50
Community			
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	• Community investment	56
KPI B8.1	Focus areas of contribution.	• Community investment	56
KPI B8.2	Resources contributed to the focus area.	• Community investment	56

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CHINA MINSHENG FINANCIAL HOLDING CORPORATION LIMITED

(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Minsheng Financial Holding Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 69 to 139, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Assessment of expected credit losses ("ECL") of loan and interest receivables and financial assets at amortised cost
- Valuation of financial assets at fair value through profit or loss which were categorised as level 3
- Consolidation of structured entities

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of expected credit losses ("ECL") of loan and interest receivables and financial assets of amortised cost	
Refer to notes 2.9, 3.7.2, 20 and 22 to the consolidated financial statements. As at 31 December 2019, the Group had loan and interest receivables and financial assets at amortised cost of approximately HK$175,089,000 and HK$523,001,000 respectively, after provision of ECL of HK$289,617,000 and HK$578,000 respectively. The Group assessed whether the credit risk of loan and interest receivables and financial assets at amortised cost have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their ECL. In assessing the provision of ECL, management exercise significant judgment on the selection of unobservable data inputs to this three-stage impairment model including probability of default, exposure at default, loss given default and discount rate. We focused on ECL assessment due to the materiality of the balances of loan and interest receivables, financial assets at amortised cost and the provision of ECL, and the assessment of ECL involves critical accounting estimates and judgments. In particular, we focused on: • Management assessment and identification of significant changes in borrowers' and issuers' credit risk; • Selection of key unobservable inputs to the three-stage impairment model;	Our audit procedures in relation to management's assessment of ECL of loan and interest receivables and financial assets at amortised cost included: • Evaluated and tested management's key control over the identification of significant changes in borrowers' and issuers' credit risk based on established criteria which is the adverse change in the payment status of borrowers and issuers. The key control is the review of quarterly credit monitoring reports by the risk function independent from the transaction initiation unit which prepare the credit monitoring reports. The control exercised by the risk function focuses on independent assessment of the borrowers' and guarantors' financial capability subsequent to the draw down; • Reviewed the detailed application of key ECL model definitions, and assessed the reasonableness of key management's assumptions based on historical information and forward-looking information including changes of future economics and market environment; • Tested the reliability of ECL data inputs during the period, by reviewing the counterparties' credit information such as credit risk ratings, overdue status and other relevant information; and • Tested mathematical accuracy by recalculating the provision for ECL. Based on the procedures we performed, we found the management's assessment of ECL of loan and interest receivables and financial assets at amortised cost were supported by available evidence that we gathered.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of financial assets at fair value through profit or loss which were categorised as level 3 Refer to notes 3.5, 3.7.1, and 18 to the consolidated financial statements. As at 31 December 2019, the Group held financial assets classified as fair value through profit or loss with carrying value of HK$935,806,000, which were categorized as level 3 in the fair value hierarchy. In assessing valuation of such assets, management exercise significant judgment on the selection of appropriate valuation technique and unobservable inputs. We focused on the valuation of the unquoted financial assets categorised as level 3 in the fair value hierarchy due to the materiality of the balances and the high degree of subjectivity and management judgment. Due to the fact that availability of market data and observable inputs is limited for these unquoted financial assets, management judgment is involved in both selection of appropriate valuation technique and unobservable inputs. In particular, we focused on: • Determination of the appropriate valuation techniques to be applied; • Identification and management assessment of recent market transactions and other unobservable external evidence; and • Determination of the need of any adjustment required to the recent market transactions, to reflect the facts and circumstances of the unquoted financial assets of the Group.	Our audit procedures in relation to valuation of the unlisted financial assets categorised as level 3 in the fair value hierarchy included: • Assessed the appropriateness of the valuation techniques based on our industry knowledge and the market practices; • Verified key inputs and information identified by management that used in the valuation against the underlying source documentation, including external report relevant for valuation; and • Assessed the need of key valuation adjustments by challenging management on the appropriateness of key assumptions and judgment employed based on available information and facts and circumstances of these unlisted financial assets. Based on the procedures we performed, we found the valuation technique adopted to be appropriate and considered that the key inputs and assumptions used by management in the valuation techniques were supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities	
Refer to notes 3.7.2, 18 and 19 to the consolidated financial statements. As at 31 December 2019, the Group had investments in unconsolidated structured entities classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income of approximately HK$180,199,000 and HK$168,600,000 respectively. Management's decision on whether or not to consolidate these structured entities was based on assessments of the Group's power, its variable returns and the ability to exercise its power to influence the variable returns from these structured entities. We focused on the consolidation assessments of these structured entities made by management during our audit as whether or not to consolidate these entities involved significant judgment.	Our audit procedures in relation to consolidation of structured entities included: • Assessed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group's power over the structured entities; • Performed independent analysis and tests on the variable returns from the structured entities, including but not limited to retention of residual income, and, if any, liquidity and other support provided to the structured entities; and • Assessed whether the fund managers of these structured entities acted as a principal or an agent of the Group through analysis of the fund manager's decision-making authority, its remuneration entitlement, other interests and rights held. Based on the procedures performed above, we found management's judgment relating to the consolidation of structured entities acceptable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wenping Yao.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2020

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	8	(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	16	(65,394)	(1,708)
Finance costs	25	(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
(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	11	(1.90)	0.50
Diluted (loss)/earnings per share	11	(1.90)	0.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'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 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	27,022	8,526
Right-of-use assets		24,630	–
Goodwill	13	15,871	15,871
Other intangible assets	14	700	700
Investments in associates	16	138,942	190,684
Rental and other deposits		6,585	5,468
Financial assets designated at fair value through profit or loss	18	853,734	627,040
Financial assets designated at fair value through other comprehensive income	19	1,372,404	245,531
Financial assets at amortised cost	20	523,001	–
Deferred tax assets	7	99,194	28,006
Total non-current assets		3,062,083	1,121,826
Current assets			
Margin receivables and other trade receivables	21	78,709	326,632
Financial assets designated at fair value through profit or loss	18	217,587	1,857,155
Loan and interest receivables	22	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	23	292	299
Deposits with brokers	23	18,936	16,635
Cash and bank balances	23	2,117,233	2,216,342
Total current assets		2,674,892	4,905,265
Total assets		5,736,975	6,027,091

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	**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	24	**312,933**	–
Bank borrowings	24	**–**	509,610
Margin payables		**31,325**	–
Current tax liabilities	7	**30,051**	51,347
Trade payables		**–**	8,687
Derivative financial instruments	17	**–**	15,430
Accruals and other payables	26	**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

Approved by the Board of Directors on 25 March 2020 and are signed on its behalf by:

Tomohiko Watanabe
Director

Li Wei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital HK$'000	Share-based payments reserve HK$'000	Special capital reserve HK$'000	Foreign currency translation reserve HK$'000	Statutory surplus reserve HK$'000	Investment revaluation reserve non-cycling HK$'000	Investment revaluation reserve cycling HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 31 December 2018	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)
Balance at 1 January 2019	5,667,546	8,125	726,699	25,163	7,328	(39,935)	–	(790,655)	5,604,271	(248,036)	5,356,235
Comprehensive income/(loss)											
Loss for the year	–	–	–	–	–	–	–	(568,815)	(568,815)	(1,779)	(570,594)
Other comprehensive income/(loss)											
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(69,637)	(288)	–	(69,925)	–	(69,925)
Exchange differences on translation of foreign operations	–	–	–	(9,356)	–	–	–	–	(9,356)	5,449	(3,907)
Total comprehensive income/(loss) for the year ended 31 December 2019	–	–	–	(9,356)	–	(69,637)	(288)	(568,815)	(648,096)	3,670	(644,426)
Total transactions with owners, recognised directly in equity											
Issue of new shares on placement	491,787	–	–	–	–	–	–	–	491,787	–	491,787
Share issuance cost	(4,959)	–	–	–	–	–	–	–	(4,959)	–	(4,959)
Transfer from equity-settled to cash-settled share-based payments	–	(1,017)	–	–	–	–	–	–	(1,017)	–	(1,017)
Balance at 31 December 2019	6,154,374	7,108	726,699	15,807	7,328	(109,572)	(288)	(1,359,470)	5,441,986	(244,366)	5,197,620

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital HK$'000	Share-based payments reserve HK$'000	Special capital reserve HK$'000	Foreign currency translation reserve HK$'000	Statutory surplus reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 31 December 2017	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	–	–	–	–	–	6,199	(12,964)	(6,765)	–	(6,765)
Balance at 1 January 2018	5,667,546	9,023	726,699	49,412	5,862	–	(931,825)	5,526,717	(258,347)	5,268,370
Comprehensive income/(loss)										
Profit for the year	–	–	–	–	–	–	143,233	143,233	(1,628)	141,605
Other comprehensive income/(loss)										
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(39,935)	–	(39,935)	–	(39,935)
Appropriation of surplus reserves	–	–	–	–	1,466	–	(1,466)	–	–	–
Exchange differences on translation of foreign operations	–	–	–	(24,249)	–	–	–	(24,249)	11,939	(12,310)
Total comprehensive income/(loss) for the year ended 31 December 2018	–	–	–	(24,249)	1,466	(39,935)	141,767	79,049	10,311	89,360
Total transactions with owners, recognised directly in equity										
Transfer from equity-settled to cash-settled share-based payments	–	(898)	–	–	–	–	–	(898)	–	(898)
Balance at 31 December 2018	5,667,546	8,125	726,699	25,163	7,328	(39,935)	(790,058)	5,604,868	(248,036)	5,356,832

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Cash flows from operating activities		
(Loss)/profit before income tax	(643,468)	160,876
Adjustments for:		
Interest income	(176,649)	(171,393)
Dividend income	(8,746)	(64,705)
Depreciation	7,853	4,899
Depreciation of right-of-use assets	29,462	–
Written-off of property, plant and equipment	684	18
Share of loss from investments accounted for using equity method	65,394	1,708
Expected credit losses allowance	240,082	98,036
Disposal gains on financial assets at fair value through profit or loss	(58,095)	(69,385)
Realised losses on derivative financial instruments	–	2,439
Fair value losses/(gains) on financial assets at fair value through profit or loss	353,221	(118,611)
Fair value losses on derivative financial instruments	28,647	7,456
Finance expenses	10,985	31,195
Foreign exchange losses/(gains) on operating activities	7,666	(1,812)
Operating cash flows before movements in working capital	(142,964)	(119,279)
Change in margin receivables and other trade receivables, other receivables, prepayments and deposits	211,710	152,613
Change in loan and interest receivables	87,750	767,606
Change in margin accounts with financial institution, deposits with brokers and pledged bank deposits	(2,295)	231,118
Change in trade payable, margin payable, accruals and other payables	50,040	10,365
Cash from operations	204,241	1,042,423
Purchases of financial assets at fair value through profit or loss	(349,206)	(744,129)
Purchases of financial assets at fair value through other comprehensive income	(1,199,579)	–
Purchases of financial assets at amortised cost	(524,057)	–
Settlement of derivative financial instruments	205	(2,439)
Proceeds from disposal of financial assets at fair value through profit or loss	1,422,666	890,003
Dividend received	8,746	64,756
Bank and other interest received	120,865	157,483
Interest paid	(14,215)	(29,006)
Income tax paid	(12,096)	(18,256)
Net cash (used in)/from operating activities	(342,430)	1,360,835

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		(27,044)	(4,211)
Purchases of intangible assets		–	(200)
Investment in associate		(13,652)	(28,186)
Net cash used in investing activities		(40,696)	(32,597)
Cash flows from financing activities			
Repayment of note payable		–	(349,200)
Net proceeds from issue of shares		486,828	–
Net proceeds from margin payables		31,493	–
Net (repayment)/proceeds from loan payables and bank borrowings		(192,772)	107,278
Principal elements of lease rentals paid		(28,173)	–
Net cash from/(used in) financing activities		297,376	(241,922)
Net (decrease)/increase in cash and cash equivalents		(85,750)	1,086,316
Cash and cash equivalents at the beginning of the year		2,216,342	1,137,535
Effects of exchange rate changes		(13,359)	(7,509)
Cash and cash equivalents as at the end of the year		2,117,233	2,216,342
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	23	2,117,233	2,216,342

1. GENERAL INFORMATION

China Minsheng Financial Holding Corporation Limited (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group").

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. The areas involving a higher degree judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.7.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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.

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.

Adjustments recognised on adoption of HKFRS 16

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

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

		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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Adjustments recognised on adoption of HKFRS 16 *(Continued)*

(ii) *(Continued)*

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.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are entity (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 *Consolidation* *(Continued)*

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post- acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person of Group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the executive directors as its chief operating decision maker.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in thousands of HK dollars ("HK$'000"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within 'finance costs'. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other income" or "other operating expenses".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, except that for non-monetary financial assets, such as equities, classified as available for sale, in which case with translation differences are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each consolidated statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the lease term of 2–3 years
Furniture, fixtures and office equipment	20%
Software	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income" in the consolidated statement of profit or loss.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Intangible assets *(Continued)*

(b) Trading right

Separately acquired licences are shown at historical cost. Licenses acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

Initial recognition and measurement

Financial assets within the scope of HKFRS 9 are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Assets are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

The Group's financial assets include margin receivables and other trade receivables, other receivables, financial assets designated at fair value through other comprehensive income, financial assets designated at fair value through profit or loss, financial assets at amortised cost, loan and interest receivables, deposits with brokers, pledged bank deposits and cash and cash equivalents.

Transfers between levels of the fair value hierarchy are deemed to be occurred at the beginning of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss ("FVPL")

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss within "Net gain/(loss) on financial assets designated at fair value through profit or loss" in the period in which they arise. These net fair value changes do not include any interest earned on these financial assets. Interest income is recognised in revenue on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Financial assets designated upon initial recognition at FVPL are designated at the date of initial recognition and only if the criteria under HKFRS 9 are satisfied.

(ii) Financial assets at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loan receivables and some debt securities, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes the directly attributed transactions costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan through the recognition of interest income, unless the loan becomes impaired.

The Group may commit to underwriting loans on fixed contractual terms for specified periods of time. When the loan arising from the lending commitment is expected to be held for trading, the commitment to lend is recorded as a derivative. When the Group intends to hold the loan, the loan commitment is included in the impairment calculations set out below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

Subsequent measurement *(Continued)*

(iii) Financial assets at fair value through other comprehensive income ("FVOCI")

(a) Debt securities

Financial assets held for a business model that is achieved by both selling and collecting contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily debt securities. They are recognised on the trade date when the Group enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as "Net gain/(loss) on financial assets designated at fair value through other comprehensive income".

(b) Equity securities

The equity securities for which fair value movements are shown in other comprehensive income are for business facilitation and other similar investments where Group holds the investments other than to generate a capital return. Gains or losses on derecognition of these equity securities are not transferred to profit or loss. Otherwise equity securities are measured at fair value through profit or loss, except for dividend income which is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of amortised cost and FVOCI financial assets

Expected credit losses ("ECL") are recognised for loan and interest receivables, margin receivables, financial assets at amortised cost and FVOCI. At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ("12-month ECL"). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ("lifetime ECL"). Financial assets where 12-month ECL is recognised are considered to be "stage 1"; financial assets which are considered to have experienced a significant increase in credit risk are in "stage 2"; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit-impaired are in "stage 3". Purchased or originated credit-impaired financial assets (POCI) are treated differently as set out below.

Unimpaired and without significant increase in credit risk (stage 1)

ECL resulting from default events that are possible within the next 12 months ("12-month ECL") are recognised for financial instruments that remain in stage 1.

Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly have experienced a significant increase in credit risk, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the the characteristics of the financial instrument, the borrower and their industries. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk and these criteria will differ for different types of client. However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, corporate and commercial customers, and included on a watch or worry list are included in stage 2.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of amortised cost and FVOCI financial assets *(Continued)*

Credit-impaired (stage 3)

The Group determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

— contractual payments of either principal or interest are 90 days past due or above;

— there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and

— the loan is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

Interest income is recognised by applying the effective interest rate to the amortised cost amount, i.e. gross carrying amount less ECL allowance.

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of collateral. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of amortised cost and FVOCI financial assets *(Continued)*

Movement between stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Except for renegotiated loans, financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above. For loans that are assessed for impairment on a portfolio basis, the evidence typically comprises a history of payment performance against the original or revised terms, as appropriate to the circumstances. For loans that are assessed for impairment on an individual basis, all available evidence is assessed on a case-by-case basis.

Measurement of ECL

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

2.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active market, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.11 Financial liabilities

Financial liabilities including loan and interest payables, bank borrowings, margin payables, trade payables and other payables are subsequently measured at amortised cost, using the effective interest method.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.15 Segregated accounts

Segregated accounts maintained by the Group to hold clients' monies are treated as off balance sheet items and are disclosed in note 23 to the consolidated financial statements.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividend on ordinary shares is recognised as a liability in the consolidated financial statements in the period in which it is approved by the shareholders or directors where appropriate.

2.17 Loan payables, bank borrowings and margin payables

Loan payables, bank borrowings and margin payables recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Loan payables, bank borrowings and margin payables are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Loan payables, bank borrowings and margin payables classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Trade payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Repurchase agreements

The obligations under repurchase agreements arises when the securities re-pledged are sold by the Group with a concurrent agreement to repurchase at a specified later date and price. These securities are not required to be derecognised in the consolidated statement of financial position. The consideration received by the Group is recognised as "loan and interest payables" in the consolidated statement of financial position. The Group may be required to provide additional collateral based on the fair value of the underlying assets if necessary. Repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Current and deferred income tax *(Continued)*

(b) *Deferred income tax* (Continued)

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

(a) *Retirement benefits scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs, depending on the location of the subsidiaries, of their payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

(b) *Employee level entitlements*

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Employee benefits *(Continued)*

(c) Bonus

The Group recognises a liability and an expense for bonuses, in which the bonus scheme is at the discretion of the Group's Directors based on the Group performance that takes into consideration the profit attributable to the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Share-based payments

Equity-settled share-based payments to employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to certain employees and Directors are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as expense.

(e) Other termination benefits

The Group recognises a liability and an expense for the remaining remuneration under the employment contract when the employees are voluntarily separated from the Company and they are not considered providing any future economic benefits to the Company.

2.22 Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Revenue recognition

Revenue is recognised when control of a good or service transfers to customer, on the following bases:

(a) *Interest income*

Interest income includes interest income from bond investment, note investment, loan lending, bank deposits and margin financing. Interest income for all interest-bearing financial instruments are recognised within "Interest income" in the consolidated statement of profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) *Commission and fee income*

Commission and fee income includes brokerage commission income, loan arrangement fee income performance fee income, management fee income, underwriting fee income and advisory fee income.

Brokerage commission income on dealing in securities contracts is recognised on a trade date basis when the relevant transaction is executed.

Loan arrangement fees are recognised as revenue when the loan has been granted by the Group and accepted by the borrowers and the related arrangement services have been completed.

Performance fees are recognised on the performance fee valuation day of the investment funds and managed accounts when there is a positive performance for the relevant performance period and it is determined that they are no longer highly probable of significant reversal in a subsequent period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts.

Management fees are recognised as the services are performed over time and are primarily based on agreed upon percentage of the net asset values of the investment funds and managed accounts.

Underwriting commission income are recognised as revenue in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed.

Advisory fee income are recognised when advisory services are rendered.

Other fee income are recognised as revenue when the Group performs its role as an agent and when the corresponding services are rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Revenue recognition *(Continued)*

(c) Net investment income

Net investment income includes dividend income is recognised when the right to receive payment is established.

2.24 Finance costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in consolidated statement of profit or loss in the period in which they are incurred.

Finance costs include interest expense and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gain and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings.

3. FINANCIAL RISK MANAGEMENT

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 Group's overall risk management objective is to enhance shareholder value while retaining exposure within acceptable thresholds in response to changes in markets. The Group has a robust risk management system in place to identify, analyse, assess and manage risks.

The Group's risk management is carried out by the Portfolio Management Department under policies approved by the board of directors. The Group's Portfolio Management Department provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating credit risk, market risk, liquidity risk, capital management risk and risk limits setting and monitoring.

The Group's Investment Committee ensures that there are formal and transparent procedures for planning and approving investments for the Group. The Investment Committee meets on a regular basis to review and approve various investment projects to be committed by the Group, and to monitor and assess the risks on the investment projects to ensure that they are in line with the investment strategy and policies of the Group.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Market risk

3.1.1 Foreign exchange risk

The Group has certain exposures to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency, mainly US dollars ("USD") and Renminbi ("RMB"). As USD is pegged to HK$, the Group does not expect any significant movement in the USD/HK$ exchange rate. The directors have also assessed the impact of foreign currency risk and considered that it is insignificant to the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposures closely and will consider hedging significant foreign currency exposures should the need arise.

The following table indicates the impact of management's reasonable expectation on the movement in foreign exchange rate on the Group's profit before income tax and on other comprehensive income as at 31 December 2019 and 2018:

As at 31 December 2019

	Impact on profit before tax HK$'000	Impact on other comprehensive income HK$'000
If Hong Kong Dollar strengthens/weakens against RMB by 5%	**-/+ 1,148**	**-/+ 12,228**

As at 31 December 2018

	Impact on profit before tax HK$'000	Impact on other comprehensive income HK$'000
If Hong Kong Dollar strengthens/weakens against RMB by 5%	+/- 12,312	-/+ 12,264

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Market risk *(Continued)*

3.1.2 Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position either as at fair value through other comprehensive income or at fair value through profit or loss. Some of the Group's equity investments are listed on stock exchange in the world and are valued at quoted market prices as at reporting date.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. The Group's exposures are closely monitored by other relevant internal control units, including Portfolio Management Department, the Finance Department, the Legal and Compliance Department and the Internal Audit Department.

Listed equity investments

The table below summarises the impact of changes in the Hong Kong Hang Seng Index and other relevant indexes on the Group's profit before income tax for the year and on the investment revaluation reserve. The analysis is based on the assumption that the equity index had changed by 5% (2018: 5%) with all other variables held constant and all the listed equity instruments move according to the historical correlation with the index.

Hong Kong Hang Seng Index, Shanghai Composite Index and Shenzhen Composite Index

	2019 Impact on profit before tax HK$'000	2018 Impact on profit before tax HK$'000
Increase/Decrease by 5%	**-/+ 88**	-/+1,391

Unlisted investment funds and unlisted equity investments

The fair value of unlisted investment funds and unlisted equity investments depend on the valuation of the respective investments or underlying investments. It is assumed that if the valuation had increased/decreased by 5%, profit before income tax for the year would have an estimated HK$51,350,000 increase/decrease (2018: HK$111,961,000), and investment revaluation reserve in other comprehensive income would have an estimated HK$8,430,000 increase/decrease (2018: HK$12,277,000).

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Market risk *(Continued)*

3.1.3 Interest rate risk

The Group's exposures to the risk of changes in market interest rates relates primarily to the Group's loan and interest receivables, margin receivables, loan payable, bank borrowings, margin payables and cash and bank balances.

As at 31 December 2019, the Group invests in fixed-income bond investments, the Group is subject to interest rate risk. Interest rate risk is the risk that the value of the Group's portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter term fixed-income bond investments and higher for longer term fixed-income bond investments. As at 31 December 2019, should the relevant interest rates have lowered/risen by 50 basis points with all other variables remaining constant, the increase/decrease in profit or loss for the year would amount to approximately HK$6,019,000, arising substantially from the increase/decrease in market values of debt securities.

The Group's investment in fixed-rate term loans, note receivables and bonds are of shorter duration and carried at amortised cost and therefore management consider they are not subject to fair value change as a result of change in reasonable possible shift of market interest rate.

Loans to margin clients at floating/variable rates (such as margin receivables) expose the Group to interest rate risk. Interest income on cash at banks and interest expense on borrowing will fluctuate at floating rates based on movement in short term bank interest rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") and Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's variable interest rate instruments. As at 31 December 2019, if the interest rate had been 50 basis points (31 December 2018: 50 basis points) higher/lower, the Group's profit before income tax would increase/decrease by HK$4,339,000 (31 December 2018: HK$2,533,000). The sensitivity analysis above is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (31 December 2018: 50 basis points) increase or decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

3.2 Credit risk

Credit exposures arise principally from financial assets designated at fair value through profit or loss, margin receivables, loan and interest receivables, pledged bank deposits, margin accounts, deposits with brokers, bank balances, financial assets designated at fair value through other comprehensive income, derivative financial instruments and client trust bank balances with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Credit risk of the Group mainly arises from credit exposures with respect to margin financing business of the Group's securities brokerage business and the loan lending business of the Group. In addition, the Group is exposed to a concentration of credit risk on cash and investments at banks or custodians.

The Group minimises the credit risk by segregating the Risk Management function from the investment department. This provide a fundamental control to prevent fraud, ensure quality of works, and safeguard the Group's assets as well as integrity of books and records.

The Group manages its credit risk in the following perspectives:

Margin Financing Business, Loan Lending Business and Financial Assets at Amortised Cost

The Group maintains effective credit risk management system to evaluate creditworthiness of counterparties. The following factors will be considered when determining the credit risk of loan receivables:

1. Counterparties' credit rating by reputable credit rating agencies;

2. Counterparties' investment objective, investment history, and risk appetite;

3. Counterparties' past record and defaults;

4. Counterparties' capital base, the existence and amount of guarantees, and by whom such guarantees are given;

5. Any known events which may have an adverse impact on the counterparties' financial status, potential for default or accuracy of information stored regarding the client; and

6. Where credit is extended to cover margin trading, appropriate haircuts are made to market value to establish the counterparty has adequate equity.

The Group monitors the cash flows from loan receivables to ensure that they are in accordance with mutually signed agreement and the expected timeline. In case there is delay, the Group will communicate with counterparties to identify if there is trigger event on credit risk issue.

The Group uses three categories for loans and interest receivables, margin receivables and financial assets at amortised cost which reflect their credit risk and how the ECL allowance is determined for each of those categories. Please refer to note 2.9 for definition of these three categories.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Margin Financing Business, Loan Lending Business and Financial Assets at Amortised Cost *(Continued)*

The gross carrying amount of loan and interest receivables, margin receivables and financial assets at amortised cost, and thus the maximum exposure to loss, is as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Loan and interest receivables		
Stage 1 — Unimpaired and without significant increase in credit risk	**149,871**	230,968
Stage 2 — Significant increase in credit risk	**–**	–
Stage 3 — Credit-impaired	**314,835**	323,741
Total gross loan and interest receivables	**464,706**	554,709
Less: ECL allowances	**(289,617)**	(83,182)
Loan and interest receivables, net of expected credit losses	**175,089**	471,527
Margin receivables		
Stage 1 — Unimpaired and without significant increase in credit risk	**74,250**	123,124
Stage 2 — Significant increase in credit risk	**–**	108,990
Stage 3 — Credit-impaired	**54,640**	56,991
Total gross margin receivables	**128,890**	289,105
Less: ECL allowances	**(54,656)**	(21,592)
Margin receivables, net of expected credit losses	**74,234**	267,513
Financial assets at amortised cost		
Stage 1 — Unimpaired and without significant increase in credit risk	**523,579**	–
Stage 2 — Significant increase in credit risk	**–**	–
Stage 3 — Credit-impaired	**–**	–
Total gross financial assets at amortised cost	**523,579**	–
Less: ECL allowances	**(578)**	–
Financial assets at amortised cost, net of expected credit losses	**523,001**	–

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Margin Financing Business, Loan Lending Business and Financial Assets at Amortised Cost *(Continued)*

The following table reconcile the movement in ECL allowances between the beginning and the end of the financial years:

As at 31 December 2019

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
Loan and interest receivables				
ECL allowances as at 1 January 2019	1,313	–	81,869	83,182
Increase in ECL allowances recognised in profit or loss during the year	124	–	215,542	215,666
ECL allowances derecognised during the year	(1,208)	–	(8,018)	(9,226)
Exchange difference	(5)	–	–	(5)
ECL allowances as at 31 December 2019	224	–	289,393	289,617
Margin receivables				
ECL allowances as at 1 January 2019	36	107	21,449	21,592
Transfer from Stage 2 to Stage 3	–	(107)	107	–
Increase in ECL allowances recognised in profit or loss during the year	–	–	33,084	33,084
ECL allowances derecognised during the year	(20)	–	–	(20)
ECL allowance as at 31 December 2019	16	–	54,640	54,656
Financial assets at amortised cost				
ECL allowances as at 1 January 2019	–	–	–	–
Increase in ECL allowances recognised in profit or loss during the year	578	–	–	578
ECL allowances as at 31 December 2019	578	–	–	578

	HK$'000
ECL allowances recognised in profit or loss during the year	
— Loan and interest receivables	206,440
— Margin receivables	33,064
— Financial assets at amortised cost	578
	240,082

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

Margin Financing Business, Loan Lending Business and Financial Assets at Amortised Cost *(Continued)*

As at 31 December 2018

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
Loan and interest receivables				
ECL allowances as at 1 January 2018	5,207	–	–	5,207
Transfer form Stage 1 to Stage 3	(3,049)	–	81,869	78,820
Increase in ECL allowances recognised in profit or loss during the year	1,341	–	–	1,341
ECL allowances derecognised during the year	(2,158)	–	–	(2,158)
Exchange difference	(28)	–	–	(28)
ECL allowances as at 31 December 2018	1,313	–	81,869	83,182
Margin receivables				
ECL allowances as at 1 January 2018	1,559	–	–	1,559
Transfer from Stage 1 to Stage 2/3	(1,007)	107	21,449	20,549
Increase in ECL allowances recognised in profit or loss during the year	10	–	–	10
ECL allowances derecognised during the year	(526)	–	–	(526)
ECL allowances as at 31 December 2018	36	107	21,449	21,592

	HK$'000
ECL allowances recognised in profit or loss during the year	
— Loan and interest receivables	78,003
— Margin receivables	20,033
	98,036

Based on HKFRS 9 ECL assessment on margin receivables, loan receivables and financial assets at amortised cost, the Group recognised an ECL allowances of HK$240,082,000 in profit or loss for the year ended 31 December 2019 (2018: HK$98,036,000).

Cash and Investments at Bank or Custodian

The Group's bank balances are deposited in reputable and large commercial banks. For the client trust bank balances which are held in segregated accounts, they are deposited in authorised financial institutions in Hong Kong. The credit risk of bank balances and client segregated bank balances are considered to be low. The Group has exposure to the concentration of credit risk from one bank of HK$1,483,728,000 (2018: HK$1,067,455,000) with a credit rating of BBB+ (2018: BBB+).

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk

Interest-bearing borrowings are the general sources of funds to finance the operations of the Group. Majority of the Group's external financing are subject to floating rates and are renewable upon maturity. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations and compliance with the statutory requirements. The Group aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet its short term cash requirements. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources.

Certain subsidiaries of the Group's operations are subject to various statutory liquidity requirements as prescribed by the Hong Kong Securities and Futures Commission (the "SFC") in accordance with the Hong Kong Securities and Futures Ordinance (the "HKSFO"). The Group has put in place a monitoring system to ensure that these subsidiaries maintain adequate liquid capital to fund their business commitments and to comply with relevant liquid capital requirements under the HKSFO. The liquidity risk of the Group is managed by regularly monitoring current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and current working capital to meet its liquidity requirements in the short and longer term. The Group holds sufficient cash and deposits on demand to repay its liabilities.

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities as at 31 December 2019 and 2018. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 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
Loan and interest payables	329,971	–	–	–	329,971
Lease liabilities	13,516	8,745	2,789	–	25,050
Margin payables	31,325	–	–	–	31,325
Other payables	83,426	–	–	–	83,426
	458,238	8,745	2,789	–	469,772

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

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
Other payables	7,504	–	–	–	7,504
Derivative financial instruments	15,430	–	–	–	15,430
	557,048	–	–	–	557,048

3.4 Capital management

The Group's objectives when managing capital are:

(a) to comply with the liquid capital requirements under the SFC in Hong Kong;

(b) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;

(c) to support the Group's stability and growth; and

(d) to maintain a strong capital base to support the development of its business.

Consistent within others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as total debt divided by total equity.

The Group's gearing ratio at the balance sheet date is shown below:

	2019 HK$'000	2018 HK$'000
Total debt	**344,258**	509,610
Total equity	**5,197,620**	5,356,832
Gearing ratio	**6.6%**	9.5%

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Capital management *(Continued)*

Three subsidiaries (2018: Three) of the Group (the "Licensed Subsidiaries") are registered with the SFC to conduct respective regulated activities in Hong Kong. The Licensed Subsidiaries are subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules ("FRR") adopted by the SFC. Under the FRR, the Licensed Subsidiaries must maintain its liquid capital (assets and liabilities adjusted as determined by the FRR) in excess of required liquid capital.

All licensed corporations within the Group complied with their required liquid capital during the years ended 31 December 2019 and 2018.

3.5 Fair value estimation

The following table represents the carrying value of financial instruments measured at fair value at the end of reporting period across the three levels of the fair value hierarchy defined in HKFRS 7 Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets.

Level 2: fair values measured using quoted price in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

The following tables present the Group's financial assets and liabilities that are measured at fair value as at 31 December 2019 and 31 December 2018.

As at 31 December 2019

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets designated at fair value through profit or loss				
— Unlisted equity investments	–	–	459,669	459,669
— Unlisted investment funds	–	–	180,199	180,199
— Convertible bonds	–	52,450	295,938	348,388
— Listed equity investments	44,328	–	–	44,328
— Listed debt investments	–	38,737	–	38,737
Financial assets designated at fair value through other comprehensive income				
— Unlisted investment fund	–	168,600	–	168,600
— Listed debt investments	–	1,203,804	–	1,203,804
Total	44,328	1,463,591	935,806	2,443,725
Liabilities				
Derivative financial instruments				
— Total return swap	–	–	–	–
	–	–	–	–

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

As at 31 December 2018

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. 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 designated at fair value through profit or loss.

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

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

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

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

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

	2019 HK$'000	2018 HK$'000
Opening balance as at beginning of the year	2,000,109	1,932,134
Purchases	298,167	611,590
Disposals	(1,173,611)	(766,619)
Transfer from level 2	134,136	–
Amounts recognised in profit or loss		
Currency translation difference	(4)	(3,262)
Net gain/(loss) recognised at financial assets designated at fair value through profit or loss	(322,991)	226,266
Closing balance as at end of the year	935,806	2,000,109
* includes unrealised gains/(losses) recognised in profit or loss attributable to balances held at the end of the reporting period	(409,495)	209,251

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

Equity Investments	Fair value as at 31 December 2019 HK$'000	Valuation techniques	Unobservable input	Range	Relationship of unobservable inputs to fair value
Unlisted investment funds	98,127	Market approach	Sales multiples	1.5x–9.5x	The higher the multiples, the higher the fair value
	82,072	Net asset value (note a)	n/a	n/a	n/a
Unlisted equity investment	459,483	Market approach	Sales multiples	4.1x–8.7x	The higher the multiples, the higher the fair value
			Book multiples	1.8x–3.3x	The higher the multiples, the higher the fair value
Convertible bond	295,938	Recent transaction	n/a	n/a	n/a

Equity Investments	Fair value as at 31 December 2018 HK$'000	Valuation techniques	Unobservable input	Range	Relationship of unobservable inputs to fair value
Unlisted investment funds	1,373,069	Net asset value (note a)	n/a	n/a	n/a
	141,210	Recent transaction	n/a	n/a	n/a
Unlisted equity investment	485,640	Discounted cash flow	Discount rate	26%	The higher the discount rate, the lower the fair value

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

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.6 Offsetting financial assets and financial liabilities

The following financial assets and financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

As at 31 December 2019

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in consolidated statement of financial position: Cash collateral HK$'000	Net amount HK$'000
Derivative financial liabilities	–	–	–	–	–	–
Total	–	–	–	–	–	–

As at 31 December 2018

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in consolidated statement of financial position: Cash collateral HK$'000	Net amount HK$'000
Derivative financial liabilities	(15,430)	–	(15,430)	–	–	(15,430)
Total	(15,430)	–	(15,430)	–	–	(15,430)

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.6 Offsetting financial assets and financial liabilities *(Continued)*

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. According to the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

3.7 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.7.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Financial assets designated at fair value through profit or loss not quoted in active markets

The directors of the Group use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The estimation of fair value of unlisted equity instruments are determined in accordance with generally accepted pricing models, which includes some assumptions not supported by observable market prices or rates. The carrying amount of such unlisted investments classified as level 3 as at 31 December 2019 is approximately HK$935,806,000 (2018: HK$2,000,109,000). The values assigned to the financial assets are based upon available information and do not necessarily represent amounts which might ultimately be realised, since such amounts depend on future circumstance and cannot be reasonably determined until the individual position is realised. The directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.7 Critical accounting estimates and judgements *(Continued)*

3.7.2 Critical judgements in applying the group's accounting policies

The preparation of financial statements requires management to make judgements 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.

ECL allowances on loan and interest receivables and financial assets at amortised cost

The Group reviews its loan receivables from loan lending business and its investments in bonds/note classified as financial assets at amortised cost to assess ECL allowance on each individual loan and investment in bond/note at least on a quarterly basis. The internal credit risk on individual loan receivable plays a critical factor on the ECL impairment model. Portfolio Management Department maintains a watch list for risk monitoring on all loans receivables and investments in bonds/note classified as financial assets at amortised cost to determine the internal credit category of each individual loan receivable and investment in bond/note classified as financial assets at amortised cost. This evidence may include overdue days based on contract note and other observable data indicating that there has been an adverse change in the payment status of the borrowers and issuers in a group.

Consolidation of structured entities

The Group makes significant judgment to assess whether or not to consolidate structured entities. When performing this assessment, the Group:

— assesses its contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities;

— performs independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; and

— assesses its ability to exercise its power to influence the variable returns assessed whether the Group acts as a principal or an agent through analysis of the scope of the Group's decision-making authority, remuneration entitled, other interests the Group holds, and the rights held by other parties.

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, net	(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 HK$'000	2018 HK$'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
ECL allowances		
— 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%) on the estimated assessable profits arising in Hong Kong during the year and taxation on profits assessable elsewhere have been calculated 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 HK$'000	2018 HK$'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

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

	2019 HK$'000	2018 HK$'000
(Loss)/profit before income tax	(643,468)	160,876
Income tax at income tax rate applicable to assessable profit of the operation in different jurisdictions	(108,687)	30,617
Tax effect of expenses not deductible for tax purpose	36,515	3,964
Tax effect of income not taxable for tax purpose	(14,146)	(14,675)
Utilisation of tax losses previously not recognised	–	(1,944)
Others	13,444	1,309
Income tax for the year	(72,874)	19,271

7. INCOME TAX *(Continued)*

As at 31 December 2019, deferred tax assets of approximately HK$99,194,000 (2018: HK$25,979,000) has been recognised for some of the unused tax losses. There were no material unrecognised tax losses which have been agreed with the Inland Revenue Department.

	2019			2018		
	Before tax HK$'000	**Tax credit HK$'000**	**After tax HK$'000**	Before tax HK$'000	Tax credit HK$'000	After tax HK$'000
Fair value gain on financial assets designated at fair value through other comprehensive income	**(288)**	**–**	**(288)**	–	–	–
Currency translation differences	**(3,907)**	**–**	**(3,907)**	(12,310)	–	(12,310)
Other comprehensive income	**(4,195)**	**–**	**(4,195)**	(12,310)	–	(12,310)
Deferred tax	**–**	**–**	**–**		–	

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

	2019 HK$'000	2018 HK$'000
Deferred tax assets		
— Net fair value losses	**–**	2,027
— Tax losses	**99,194**	25,979
	99,194	28,006

8. STAFF COSTS AND RELATED EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 HK$'000	2018 HK$'000
Staff costs and related expenses:		
Salaries, bonuses and allowances	87,200	107,138
Retirement benefit scheme contributions	1,768	1,700
	88,968	108,838

Five highest paid individuals

The five highest paid individuals in the Group during the year included 1 (2018: Nil) director whose emoluments is reflected in the analysis presented in Note 9. The emoluments of the remaining 4 (2018: 5) individuals are set out below:

	2019 HK$'000	2018 HK$'000
Basic salaries and allowances	8,600	10,833
Discretionary bonus	–	2,519
Retirement benefit scheme contributions	68	90
	8,668	13,442

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Nil to HK$2,000,000	2	–
HK$2,000,001 to HK$5,000,000	2	5
Over HK$5,000,000	–	–

9. BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2019

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	(Note a) Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Housing allowance HK$'000	HK$'000	Total HK$'000
Name of Director									
Mr. Tomohiko Watanabe	520	–	–	–	–	–	–	3,533	4,053
Mr. Ni Xinguang	840	–	–	–	18	–	–	114	972
Ms. Li Wei	600	–	–	–	–	–	–	1,104	1,704
Mr. Zheng Li[1]	373	–	–	–	–	–	–	937	1,310
Mr. Wang Dongzhi	600	–	–	–	–	–	–	60	660
Mr. Ma Jianting[2]	33	–	–	–	–	–	–	–	33
Mr. Lyu Wei[3]	125	–	–	–	–	–	–	–	125
Mr. Ling Yu Zhang[4]	125	–	–	–	–	–	–	–	125
Ms. Zhou Hui	195	–	–	–	–	–	–	–	195
Mr. Wong Yongli	250	–	–	–	–	–	–	–	250
Mr. Dong Hao	3	–	–	–	–	–	–	–	3
Mr. Guan Tao[5]	62	–	–	–	–	–	–	–	62
Mr. Hu Zhengheng[6]	–	–	–	–	–	–	–	–	–
Total for 2019	3,726	–	–	–	18	–	–	5,748	9,492

1 Resigned on 15 August 2019

2 Resigned on 18 February 2019

3 Resigned on 28 June 2019

4 Resigned on 27 June 2019

5 Resigned on 28 March 2019

6 Resigned on 18 March 2019

9. BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2018

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees	Salaries	Discretionary bonus	(Note a) Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Housing allowance		Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Name of director									
Mr. Wang Dongzhi	600	–	–	379	–	–	–	–	979
Mr. Cheng Guogang[1]	376	–	–	–	–	–	–	–	376
Mr. Ni Xinguang	939	–	–	–	37	–	–	–	976
Ms. Feng Xiaoying[2]	67	394	–	–	–	–	–	–	461
Mr. Zheng Li	253	–	–	185	–	–	–	1,128	1,566
Ms. Li Wei	253	–	–	107	–	–	–	755	1,115
Mr. Lyu Wei	250	–	–	–	–	–	–	–	250
Mr. Ling Yu Zheng	250	–	–	–	–	–	–	–	250
Mr. Guan Tao	250	–	–	–	–	–	–	–	250
Mr. Ma Jianting	250	–	–	–	–	–	–	–	250
Mr. Wong Yongli	34	–	–	–	–	–	–	–	34
Mr. Hu Zhongheng	–	–	–	–	–	–	–	–	–
Mr. Chen Johnny[3]	216	–	–	–	–	–	–	–	216
Total for 2018	3,738	394	–	671	37	–	–	1,883	6,723

1 Resigned on 17 August 2018

2 Resigned on 9 February 2018

3 Resigned on 12 November 2018

Estimated money values of other benefits include rent paid, share options, share base payment and insurance premium.

Neither the chief executive nor any of the directors waived any emoluments during the year (2018: HK$ Nil).

9. BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE *(Continued)*

(b) Directors' material interests in transactions, arrangements or contracts

Except for transactions disclosed in note 33, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

10. DIVIDEND

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

11. (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.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Software HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2018	8,585	6,496	1,116	5,358	21,555
Additions	2,160	1,400	151	500	4,211
Write-off/disposals	–	(58)	–	–	(58)
Currency translation difference	(48)	(104)	–	(246)	(398)
At 31 December 2018 and 1 January 2019	10,697	7,734	1,267	5,612	25,310
Additions	20,800	4,595	883	766	27,044
Write-off/disposals	(6,996)	(571)	–	–	(7,567)
Currency translation difference	(21)	(47)	–	(112)	(180)
At 31 December 2019	24,480	11,711	2,150	6,266	44,607
Accumulated depreciation and impairment					
At 1 January 2018	3,880	2,908	322	5,181	12,291
Charge for the year	3,499	990	233	177	4,899
Write-off/disposals	–	(40)	–	–	(40)
Currency translation difference	(47)	(78)	–	(241)	(366)
At 31 December 2018 and 1 January 2019	7,332	3,780	555	5,117	16,784
Charge for the year	5,908	1,403	318	224	7,853
Write-off/disposals	(6,616)	(267)	–	–	(6,883)
Currency translation difference	(22)	(36)	–	(111)	(169)
At 31 December 2019	6,602	4,880	873	5,230	17,585
Carrying amount					
At 31 December 2019	17,878	6,831	1,277	1,036	27,022
At 31 December 2018	3,365	3,954	712	495	8,526

13. GOODWILL

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2019 HK$'000	2018 HK$'000
Securities brokerage:		
CM Securities (Hongkong) Company Limited ("CMS")	10,792	10,792
Asset management:		
CM Asset Management (Hongkong) Company Limited ("CMAM")	5,079	5,079
	15,871	15,871

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, revenue growth rate and expenses growth rate, and long term growth rate during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Revenue and expenses growth rate are based on past practices and expectations on market development.

For each of the CGUs with significant amount of goodwill, the key assumptions used in the value-in-use calculations in 2019 and 2018 are as follows.

	2019		2018	
	Securities brokerage	Asset management	Securities brokerage	Asset management
% of revenue growth rate	20%	12%	20%	12%
% of expenses growth rate	18%	10%	18%	10%
Long term growth rate	3.0%	3.0%	3.0%	3.0%
Pre-tax discount rate	20%	20%	21%	20%

No impairment is provided during the year ended 31 December 2019 (2018: HK$Nil).

14. OTHER INTANGIBLE ASSETS

	Trading right HK$'000
Cost	
At 1 January 2018	500
Additions	200
At 31 December 2018 and 31 December 2019	700
Accumulated amortisation	
At 1 January 2018, 31 December 2018 and 31 December 2019	–
Carrying amount	
At 31 December 2019	700
At 31 December 2018	700

Trading right

The trading right represents the eligibility rights to trade on or through the SEHK and have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading right are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading right will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the cash generating units relating to securities brokerage business, whereby these trading right are allocated to, using a value in use calculation, exceed the carrying amounts. No impairment is therefore considered necessary.

15. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2019:

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
CM Financial Investment Management Limited	Hong Kong, limited liability company	HK$260,000,002	100%	–	Investment holding
CM Securities Holdings Limited	Hong Kong, limited liability company	HK$1,475,000,001	100%	–	Investment holding
Cheong Wa Limited	Hong Kong, limited liability company	HK$29,970,106	100%	–	Investment holding
Top Pro Limited	The British Virgin Islands, limited liability company	US$1	100%	–	Investment holding
CM Wealth Holdings Limited	Hong Kong, limited liability company	HK$1	–	100%	Provision of money lending services
CM Securities (Hongkong) Company Limited	Hong Kong, limited liability company	HK$1,500,000,000	–	100%	Provision of securities brokerage services
CM Asset Management (Hongkong) Company Limited	Hong Kong, limited liability company	HK$573,700,000	–	100%	Provision of securities advisory and asset management services
CM Securities Asset Management Limited	Hong Kong, limited liability company	HK$3,000,000	–	100%	Provision of securities advisory and asset management services
CM Securities Investment Limited	The British Virgin Islands, limited liability company	US$6,410,000	–	100%	Investment holding
CM SPC	Cayman Islands	US$1	–	100%	Investment holding
CMAM Investment Limited	The British Virgin Islands, limited liability company	US$1	–	100%	Investment holding
CMAM Investment Fund SPC	Cayman Islands	US$100	–	100%	Investment holding
Tianjin Tong Ming Xin Peng Corporate Management Company Limited^ ("Tianjin Tong Ming Xin Peng") 天津桐鳴鑫鵬企業管理有限責任公司	The PRC, limited liability company	RMB387,690,000*	–	100%	Investment holding
Fuzhou Landun Science of Life Co., Ltd 福州藍頓生命科技有限公司	The PRC, wholly-foreign owned enterprise with limited liability	HK$100,000,000	–	100%	Investment holding
Seven Star Shopping Limited	Hong Kong, limited liability company	HK$1	–	100%	Investment holding
Seven Star Shopping (China) Co., Ltd.^ 七星購物(中國)有限公司	The PRC, wholly-foreign owned enterprise with limited liability	RMB360,000,000	–	100%	Investment holding
Shanghai Seven Star International Shopping Co., Ltd. ("Seven Star (Shanghai)") 上海七星國際購物有限公司	The PRC, limited liability company	RMB6,000,000	–	100% (Note)	Investment holding

15. SUBSIDIARIES *(Continued)*

The following is a list of the principal subsidiary at 31 December 2019: *(Continued)*

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Shanghai Seven Star Electronic Commerce Co., Ltd.^,# 上海七星電子商務有限公司	The PRC, limited liability company	RMB30,000,000	–	96%	Investment holding
Shanghai Seven Star New Energy Investment Co., Ltd.^ ("Shanghai Seven Star New Energy") 上海七星新能源投資有限公司	The PRC, limited liability company	RMB600,000,000**	–	100%	Investment holding
Shanghai Seven Star Qiangguan Investment Management Co., Ltd.^ ("Shanghai Qiangguan") 上海七星強冠投資管理有限公司	The PRC, limited liability company	RMB10,000,000***	–	70%	Not yet commence real estate business
Shanghai Xiangsheng Insurance Agency Co., Ltd.^,## ("Xiangsheng Insurance") 上海祥生保險代理有限公司	The PRC, limited liability company	RMB20,000,000	–	96%	Provision of insurance agency services
Shanghai Hecheng Enterprise Consulting Co., Ltd. ("Shanghai Hecheng") 上海合暢企業諮詢有限公司	The PRC, wholly-foreign owned enterprise with limited liability	RMB50,000,000****	–	100%	Investment holding

^ The English names are for identification purposes only

Directly held by Seven Star (Shanghai)

Indirectly held by Seven Star (Shanghai)

* The registered capital of Tianjin Tong Ming Xin Peng is RMB387,690,000 and RMB218,073,125 has been paid up as at 31 December 2019.

** The registered capital of Shanghai Seven Star New Energy is RMB600,000,000 and RMB8,816,239 has been paid up as at 31 December 2019.

*** The registered capital of Shanghai Qiangguan is RMB10,000,000 and no capital has been paid up as at 31 December 2019.

**** The registered capital of Shanghai Hecheng is RMB50,000,000 and RMB19,118,761 has been paid up as at 31 December 2019.

Note: Although the Group does not own any equity interest in Seven Star (Shanghai), Seven Star (Shanghai) and its subsidiaries ("Seven Star (Shanghai) Group") are treated as subsidiaries because the Group is able to control the relevant activities of Seven Star (Shanghai) Group as a result of the Structured Contracts (as defined in the announcement of the Company dated 7 September 2006) entered into by the Group.

15. SUBSIDIARIES *(Continued)*

The above list contains the particular of subsidiaries which principally affected the results, assets or liabilities of the Group. None of the subsidiaries has issued any debt securities.

The following table shows information of the subsidiaries that are in operations and have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Seven Star (Shanghai)		Xiangsheng Insurance	
	2019	2018	**2019**	2018
Principal place of business/ country of registration	The PRC/PRC		The PRC/PRC	
% of ownership interests/ voting rights held by NCI	**100%/0%**	100%/0%	**100%/0%**	100%/0%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**44,219**	45,207	**–**	–
Current assets	**135,429**	138,455	**21,241**	21,718
Non-current liabilities	**(414,393)**	(423,652)	**(6,826)**	(6,979)
Current liabilities	**(6,252)**	(6,391)	**–**	–
Net liabilities	**(240,997)**	(246,381)	**14,415**	14,739
Accumulated NCI	**(91,373)**	(93,414)	**(4,967)**	(5,076)
Year ended 31 December:				
Revenue	**–**	–	**–**	–
Loss	**–**	(118)	**(2)**	(37)
Total comprehensive income	**5,384**	11,756	**(324)**	(748)
Loss allocated to NCI	**–**	(118)	**(2)**	(37)
Net cash used in operating activities	**(17)**	(37)	**(99)**	(233)
Net cash generated from investing activities	**–**	–	**14**	–
Effect of foreign exchange rate changes	**17**	37	**50**	112
Net decrease in cash and cash equivalents	**–**	–	**(35)**	(121)

16. INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at 31 December 2019 which, in the opinion of the directors, are material to the Group.

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

The total cash considerations for the investment was US$25,087,000 (approximately HK$200,229,000). There is no quoted market price available for both associates.

Reconciliation to carrying amounts:

	2019 HK$'000	2018 HK$'000
Beginning of the year	190,684	164,206
Addition	13,652	28,186
Share of post-tax loss of associates	(65,394)	(1,708)
End of the year	138,942	190,684

16. INVESTMENTS IN ASSOCIATES *(Continued)*

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

	Grand Flight Holding Company Limited 2019 HK$'000	Grand Flight Holding Company Limited 2018 HK$'000	Grand Flight Hooyoung Investment L.P. 2019 HK$'000	Grand Flight Hooyoung Investment L.P. 2018 HK$'000
At 31 December:				
Current assets	20,788	16,238	449,142	625,319
Current liabilities	6,788	5,944	–	–
Net current assets	14,000	10,294	449,142	625,319
Year ended 31 December:				
Revenue	15,598	15,587	–	–
Profit/(loss)	3,789	4,851	(219,159)	(15,613)
Total comprehensive income/(loss)	3,789	4,851	(219,159)	(15,613)
Opening net assets 1 January	10,294	5,432	625,319	541,920
Increase in equity interest	–	–	45,462	93,995
Profit/(loss) for the year	3,789	4,851	(219,159)	(15,613)
Currency translation difference	(83)	11	(2,480)	5,017
Closing net assets	14,000	10,294	449,142	625,319
Interest in associates (30%)	4,200	3,088	134,742	187,596

17. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments include the followings:

	2019 HK$'000	2018 HK$'000
Option contract	–	(11,036)
Total return swap	–	(4,394)
	–	(15,430)
Classified as:		
Non-current liabilities	–	–
Current liabilities	–	(15,430)
	–	(15,430)

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2019 HK$'000	2018 HK$'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 structured 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.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	2019 HK$'000	2018 HK$'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

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

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 structured 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.

20. FINANCIAL ASSETS AT AMORTISED COST

	2019 HK$'000	2018 HK$'000
Financial assets at amortised cost	523,579	–
Less: ECL allowances on financial assets at amortised cost	(578)	–
	523,001	–

At 31 December 2019, financial assets at amortised cost include listed debt investments and note receivable with coupon rates effective interest rates ranging from 6.8% to 12.8% (31 December 2018: Nil) per annum.

The interest receivables derived from note receivable have been recognised as other interest receivables in consolidated statement of financial position.

During the year, ECL allowances of HK$578,000 was recognised (2018: HK$ Nil) in the consolidated statement of profit or loss.

21. MARGIN RECEIVABLES AND OTHER TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'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.

ECL allowances as at 31 December 2019 amounted to HK$54,656,000 (2018: HK$21,592,000), the increase in ECL allowances of HK$33,064,000 (2018: $20,033,000) was recognised in the consolidated statement of profit or loss.

The Group considered that the business nature of margin receivable is 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 follows:

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

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

22. 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 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.

22. LOAN AND INTEREST RECEIVABLES *(Continued)*

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

23. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

At 31 December 2019, the Group's pledged bank deposits included a deposit pledged to a bank of approximately HK$292,000 (2018: HK$299,000) as security for a corporate card granted to a director of the Group. The credit limit of the corporate card is approximately HK$224,000 (2018: HK$224,000).

At 31 December 2019, the bank and cash balances of the Group denominated in RMB or HKD and kept in the PRC amounted to approximately HK$201,377,000 (2018: HK$199,977,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The Group maintains segregated accounts with authorised institutions to hold clients' monies in the normal course of business. At 31 December 2019, client money maintained in segregated accounts not otherwise dealt with in the financial statements amounted to HK$114,328,000 (2018: HK$11,640,000).

The carrying amount of pledged bank deposits and cash and bank balances approximate to their fair value.

24. BANK BORROWINGS AND LOAN AND INTEREST PAYABLES

	Note	2019 HK$'000	2018 HK$'000
Leverage note	(a)	158,779	–
Repurchase agreements	(b)	153,049	–
Bank borrowings		–	506,658
Interest payables		1,105	2,952
		312,933	509,610

The loans bear interest at LIBOR + 1.8% to LIBOR + 1.95% fixed per annum and are repayable within a year from the end of the reporting period.

The fair value of bank borrowings equal their carrying amount, as the impact of discounting is not significant.

(a) On 23 October 2019, the Group entered into an agreement to borrow an amount of HK$159,779,000 and to subscribe a leveraged bond-linked notes of the same amount. As part of the agreement, the Group has sold bonds classified at fair value through other comprehensive income with carrying amount of HK$318,997,000 and committed to purchase it back at a later date ("settlement date"). Until the settlement date, the Group will continue to expose to the risks and rewards of these bonds, and hence, it was not derecognised from the financial statements but regarded as "collateral" for the liabilities.

    As at 31 December 2019, the carrying amount of the borrowing is approximately HK$158,779,000 and the carrying value of the pledged bonds classified at fair value through other comprehensive income are approximately HK$322,602,000.

(b) As at 31 December 2019, the Group entered into repurchase agreements with financial institutions to sell bonds recognised as financial assets at fair value through other comprehensive income with carrying amount of approximately HK$301,265,000 (2018: HK$Nil), which are subject to the simultaneous agreements to repurchase these investments at the agreed date and price. The repurchase prices are pre-determined and the Group is still exposed to substantially all the credit risks, market risks and rewards of those bonds sold. These bonds are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these bonds.

25. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 HK$'000	2018 HK$'000
Finance costs on bank borrowings	3,781	8,820
Finance costs on loan payables	1,578	186
Finance costs on note payable	–	22,179
Finance costs on repurchase agreements	1,799	–
Finance costs on margin payables	314	–
Finance costs on lease liabilities	1,467	–
Loan arrangement fee	2,025	–
Other finance costs	21	10
	10,985	31,195

26. ACCRUALS AND OTHER PAYABLES

	Note	2019 HK$'000	2018 HK$'000
Accrued employee benefits		29,969	36,224
Deposits received		572	585
Receipts in advance		1,904	6,836
Other tax payables		3,751	3,858
Accruals and other payables	(a)	103,800	37,682
		139,996	85,185

(a) Accruals and other payables include an amount of HK$75,283,000 due to Prosperity (Cayman) Limited in which the Group owns 1% shareholding.

27. SHARE CAPITAL

	Note	2019 Number of shares '000	2019 Amount HK$'000	2018 Number of shares '000	2018 Amount HK$'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

27. SHARE CAPITAL *(Continued)*

(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.

28. OTHER RESERVES

(i) Share-based payments reserve

The share-based payments reserve represented the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for share-based payments in Note 2.21 to the consolidated financial statements.

(ii) Special capital reserve

The application of the special capital reserve is subject to the court order granted by the High Court of Hong Kong SAR. Pursuant to the High Court Order dated 20 November 2002, as long as the Company shall remain a listed company, the balances shall be treated as an undistributable reserve of the Company provided that (1) the Company shall be at liberty to apply the said special capital reserve for the same purposes as a share premium account may be applied; and (2) the amount standing to the credit of the special capital reserve may be reduced by the amount of any increase, after the effective date, in the paid up share capital or the amount standing to the credit of the share premium account of the Company as a result of the payment up of shares by the receipt of new consideration or the capitalisation of distributable profits.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 2.5 to the consolidated financial statements.

(iv) Statutory surplus reserve

In accordance with the PRC Company Law and the respective company's articles of association, a subsidiary of the Group established in the PRC, being a wholly foreign owned enterprise, is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), to the statutory surplus reserve. When the balance of the reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. With the approval from the relevant authorities, the statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. The reserve fund cannot be distributed in the form of cash.

(v) Investment revaluation reserve

The investment revaluation reserve comprises all fair value gain/loss arising from the revaluation of the financial asset designated at fair value through other comprehensive income.

29. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2019 HK$'000	2018 HK$'000
Assets		
Non-current assets		
Property, plant and equipment	24,309	4,399
Right-of-use asset	19,288	–
Interests in subsidiaries	3,795,558	3,906,915
Rental and other deposits	3,110	–
Financial assets designated at fair value through profit or loss	297,322	–
Deferred tax assets	56,434	22,001
Total non-current assets	4,196,021	3,933,315
Current assets		
Other receivables, prepayments and deposits	2,847	11,552
Financial assets designated at fair value through profit or loss	–	178,204
Loan and interest receivables	877	226,802
Deposits with brokers	22	1,561
Cash and bank balances	1,149,044	1,209,052
Total current assets	1,152,790	1,627,171
Total assets	5,348,811	5,560,486
Equity		
Equity attributable to owners of the Company		
Share capital	6,154,374	5,667,546
Other reserves	733,807	734,824
Accumulated losses	(1,641,654)	(1,385,853)
Total equity	5,246,527	5,016,517
Liabilities		
Non-current liability		
Lease liabilities	11,277	–
Total non-current liability	11,277	–
Current liabilities		
Loan and interest payables	–	509,610
Accruals and other payables	82,893	34,359
Lease liabilities	8,114	–
Total current liabilities	91,007	543,969
Total liabilities	102,284	543,969
Total equity and liabilities	5,348,811	5,560,486

Approved by the Board of Directors on 25 March 2020 and are signed on its behalf by:

Tomohiko Watanabe
Director

Li Wei
Director

29. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share-based payments reserve HK$'000	Special capital reserve HK$'000	Total HK$'000
At 1 January 2018	9,023	726,699	735,722
Transfer from equity-settled to cash-settled share-based payments	(898)	–	(898)
At 31 December 2018 and 1 January 2019	8,125	726,699	734,824
Transfer from equity-settled to cash-settled share-based payments	(1,017)	–	(1,017)
At 31 December 2019	7,108	726,699	733,807

30. SHARE-BASED COMPENSATION

Equity-settled share option scheme

On 9 December 2013, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 28 May 2004 (the "2004 Share Option Scheme") and the adoption of a new share option scheme (the "2013 Share Option Scheme"). The 2013 Share Option Scheme will expire on 8 December 2023.

2013 Share Option Scheme

Under the 2013 Share Option Scheme, the directors of the Company may, at their discretion, grant options to executives and key employees in the service of any member of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular option shall be such price as the board of directors of the Company may in its absolute discretion determine at the time of grant of the relevant option subject to the compliance with the requirements for share option schemes under the Listing Rules.

At 31 December 2019 and 31 December 2018, no option was outstanding under the 2013 Share Option Scheme.

30. SHARE-BASED COMPENSATION *(Continued)*

2004 Share Option Scheme

The 2004 Share Option Scheme was terminated on 9 December 2013 such that no further option can be granted under the 2004 Share Option Scheme, but all options granted previously will remain exercisable in accordance with the terms of the 2004 Share Option Scheme and the relevant letters of offers to the respective grantees.

At 31 December 2019 and 31 December 2018, there are no options to subscribe for shares were outstanding.

Share award

The Group has entered share award scheme to incentivise selected employees or directors for their contributions to the Group and to attract suitable personnel for further development of the Group. Pursuant to the agreement, the ordinary shares of the Company will be acquired by the Company at the cost of the Company and will be granted to the selected participants after vesting. The total number of shares granted under the agreement will be vested for three years.

On 19 December 2018, the Group adopted another share award plan. The purpose of the Plan are to recognise and reward the contribution of selected employees or directors, to give incentives in order to retain them for the continual operation and development of the Group. The share award plan shall be valid and effective for a period of 10 years commencing from 19 December 2018 but may be terminated earlier as determined by the Board.

During the year, the Company settled HK$1,017,000 share-based payments (2018: HK$898,000).

31. CONTINGENT LIABILITIES

As at 31 December 2019, the Group and the Company did not have any significant contingent liabilities (2018: Nil).

32. COMMITMENTS

Capital commitments

The Group has entered a contract to commit investing into an unlisted investment fund. The non-cancellable capital commitment as at 31 December 2019 is HK$20,725,000 (2018: HK$34,474,000).

33. 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 year:

	2019 HK$'000	2018 HK$'000
Commission income (Note i)	2,690	427
Interest income (Note ii)	5,536	4,219
Fee income received from asset management, net (Note iii)	(26,592)	72,304
Underwriting fee income (Note iv)	1,199	–

Note i: During the year ended 31 December 2019, the Group has received commission fees income of HK$2,690,000 from related parties (2018: HK$427,000). Commission fee income is determined with reference to the market rate offered to other third party clients.

Note ii: During the year ended 31 December 2019, the Group lent unsecured loan to a borrower, which is a related party of the Company, and received interest income at an interest rate of 11.5% per annum (2018: 11.5%). As at 31 December 2019, the outstanding loan balance is HK$50,236,000 (2018: HK$50,831,000).

Note iii: During the year ended 31 December 2019, the Group provided fund management service to a relate party fund and recognised a net reversal of fund management fee and performance fee of HK$26,592,000 (2018: net income of HK$72,304,000). The fund management fee and performance fee are determined with reference to the market rate offered to other third party investor of the fund.

Note iv: During the year ended 31 December 2019, a related party issued senior secured bonds. A subsidiary of the Company acted as one of the joint bookrunners in the offering. The relevant underwriting commission income recognised during the year amounted to HK$1,199,000 (2018: HK$Nil) in accordance with the terms of relevant subscription agreements.

(b) The remuneration for directors and other members of key management of the Group during the year is disclosed in Note 9 to the consolidated financial statements.

34. RECLASSIFICATION

Certain comparative figures have been reclassified to conform with the current year presentation.

35. CASH FLOW INFORMATION

	Liabilities from financing activities				
	Note payables HK$'000	Loan payables (excluding interest payables) HK$'000	Bank borrowings (excluding interest payables) HK$'000	Margin payables HK$'000	Lease liabilities HK$'000
As at 1 January 2018	349,200	196,408	200,000	–	–
Cashflows — Proceed	–	–	706,658	–	–
Cashflows — Repayment	(349,200)	(186,732)	(400,000)	–	–
Foreign exchange adjustments	–	(9,676)	–	–	–
As at 31 December 2018	–	–	506,658	–	–
As at 1 January 2019	–	–	506,658	–	–
Cashflows — Proceed	–	313,886	–	48,590	–
Cashflows — Repayment	–	–	(506,658)	(17,097)	–
Cashflows — Principal elements of lease rentals paid	–	–	–	–	(28,173)
Acquisition — Leases	–	–	–	–	53,223
Foreign exchange adjustments	–	(2,058)	–	(168)	–
As at 31 December 2019	–	311,828	–	31,325	25,050

36. 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.

FIVE YEAR FINANCIAL SUMMARY (UNAUDITED)

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Results					
Turnover	**188,177**	335,283	452,175	230,232	201,091
Profit/(loss) attributable to:					
— Owners of the Company	**(568,815)**	143,233	192,033	36,933	(28,580)
— Non-controlling interests	**(1,779)**	(1,628)	(1,335)	(5,590)	(16,025)
Assets and liabilities					
Total assets	**5,736,975**	6,027,091	6,158,503	5,913,876	5,084,840
Total liabilities	**(539,355)**	(670,259)	(883,368)	(897,132)	(45,191)
Total equity	**5,197,620**	5,356,832	5,275,135	5,016,744	5,039,649