



中薇金融
CHINA VÊRED FINANCIAL

**China Vered Financial
Holding Corporation Limited**

中薇金融控股有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 245

INTERIM REPORT

2020



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Tomohiko Watanabe

(Chairman and Chief Executive Officer)

Ni Xinguang *(Vice Chairman)*

Li Wei

Non-executive Directors

Zhang Yang *(Appointed on 20 May 2020)*

Wang Dongzhi *(Retired on 29 June 2020)*

Independent Non-executive Directors

Zhou Hui

Wang Yongli

Dong Hao

Audit Committee

Zhou Hui *(Chairperson)*

Wang Yongli

Dong Hao

Nomination Committee

Tomohiko Watanabe *(Chairman)*

Zhou Hui

Wang Yongli

Dong Hao

Remuneration Committee

Wang Yongli *(Chairman)*

Zhou Hui

Dong Hao

Company Secretary

Wong Wai Yee Ella

Principal Bankers

Bank of China (Hong Kong) Limited

China Construction Bank (Asia)

Corporation Limited

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, Hong Kong Branch

Solicitors

Hong Kong Law

Herbert Smith Freehills

Independent Auditor

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

Registered Office

22/F, China Taiping Tower

8 Sunning Road

Causeway Bay

Hong Kong

Share Registrar and Transfer Office

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

Stock Code

245 HK

Website

www.chinavered.com (with effect
from 26 August 2020)



MANAGEMENT DISCUSSION AND ANALYSIS

Review

The outbreak of the COVID-19 in 2020 posed a significant challenge to the global economy. The epidemic caused disruptions to stable economic conditions and the global economy may enter its worst recession since the “Great Depression”. As the Purchasing Managers’ Index (PMI) and the leading indexes for Organization for Economic Cooperation and Development (OECD) have deteriorated, the International Monetary Fund (IMF) has significantly lowered its global economic growth expectations. Since the financial market in the United States has been hit hard by the epidemic and the real economy began to weaken, the Federal Reserve launched an unprecedented easing policy. The prosperity indexes for the European economy also plunged. The Bank of England made two emergency interest rate cuts, while the European Central Bank launched a pandemic emergency bond purchase programme. In the face of a recession in economy, the Japanese government launched the largest-ever economic stimulus plan. In view of the overall sluggish economy of emerging economies, the policies were further relaxed.

The epidemic has also had a substantial impact on the PRC economy. In the first quarter of 2020, the macroeconomic activities have reduced, and the investment, consumption and import and export demand have experienced a slump. Certain industries have stagnated with insufficient industrial production. In order to stabilize the economy, the PRC, like other major economies in the world, has launched a large-scale economic rescue plan. Given the ongoing success in the prevention and control of the epidemic as well as the resumption of work and production at home, coupled with the easing of lockdown measures to kick-start the economy across Europe and the United States in the second quarter of the year, the economy in the PRC is expected to gradually stabilize and recover.

Against the backdrop of the global outbreak of the epidemic, sluggish economy and intensifying tensions among great powers, the economy in the PRC has been facing a shift in growth momentum and rebalancing its asset allocation. In response to changes in the macroeconomy and market transformation, the Company has optimized the allocation of its major assets, increased the proportion of equity investments, and shifted from its previous income model focusing on fixed income investments and debt assets, so as to significantly reduce the risks of asset concentration and improve the value of its investment portfolio.

In the first half of 2020, the Company, as a full licensed professional financial corporation in Hong Kong, has strategically focused on its businesses in the PRC, Hong Kong, and Japan, with an aim to improve its asset management business, build a brand name of investment banking, establish an all-round investment industrial chain and provide its customers with a cross-border integrated financial services platform. In the first half of the year, the Company strategically increased its investments in equity assets and emphasized on “deployment + investment”, laying a solid foundation for the development of “investment banking + investment” as its major business line in the second half of the year.

Looking back at the first half of 2020, as for securities investments for proprietary trading, the Group’s investments in US\$ bonds issued by China-affiliated corporations exceeded HK\$1.6 billion, and the Group’s investments in A shares and shares on Shanghai-Hong Kong Stock Connect amounted to approximately HK\$500 million. As for the investment business, the Company has completed structured investments of over HK\$300 million and fund investments of over HK\$500 million, so as to diversify its asset allocation. As for the asset management business, the Company has aggressively improved its asset management capabilities in the first half of the year. On top of its existing management scale of HK\$1.4 billion, the Company is committed to accomplishing its business goal of raising US\$200 million in the second half of the year. As for the investment banking business, the Company has been actively participating in private placement of US\$ bonds and IPO projects to enhance its brand name of investment banking. In the first half of the year, the Company has actively explored overseas investments, and initiated the establishment and management of a Japanese fund with a committed contribution of 4 billion yen (equivalent to approximately HK\$280 million) focusing on investments in companies and projects with technological advantages and leading positions in the industries. The Company has completed its investments in two Japanese high-tech enterprises. In addition, the Company has aggressively optimized its assets and expanded various financing channels to support its future business development.

Prospect

In the second half of 2020, the global economy will be clouded by uncertainties arising from the outbreak of the epidemic and rising international tensions.

In the second half of the year, the Company will adhere to its business model of “investment banking + investment”, focus on researches on new cyclical industries such as technology and consumption sectors and the relationship between A shares and H shares, and select high-quality and cost-effective targets for medium and long-term investments.

Since 13 July 2020, the English name of the Company has been changed from “China Minsheng Financial Holding Corporation Limited” to “China Vered Financial Holding Corporation Limited” and the Company’s Chinese name has been changed from “中國民生金融控股有限公司” to “中薇金融控股有限公司”.

The Company will continue its prudent development strategic direction with “Setting a Foothold in Hong Kong, Covering Asia, Focusing on the Future Globalization Process” as its 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, Hong Kong and Japan, aggressively expand and push forward the businesses in leading economies of Asia. The Company will grasp market opportunities for steadying business expansion, hence maximizing the interests of all our shareholders and investors.

Use of Proceeds

On 1 November 2019, the Company completed the placing of new shares and 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	Actual amount utilised up to 30 June 2020	Remaining balance as at 30 June 2020
	HK\$' million	HK\$' million	HK\$' million
General working capital	37	37	–
Investment opportunities	450	450	–
Total	487	487	–

All the net proceeds have been fully utilised for such use by 30 June 2020.

Significant Investments

As at 30 June 2020, the Group had investments in financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost with an aggregate carrying amount of approximately HK\$4,133,335,000 (at 31 December 2019: HK\$2,966,726,000). The details of significant investments (each of which carrying value more than 2% of the total assets of the Group) as at 30 June 2020 are as follows:

Name of investee company/fund	Nature of investments	Classification	Number of shares/ units held	Investment costs	Fair value/	Percentage of	Unrealised	Realised
					Carrying value as at 30 June 2020	Group's total assets as at 30 June 2020	gain/(loss) on change in fair value for the period ended 30 June 2020	gain for the period ended 30 June 2020
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
eToro Group Ltd.	Investment in unlisted preferred shares	Financial assets at fair value through profit or loss	1,216,248	391,891	457,271	8.4%	(2,211)	-
Wilson Offshore & Marine Ltd.	Investment in unlisted note	Financial assets at fair value through profit or loss	Not applicable	298,167	294,514	5.4%	(1,424)	-
Great Courage Global Ltd.	Investment in unlisted note	Financial assets at amortised cost	Not applicable	186,009	186,007	3.4%	-	-
PAOH Tactical Issuance Ltd.	Investment in unlisted note	Financial assets at fair value through profit or loss	Not applicable	175,227	174,383	3.2%	(843)	-
Tea Leaf Ltd.	Investment in unlisted note	Financial assets at amortised cost	Not applicable	135,042	137,893	2.5%	-	-
Oakwise Innovation Fund SPC — SP3	Investment in unlisted investment fund	Financial assets at fair value through other comprehensive income	560,000	434,150	434,021	7.9%	-	-
Chariot SPC Fund — Chariot SP II	Investment in unlisted investment fund	Financial assets at fair value through other comprehensive income	24,000	240,000	137,856	2.5%	-	-
Kaisa Group Holdings Ltd.	Investment in listed bond	Financial assets at amortised cost/ financial assets at fair value through other comprehensive income/ financial assets at fair value through profit or loss	371,000	295,278	295,378	5.4%	(124)	1,350
Zensun Enterprises Ltd.	Investment in listed bond	Financial assets at amortised cost/ financial assets at fair value through other comprehensive income	300,000	232,276	230,190	4.2%	-	-
Yango Justice International Ltd.	Investment in listed bond	Financial assets at amortised cost/ financial assets at fair value through other comprehensive income	270,000	207,404	211,845	3.9%	-	85,22
Ronshine China Holdings Ltd.	Investment in listed bond	Financial assets at amortised cost/ financial assets at fair value through other comprehensive income	195,000	151,540	156,553	2.9%	-	421
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	156,120	155,319	2.8%	303	-
Jingrui Holdings Ltd.	Investment in listed bond	Financial assets at amortised cost/ financial assets at fair value through other comprehensive income	160,000	124,448	119,266	2.2%	-	-
Agile Group Holdings Ltd.	Investment in listed bond	Financial assets at fair value through other comprehensive income	150,000	117,655	116,451	2.1%	-	-

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

Financial Review

For the six months ended 30 June 2020, the unaudited condensed consolidated revenue of the Group was approximately HK\$157,030,000 (six months ended 30 June 2019: HK\$56,954,000), representing an increase of approximately 176%.

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

For the six months ended 30 June 2020 and 2019

	2020 HK\$'000	2019 HK\$'000	Change
Interest income	140,051	66,644	110%
Commission and fee income	11,968	(10,115)	N/A
Net investment income	5,011	425	1,079%
Total revenue	157,030	56,954	176%

The Group recorded a gain of approximately HK\$67,423,000 for the six months ended 30 June 2020, as compared to a loss of approximately HK\$104,360,000 for the six months ended 30 June 2019 ("Corresponding Period"), mainly due to (i) an increase in interest income from the Group's investment holding business; (ii) net gain on investments and (iii) a decrease in provision for impairment of financial assets for the six months ended 30 June 2020 as compared to the Corresponding Period.

The total costs (including staff costs, premises expenses, finance costs, trading costs, expected credit losses allowance and other operating costs) for the six months ended 30 June 2020 was approximately HK\$115,701,000 (six months ended 30 June 2019: HK\$132,474,000), representing a decrease of approximately 13% which was mainly due to effective cost control measures implemented by the Group in the area of staff costs and premises expenses as well as reduction in expected credit losses allowances on financial assets provided for the period.

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

For the financial position as at six months ended 30 June 2020, total assets of the Group was approximately HK\$5,461,111,000 (31 December 2019: HK\$5,736,975,000), representing a decrease of approximately 4.81%. Net cash (outflow)/inflow from operating activities, investing activities and financing activities for the period under review were approximately HK\$(1,557,928,000), HK\$(3,683,000) and HK\$(226,322,000) (six months ended 30 June 2019: HK\$411,270,000, HK\$(19,856,000) and HK\$(214,539,000) respectively). The depreciation for property, plant and equipment for the period under review was approximately HK\$6,203,000 (six months ended 30 June 2019: HK\$2,906,000).

Employee relations

As at 30 June 2020, the Group had 71 employees (as at 30 June 2019: 63 employees).

Total staff costs and related expenses for the period under review were approximately HK\$38,810,000 (six months ended 30 June 2019: HK\$44,169,000).

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

Liquidity and financial resources

As at 30 June 2020, the Group's cash and bank deposits (excluding pledged bank deposits) amounted to approximately HK\$315,559,000 (as at 31 December 2019: HK\$2,117,233,000). The gearing ratio as at 30 June 2020 (total debts to total equity) was approximately 6.1% (as at 31 December 2019: 6.6%), which indicated that the Group's overall financial position remained strong.

Segment information

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

Capital structure

There were no changes to the Group's capital structure during the six months ended 30 June 2020.

Material acquisitions and disposals of subsidiaries and associates

Save as disclosed, the Group had no material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2020.

Charges on Group's assets

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Pledged deposits at bank	302	292
Total charges on Group's assets	302	292

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

Exposure to exchange rate fluctuation and related hedging

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

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2020 (as at 31 December 2019: Nil).

On behalf of the Board

China Vered Financial Holding Corporation Limited

Tomohiko Watanabe

Chairman

Hong Kong, 26 August 2020

DIRECTORS' INTEREST IN SHARES

As at 30 June 2020, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong (the "SFO") as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out below:

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

Name of director	Number of shares held		Total	Percentage of the issued share capital (Note (b))
	Personal interests	Corporate interests		
Ni Xinguang ("Mr. Ni")	46,068,000	416,004,000 (Note (a))	462,072,000	1.33%

Notes:

- 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 in the shares held by Group First Limited.
- The percentage was calculated based on the total number of 34,714,459,250 ordinary shares of the Company in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2020, none of the Directors or chief executive of the Company, had any short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS AND SHARE AWARDS

Share Options

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

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

Based on the existing outstanding number of share options as of 30 June 2020 and assume that no further share options are to be granted in the six months to 31 December 2020, no further share option cost will be charged to the statement of profit or loss as share option expense.

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

Share Awards

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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2020, so far as was known to the Directors of the Company, the following persons, other than the Directors and chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company, which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Percentage of the issued share capital (Note (e))
薔薇控股股份有限公司	Interest of controlled corporation (Note (a))	10,043,000,000	28.93%
薔薇控股(深圳)有限公司	Interest of controlled corporation (Note (a))	10,043,000,000	28.93%
Vered Holdings (Hong Kong) Limited ("Vered Hong Kong")	Interest of controlled corporation (Note (a))	10,043,000,000	28.93%
Vered Investment Co., Ltd ("Vered Investment")	Interest of controlled corporation (Note (a))	10,043,000,000	28.93%
Vered Holdings Group Ltd ("Vered Holdings")	Beneficial owner (Note (a))	10,043,000,000	28.93%
Liu Xueyi	Interest of controlled corporation (Note (b))	4,600,041,390	13.25%
Prosper Ascend Limited	Beneficial owner (Note (b))	4,600,041,390	13.25%
Zhao Xinlong	Interest of controlled corporation (Note (c))	3,500,000,000	10.08%
Hong Kong Baohui Toda Limited	Beneficial owner (Note (c))	3,500,000,000	10.08%
China Minsheng Investment Group Corporation Ltd.	Interest of controlled corporation (Note (d))	2,072,618,610	5.97%
China Minsheng Asia Asset Management Co, Ltd	Interest of controlled corporation (Note (d))	1,430,000,000	4.12%
	Beneficial owner (Note (d))	642,618,610	1.85%

Notes:

- (a) 10,043,000,000 shares were 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 Prosper Ascend Limited, which is wholly owned by Mr. Liu Xueyi. By virtue of the SFO, Mr. Liu Xueyi was deemed to have interest in the shares held by Prosper Ascend 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) 1,430,000,000 shares were held by CMI Financial Holding Corporation, which is wholly owned by CMI Financial Holding Company Limited, and which in turn is wholly owned by China Minsheng Asia Asset Management Co, Ltd ("CM Asia"). CM Asia is wholly owned by China Minsheng Investment Group Corporation Ltd. CM Asia also directly holds 642,618,610 shares.
- (e) The percentage has been calculated based on the total number of 34,714,459,250 ordinary shares of the Company in issue as at 30 June 2020.

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

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at 30 June 2020, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.



RIGHTS TO ACQUIRE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

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

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

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

According to Code Provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. 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.

Review of Accounts

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

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and has discussed with the management the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2020.

The Company's external auditor, PricewaterhouseCoopers has reviewed the interim financial information for the six months ended 30 June 2020 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. All the Directors of the Board have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2020.

OTHER INFORMATION

Pre-emptive Rights

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

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

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

The board (the “Board”) of directors (the “Directors”) of China Vered Financial Holding Corporation Limited (the “Company”) presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Interest income		140,051	66,644
Commission and fee income		11,968	(10,115)
Investment income		5,011	425
Total revenue	7	157,030	56,954
Net gain/(loss) on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income		17,629	(45,458)
Other income		80	6
Trading costs		(10,030)	(1,087)
Commission expenses		(59)	–
Staff costs and related expenses		(38,810)	(44,169)
Premises expenses		(11,661)	(24,664)
Legal and professional fees		(8,591)	(6,104)
Depreciation and amortisation	6	(6,203)	(2,906)
Information technology expenses		(2,466)	(2,829)
Expected credit losses allowance	9	(8,120)	(26,262)
Other operating expenses		(22,737)	(18,599)
Share of post-tax profit/(loss) of associates	14	23,320	(2,214)
Finance costs	10	(7,024)	(5,854)
Profit/(loss) before income tax	6	82,358	(123,186)
Income tax (expense)/credit	8	(14,935)	18,826
Profit/(loss) for the period		67,423	(104,360)

		Six months ended 30 June	
		2020	2019
	Note	HK\$'000	HK\$'000
Profit/(loss) attributable to:			
— Owners of the Company		68,050	(103,144)
— Non-controlling interests		(627)	(1,216)
		67,423	(104,360)
		HK Cents per share	HK Cents per share
Earnings/(loss) per share attributable to owners of the Company			
Basic earnings/(loss) per share	12	0.20	(0.36)
Diluted earnings/(loss) per share	12	0.20	(0.36)

The notes on pages 26 to 46 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Profit/(loss) for the period	67,423	(104,360)
Other comprehensive (loss)/income		
<i>Items that will not be reclassified to profit or loss</i>		
Net change on fair value of financial assets at other comprehensive income, net of tax	(36,589)	(53,728)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net change on fair value of financial assets at other comprehensive income, net of tax	(11,496)	3,570
Exchange differences on translation of foreign operations	(4,179)	1,774
Other comprehensive loss for the period, net of tax	(52,264)	(48,384)
Total comprehensive income/(loss) for the period	15,159	(152,744)
Total comprehensive income/(loss) for the period attributable to:		
— Owners of the Company	11,056	(152,525)
— Non-controlling interests	4,103	(219)
	15,159	(152,744)

The notes on pages 26 to 46 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 30 JUNE 2020

	Note	30 June 2020 HK\$'000	31 December 2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	21,907	27,022
Right-of-use assets		22,822	24,630
Goodwill		15,871	15,871
Other intangible assets		700	700
Investments in associates	14	164,575	138,942
Rental and other deposits		3,605	6,585
Financial assets at fair value through profit or loss	15	1,105,598	853,734
Financial assets at fair value through other comprehensive income	16	1,772,492	1,372,404
Financial assets at amortised cost	17	402,630	523,001
Deferred tax assets	21	96,847	99,194
Total non-current assets		3,607,047	3,062,083
Current assets			
Margin receivables and other trade receivables	19	74,070	78,709
Financial assets at fair value through profit or loss	15	420,648	217,587
Financial assets at fair value through other comprehensive income	16	62,698	–
Financial assets at amortised cost	17	369,269	–
Loan and interest receivables	18	77,380	175,089
Other interest receivables		52,863	53,058
Tax receivables		578	694
Other receivables, prepayments and deposits		45,690	13,294
Pledged bank deposits		302	292
Deposits with brokers		435,007	18,936
Cash and bank balances		315,559	2,117,233
Total current assets		1,854,064	2,674,892
Total assets		5,461,111	5,736,975

		30 June 2020 HK\$'000	31 December 2019 HK\$'000
	Note		
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	6,154,374	6,154,374
Other reserves		411,788	647,082
Accumulated losses		(1,291,420)	(1,359,470)
		5,274,742	5,441,986
Non-controlling interests		(240,263)	(244,366)
Total equity		5,034,479	5,197,620
LIABILITIES			
Non-current liability			
Lease liabilities		13,514	11,534
Total non-current liability		13,514	11,534
Current liabilities			
Loan and interest payables	22	75,200	312,933
Margin payables		229,402	31,325
Current tax liabilities		42,055	30,051
Accruals and other payables		56,821	139,996
Lease liabilities		9,640	13,516
Total current liabilities		413,118	527,821
Total liabilities		426,632	539,355
Total equity and liabilities		5,461,111	5,736,975

The notes on pages 26 to 46 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to owners of the Company											
	Share capital HK\$'000	Share-based payments reserve	Shares held for share award plan	Special capital reserve	Foreign currency translation reserve	Statutory surplus reserve	Investment revaluation reserve non-recycling	Investment revaluation reserve recycling	Accumulated losses	Total	Non- controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31 December 2019	6,154,374	7,108	-	726,699	15,807	7,328	(109,572)	(288)	(1,259,470)	5,441,986	(244,366)	5,197,620
Comprehensive income/(loss)												
Profit for the period	-	-	-	-	-	-	-	-	68,050	68,050	(627)	67,423
Other comprehensive income/(loss)												
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(36,589)	(11,496)	-	(48,085)	-	(48,085)
Exchange differences on translation of foreign operations	-	-	-	-	(8,909)	-	-	-	-	(8,909)	4,730	(4,179)
Total comprehensive income/ (loss) for period ended												
30 June 2020	-	-	-	-	(8,909)	-	(36,589)	(11,496)	68,050	11,056	4,103	15,159
Total transactions with owners, recognised directly in equity												
Acquisition of shares for share award plan	-	-	(178,300)	-	-	-	-	-	-	(178,300)	-	(178,300)
Balance at 30 June 2020	6,154,374	7,108	(178,300)	726,699	6,898	7,328	(146,161)	(11,784)	(1,291,420)	5,274,742	(240,263)	5,034,479

	Attributable to owners of the Company									
	Share capital HK\$'000	Share-based payments reserve	Special capital reserve	Foreign currency translation reserve	Statutory surplus reserve	Investment revaluation reserve	Accumulated losses	Total HK\$'000	Non- controlling interests	Total equity HK\$'000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		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 period	-	-	-	-	-	-	(103,144)	(103,144)	(1,216)	(104,360)
Other comprehensive income/(loss)										
Exchange differences on translation of foreign operations	-	-	-	777	-	-	-	777	997	1,774
Change in fair value of financial assets through other comprehensive income	-	-	-	-	-	(50,158)	-	(50,158)	-	(50,158)
Total comprehensive income/(loss) for period ended 30 June 2019	-	-	-	777	-	(50,158)	(103,144)	(152,525)	(219)	(152,744)
Total transactions with owners, recognised directly in equity										
Cash settled of share-based payments	-	(1,017)	-	-	-	-	-	(1,017)	-	(1,017)
Balance at 30 June 2019	5,667,546	7,108	726,699	25,940	7,328	(90,093)	(893,799)	5,450,729	(248,255)	5,202,474

The notes on pages 26 to 46 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities		
Cash used in operations	(486,659)	(220,379)
Purchases of financial assets at fair value through other comprehensive income	(5,853,188)	(754,612)
Purchases of financial assets at fair value through profit or loss	(701,529)	–
Purchases of financial assets at amortised cost	(286,491)	–
Proceeds from disposals of financial assets at fair value through profit or loss	5,403,969	1,369,451
Proceeds from disposals of financial assets at fair value through other comprehensive income	202,034	–
Proceeds from redemption of financial assets at amortised cost	46,502	–
Bank and other interest received	125,556	38,059
Dividend received	5,006	425
Interest paid	(7,708)	(9,082)
Income tax paid	(5,420)	(12,592)
Net cash flows (used in)/from operating activities	(1,557,928)	411,270
Cash flows from investing activities		
(Increase)/decrease in investments in associates	(2,312)	490
Purchases of property, plant and equipment	(1,371)	(20,346)
Net cash flows used in investing activities	(3,683)	(19,856)

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Cash flows from financing activities		
Acquisition of shares for share award plan	(178,300)	–
Net repayment of loan payables and bank borrowings	(237,411)	(196,953)
Net proceeds from margin payables	197,877	–
Principal elements of lease rentals paid	(8,488)	(17,586)
Net cash flows used in financing activities	(226,322)	(214,539)
Net (decrease)/increase in cash and cash equivalents	(1,787,933)	176,875
Cash and cash equivalents at the beginning of the period	2,117,233	2,216,342
Effect of exchange rate changes	(13,741)	(3,500)
Cash and cash equivalents at the end of the period	315,559	2,389,717
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	315,559	2,389,717

The notes on pages 26 to 46 form an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1 General information

China Vered Financial Holding Corporation Limited (formerly known as China Minsheng Financial Holding Corporation Limited) (the “Company”) and its subsidiaries (together, “the Group”) was incorporated in Hong Kong with limited liability. The address of its registered and business office is 22/F, China Taiping Tower, 8 Sunning Road, Causeway Bay, Hong Kong. The condensed consolidated financial statements were authorised for issue on 26 August 2020.

The Company has its primary listing on the Main Board of the Stock Exchange of Hong Kong Limited. The Company changed its English name from “China Minsheng Financial Holding Corporation Limited” to “China Vered Financial Holding Corporation Limited” and its Chinese name from “中國民生金融控股有限公司” to “中微金融控股有限公司” on 13 July 2020.

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

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

The financial information relating to the year ended 31 December 2019 that is included in the condensed consolidated financial statements for the six months ended 30 June 2020 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).



2 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated financial statements were reviewed by the Audit Committee. The Board of Directors of the Group has approved the condensed consolidated financial statements on 26 August 2020.

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The condensed consolidated financial statements are unaudited, but has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standards on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by HKICPA. PricewaterhouseCoopers’s independent review report to the Board of Directors is included on page 47.

3 Accounting policies

The accounting policies applied in preparing these condensed consolidated financial statements are the same as those applied in preparing the consolidated financial statements for the year ended 31 December 2019, as disclosed in the Annual Report for 2019.

Standards applied during half-year to 30 June 2020

There were no new standards or amendments to standards that had a material effect to these interim condensed consolidated financial statements.

4 Critical accounting estimates and judgements

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

In preparing this condensed consolidated financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

5 Financial risk management and financial instruments

5.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

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

5.2 Liquidity risk

Compared to year ended 31 December 2019, the contractual undiscounted cash out flows for financial liabilities in the Group is as follows:

As at 30 June 2020

	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	3,513	76,533	–	–	80,046
Margin payables	229,402	–	–	–	229,402
Other payables	8,938	–	–	–	8,938
Lease liabilities	9,640	8,742	4,772	–	23,154
	251,493	85,275	4,772	–	341,540

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
Margin payables	31,325	–	–	–	31,325
Other payables	83,426	–	–	–	83,426
Lease liabilities	13,516	8,745	2,789	–	25,050
	458,238	8,745	2,789	–	469,772

5 Financial risk management and financial instruments (Continued)

5.3 Fair value of financial assets and liabilities

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June 2020.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through profit or loss				
— Listed equity investments	238,611	—	—	238,611
— Unlisted equity investments	—	—	457,454	457,454
— Unlisted investment funds	—	—	169,369	169,369
— Convertible bonds, note and loan	—	53,111	344,942	398,053
— Leverage note	—	—	45,572	45,572
— Structured note	—	—	174,383	174,383
— Listed debt investments	—	42,804	—	42,804
Financial assets at fair value through other comprehensive income				
— Unlisted investment funds	—	137,856	434,021	571,877
— Listed debt investments	—	1,263,313	—	1,263,313
Total	238,611	1,497,084	1,625,741	3,361,436

5 Financial risk management and financial instruments (Continued)

5.3 Fair value of financial assets and liabilities (Continued)

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through profit or loss				
— 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 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	—	—	—	—
Total	—	—	—	—

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

5 Financial risk management and financial instruments (Continued)

5.3 Fair value of financial assets and liabilities (Continued)

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

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

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

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

Equity investments	Fair value as at	Valuation techniques	Unobservable input	Range	Relationship of unobservable inputs to fair value
	30 June 2020 HK\$'000				
Unlisted investment funds	97,655	Market approach	Sales multiples	1.5x-9.5x	The higher the multiples, the higher the fair value
	71,714	Net asset value (note a)	n/a	n/a	n/a
	434,021	Recent transaction	n/a	n/a	n/a
Unlisted equity investment	457,271	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

5 Financial risk management and financial instruments (Continued)

5.3 Fair value of financial assets and liabilities (Continued)

Equity investments	Fair value as at 30 June 2020 HK\$'000	Valuation techniques	Unobservable input	Range	Relationship of unobservable inputs to fair value
Convertible bonds	294,514	Recent transaction	n/a	n/a	n/a
	36,020	Recent transaction	n/a	n/a	n/a
Convertible loan	14,408	Recent transaction	n/a	n/a	n/a
Structured note	174,383	Recent transaction	n/a	n/a	n/a
Leverage note	45,572	Recent transaction	n/a	n/a	n/a

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

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

5 Financial risk management and financial instruments (Continued)

5.3 Fair value of financial assets and liabilities (Continued)

There have been no significant transfers between level 1, level 2 and level 3 for the period ended 30 June 2020.

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

The following table presents the changes in level 3 items for the period/year ended 30 June 2020 and 31 December 2019 for recurring fair value measurements:

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Opening balance as at beginning of the period/year	935,806	2,000,109
Purchases	705,376	298,167
Disposals	–	(1,173,611)
Transfer from level 2	–	134,136
Amounts recognised in profit or loss		
Currency translation difference	(4)	(4)
Net loss recognised at financial assets at fair value through profit or loss	(15,437)	(322,991)
Closing balance as at end of the period/year	1,625,741	935,806
* includes unrealised gains/(losses) recognised in profit or loss attributable to balances held at the end of the reporting period/year	(15,437)	(409,495)

5 Financial risk management and financial instruments (Continued)

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

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

- Margin receivables and other trade receivables
- Financial assets at amortised cost
- Loan and interest receivables
- Deposits with brokers
- Cash and bank balances
- Pledged bank deposits
- Other interest receivables
- Other payables
- Margin payables
- Loan and interest payables
- Lease liabilities

6 Segment information

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

6 Segment information (Continued)

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2020 and 2019 is as follows:

Six months ended 30 June 2020

	Reportable segment				Total HK\$'000	Unallocated amount HK\$'000 (Note)	Total HK\$'000
	Asset management HK\$'000	Securities brokerage HK\$'000	Investment holding HK\$'000	Investment banking HK\$'000			
Revenue from external customers	23	11,575	141,206	-	152,804	4,226	157,030
Net gain/(loss) on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income	-	-	14,620	-	14,620	3,009	17,629
	23	11,575	155,826	-	167,424	7,235	174,659
Segment profit/(loss) before income tax	(9,292)	(11,818)	152,020	(1,131)	129,779	(47,421)	82,358
Other segment information:							
Interest income	2	8,103	127,720	-	135,825	4,226	140,051
Depreciation and amortisation	(120)	(1,376)	(5)	-	(1,501)	(4,702)	(6,203)

Six months ended 30 June 2019

	Reportable segment				Total HK\$'000	Unallocated amount HK\$'000 (Note)	Total HK\$'000
	Asset management HK\$'000	Securities brokerage HK\$'000	Investment holding HK\$'000	Investment banking HK\$'000			
Revenue from external customers	(25,917)	32,943	40,002	-	47,028	9,926	56,954
Net (loss)/gain on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income	-	-	(45,840)	-	(45,840)	382	(45,458)
	(25,917)	32,943	(5,838)	-	1,188	10,308	11,496
Segment loss before income tax	(31,550)	(14,491)	(7,776)	(2,009)	(55,826)	(67,360)	(123,186)
Other segment information:							
Interest income	-	27,629	29,089	-	56,718	9,926	66,644
Depreciation and amortisation	(30)	(761)	-	-	(791)	(2,115)	(2,906)

Note: The "unallocated amount" primarily included unallocated expenditures for head office operations as well as interest income and interest expenses incurred for general working capital.

7 Revenue

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
<i>Interest income:</i>		
Interest income from loan lending business	8,610	40,437
Interest income from margin financing business	7,966	13,169
Interest income from investment in debt instruments classified as financial assets at amortised cost	29,353	–
Interest income from financial assets at fair value through other comprehensive income	64,851	3,065
Interest income from financial assets at fair value through profit or loss	24,776	–
Other interest income	4,495	9,973
	140,051	66,644
<i>Commission and fee income:</i>		
Advisory fee income	116	–
Commission income from securities brokerage	1,485	2,883
Loan arrangement fee income	5,374	9,712
Management fee income earned from asset management	2,066	3,191
Performance-based fee income earned from asset management	(2,161)	(29,108)
Referral fee income	–	776
Underwriting fee income	5,088	2,431
	11,968	(10,115)
<i>Investment income:</i>		
Dividend income	5,011	425
	5,011	425
	157,030	56,954

8 Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period 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% (2019: 25%).

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Hong Kong Profits Tax		
— charge for the period	10,715	4,642
— underprovision/(overprovision) for prior year	1,468	(593)
PRC Enterprise Income Tax		
— charge for the period	220	31
Overseas income tax		
— charge for the period	185	—
Deferred tax		
— charge/(credit) for the period	2,347	(22,906)
Income tax expense/(credit)	14,935	(18,826)

9 Expected credit losses allowance

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Expected credit losses allowances recognised/(reversed) in profit or loss during the period		
— Loan and interest receivables	24	(2,441)
— Margin receivables	4,850	28,703
— Financial assets at amortised cost	2,662	—
— Financial assets at fair value through other comprehensive income	584	—
	8,120	26,262

10 Finance costs

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Finance costs on bank borrowings	–	2,966
Finance costs on loan payables	–	162
Finance costs on repurchase agreements	2,223	–
Finance costs on margin payables	871	–
Finance costs on leverage note	3,272	–
Finance costs on lease liabilities	552	726
Loan arrangement fee and others	106	2,000
	7,024	5,854

11 Dividends

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

12 Earnings/(loss) per share

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$68,050,000 (2019: loss for the period of approximately HK\$103,144,000) and the weighted average number of ordinary shares of 33,348,034,000 (2019: 28,928,719,000) in issue during the period (excluding the ordinary shares purchased by the Company under the share award plan).

Diluted earnings/(loss) per share

The calculation of the diluted earnings/(loss) per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$68,050,000 (2019: loss for the period approximately HK\$103,144,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 33,348,034,000 (2019: 28,928,719,000) in issue during the period (excluding the ordinary shares purchased by the Company under the share award plan) and the weighted average number of ordinary shares of 1,366,425,000 (2019: Nil) deemed to be issued assuming the diluted impact on the shares under the share award plan.

13 Property, plant and equipment

During the six months ended 30 June 2020, the Group acquired property, plant and equipment with a cost of HK\$1,371,000 (six months ended 30 June 2019: HK\$20,346,000).

Property, plant and equipment with a net book value of HK\$272,000 were written off by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$684,000), resulting in a net loss on written off of HK\$272,000 (six months ended 30 June 2019: net loss of HK\$684,000).

14 Investments in associates

Set out below are the associates of the Group as at 30 June 2020 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.

14 Investments in associates (Continued)

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Investments in associates	164,575	138,942

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

	Grand Flight Holding Company Limited HK\$'000	Grand Flight Hooyoung Investment L.P. HK\$'000
At 30 June 2020:		
Current assets	25,035	532,626
Current liabilities	(9,078)	–
Net current assets	15,957	532,626
Six months ended 30 June 2020:		
Revenue	7,714	–
Profit	2,028	78,044
Total comprehensive income	2,028	78,044
Opening net assets 1 January	14,000	449,142
Increase in equity interest	–	7,719
Profit for the period	2,028	78,044
Currency translation difference	(71)	(2,279)
Closing net assets	15,957	532,626
Interest in associates (30%)	4,787	159,788

15 Financial assets at fair value through profit or loss

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Financial assets at fair value through profit or loss		
Unlisted investment funds	169,369	180,199
Unlisted equity investments	457,454	459,669
Convertible bonds, note and loan	398,053	348,388
Leverage note	45,572	–
Structured note	174,383	–
Listed equity investments	238,611	44,328
Listed debt investments	42,804	38,737
	1,526,246	1,071,321
Classified as:		
Non-current assets	1,105,598	853,734
Current assets	420,648	217,587
	1,526,246	1,071,321

16 Financial assets at fair value through other comprehensive income

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Financial assets at fair value through other comprehensive income		
Unlisted investment funds	571,877	168,600
Listed debt investments	1,263,313	1,203,804
	1,835,190	1,372,404
Classified as:		
Non-current assets	1,772,492	1,372,404
Current assets	62,698	–
	1,835,190	1,372,404

16 Financial assets at fair value through other comprehensive income (Continued)

Expected credit losses allowances (“ECL allowances”) attributable to financial assets at fair value through other comprehensive income as at 30 June 2020 amounted to HK\$584,000 (31 December 2019: HK\$Nil), the increase in ECL allowances of HK\$584,000 was recognised in condensed consolidated statement of comprehensive income.

17 Financial assets at amortised cost

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Financial assets at amortised cost	775,139	523,579
Less: ECL allowances	(3,240)	(578)
	771,899	523,001
Classified as:		
Non-current assets	402,630	523,001
Current assets	369,269	–
	771,899	523,001

As at 30 June 2020, these financial assets at amortised cost bear interest at fixed rate ranged from 5.6% to 12.8% per annum (31 December 2019: 6.8% to 12.8% per annum). Interest income derived from financial assets at amortised cost was recognised and presented under “Interest income from investment in debt instrument classified as financial assets at amortised cost”. The carrying value of the financial assets at amortised cost approximate to their fair values.

ECL allowances attributable to financial assets at amortised cost as at 30 June 2020 amounted to HK\$3,240,000 (31 December 2019: HK\$578,000), the increase in ECL allowances of HK\$2,662,000 was recognised in condensed consolidated statement of comprehensive income.

18 Loan and interest receivables

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Not past due or less than 1 month past due	51,642	200,331
1–3 months past due	–	–
3–6 months past due	51,004	–
6 months to 1 year past due	–	264,375
Over 1 year past due	264,375	–
	367,021	464,706
Less: ECL allowances	(289,641)	(289,617)
	77,380	175,089

As at 30 June 2020, these loans receivable bear interest at fixed rate ranged from 8.9% to 11.5% per annum (31 December 2019: 8.0% to 11.5% per annum). Interest income derived from loan receivables was recognised and presented under “Interest income from loan lending business”. The carrying value of the loan receivables approximate to their fair values.

ECL allowances attributable to loan and interest receivables as at 30 June 2020 amounted to HK\$289,641,000 (31 December 2019: HK\$289,617,000), the increase in ECL allowances of HK\$24,000 was recognised in the condensed consolidated statement of comprehensive income.

19 Margin receivables and other trade receivables

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Margin receivables	131,524	128,890
Less: ECL allowances	(59,506)	(54,656)
	72,018	74,234
Trade receivables arising from the business of asset management	2,052	4,475
	74,070	78,709

19 Margin receivables and other trade receivables (Continued)

Loans to margin clients are secured by client's pledged Hong Kong-listed securities at fair value of HK\$372,675,000 (2019: HK\$381,824,000) 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. No ageing analysis is disclosed as in the opinion of the Directors of the Company, the ageing analysis does not give additional value in the view of the revolving nature of securities margin financing business.

ECL allowances attributable to margin receivables as at 30 June 2020 amounted to HK\$59,506,000 (31 December 2019: HK\$54,656,000). The increase in ECL allowances of HK\$4,850,000 was recognised in the consolidated statement of comprehensive income.

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
0-90 days	2,052	4,475

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

20 Share capital

Ordinary shares, issued and fully paid:

	Number of shares '000	Share capital HK\$'000
At 31 December 2019, 1 January 2020 and 30 June 2020	34,714,459	6,154,374

21 Deferred tax assets

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

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

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Deferred tax assets		
— Tax losses	96,847	99,194
	96,847	99,194

22 Loan and interest payables

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Leverage note	—	158,779
Repurchase agreements	74,416	153,049
Interest payables	784	1,105
The carrying amount of the above borrowing are repayable:		
Within one year	75,200	312,933

As at 30 June 2020, loan and interest payables bear interest at the fixed rate of 4% per annum (2019: LIBOR+1.80% to LIBOR+1.95%).

23 Related party transactions

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Commission income (Note i)	67	–
Interest income (Note ii)	1,104	2,421
Fee income received from asset management, net (Note iii)	(95)	(25,917)
Underwriting fee income (Note iv)	100	–

Note i: During the period ended 30 June 2020, the Group has received commission fee income of HK\$67,000 from related parties (2019: HK\$Nil). Commission fee income is determined with reference to market rate offered to other third party clients.

Note ii: During the period ended 30 June 2020, the Group lent unsecured loans to a related party of the Company and received interest income at an interest rate of 11.5% per annum (2019: 11.5%).

Note iii: During the period ended 30 June 2020, the Group provides fund management service to a related party fund and recognised a net reversal of fund management fee and performance fee of HK\$95,000 (2019: net reversal of HK\$25,917,000). 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 period ended 30 June 2020, a related party issued additional corporate bonds and a subsidiary of the Company acted as one of the sole lead arranger in the offering. The relevant arrangement commission income recognised during the period ended 30 June 2020 amounted to HK\$100,000 (2019: HK\$Nil) in accordance with the terms of relevant subscription agreements.

24 Contingent liabilities

There are no significant contingent liabilities relating to the Group as at 30 June 2020 (as at 31 December 2019: Nil).

25 Reclassification

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



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

**TO THE BOARD OF DIRECTORS OF
CHINA VERED FINANCIAL HOLDING CORPORATION LIMITED (FORMERLY KNOWN AS
CHINA MINSHENG FINANCIAL HOLDING CORPORATION LIMITED)**

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 17 to 46, which comprises the condensed consolidated statement of financial position of China Vered Financial Holding Corporation Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2020