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

(incorporated in Hong Kong with limited liability)

(Stock Code: 245)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The Board of Directors (the "Board") of China Minsheng Financial Holding Corporation Limited (the "Company") presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Interest income	*8*	**77,673**	15,604
Commission and fee income	*9*	**27,074**	9,951
Net investment income	*10*	**138,193**	33,293
Total revenue	*6*	**242,940**	58,848
Commission expenses		**(109)**	(959)
		242,831	57,889
Other income		**6**	405
		242,837	58,294
Expenses			
Staff costs and related expenses		**(41,053)**	(19,299)
Other termination benefits		**(11,829)**	–
Premises expenses		**(3,236)**	(4,416)
Legal and professional fees		**(8,788)**	(4,172)
Depreciation		**(1,903)**	(445)
Information technology expenses		**(2,148)**	(241)
Impairment losses on available-for-sale financial assets		**(6,650)**	–
Foreign exchange losses, net		**(791)**	(7,135)
Other operating expenses		**(14,093)**	(10,669)
Total operating expenses		**(90,491)**	(46,377)

	Note	Six months ended 30 June 2017 HK$'000	2016 HK$'000
Operating profit		**152,346**	11,917
Share of post-tax loss of associates	*15*	**(2,159)**	(502)
Finance costs		**(28,398)**	–
Profit before income tax	*6*	**121,789**	11,415
Income tax expenses	*7*	**(9,479)**	(2,527)
Profit for the period		**112,310**	8,888
Profit attributable to:			
— Owners of the Company		**115,026**	12,288
— Non-controlling interests		**(2,716)**	(3,400)
		112,310	8,888
		HK$ Cents per share	HK$ Cents per share
Earnings per share attributable to owners of the Company			
Basic earnings per share	*12*	**0.40**	0.04
Diluted earnings per share	*12*	**0.40**	0.04

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Profit for the period	**112,310**	8,888
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Net change on fair value on available-for-sale financial assets, net of tax	**126,336**	8,113
Currency translation differences	**6,014**	(262)
Other comprehensive income for the period, net of tax	**132,350**	7,851
Total comprehensive income for the period	**244,660**	16,739
Total comprehensive income for the period attributable to:		
— Owners of the Company	**253,066**	14,993
— Non-controlling interests	**(8,406)**	1,746
	244,660	16,739

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2017

	Note	30 June 2017 HK$'000	31 December 2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	**7,841**	9,493
Goodwill	*14*	**16,409**	16,409
Other intangible assets		**500**	500
Investments in associates	*15*	**163,048**	123,207
Rental and other deposits		**353**	367
Financial assets designated at fair value through profit or loss		**1,426,870**	256,295
Available-for-sale financial assets		**945,122**	865,455
Total non-current assets		**2,560,143**	1,271,726
Current assets			
Margin receivables and other trade receivables		**394,098**	106,944
Available-for-sale financial assets		**648,906**	599,151
Financial assets designated at fair value through profit or loss		**38,700**	100,417
Derivative financial instruments		**28,735**	32,183
Loan and interest receivables		**1,081,139**	1,230,939
Deferred tax assets		**4,747**	8,045
Other receivables, prepayments and deposits		**26,454**	68,248
Pledged bank deposits		**302**	282
Margin accounts with financial institutions		**49,117**	212,814
Deposits with brokers		**480,652**	854,819
Cash and bank balances		**1,207,895**	1,428,308
Total current assets		**3,960,745**	4,642,150
Total assets		**6,520,888**	5,913,876

	Note	30 June 2017 HK$'000	31 December 2016 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**5,667,546**	5,667,546
Other reserves		**848,704**	704,603
Accumulated losses		**(995,868)**	(1,110,894)
		5,520,382	5,261,255
Non-controlling interests		**(252,917)**	(244,511)
Total equity		**5,267,465**	5,016,744
LIABILITIES			
Non-current liabilities			
Note payable		**349,200**	349,200
Derivative financial instruments		**14,292**	–
Deferred tax liabilities		**–**	353
Total non-current liabilities		**363,492**	349,553
Current liabilities			
Loan and interest payables		**496,636**	393,508
Bank borrowings		**200,374**	–
Trade payables		**17,146**	16,759
Margin payables		**47,145**	46,538
Accruals and other payables		**98,903**	76,674
Derivative financial instruments		**4,082**	–
Current tax liabilities		**23,465**	14,100
Deferred tax liabilities		**2,180**	–
Total current liabilities		**889,931**	547,579
Total liabilities		**1,253,423**	897,132
Total equity and liabilities		**6,520,888**	5,913,876

NOTES

1 GENERAL INFORMATION

China Minsheng Financial Holding Corporation Limited (the "Company") and its subsidiaries (together, "the Group") was incorporated in Hong Kong with limited liability. The address of its registered and business office is Unit A02, 11/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

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

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

The financial information included in this announcement is presented in Hong Kong dollars ("HK$"), unless otherwise stated.

Certain financial information in this announcement is extracted from the condensed consolidated financial statements prepared under HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certificate 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 and this announcement on 23 August 2017.

The financial information relating to the year ended 31 December 2016 that is included in the condensed consolidated financial statements for the six months ended 30 June 2017 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 2016 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).

The auditor has reported on those statutory financial statements for the year ended 31 December 2016. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2 BASIS OF PREPARATION

The financial information included in this announcement for the six months ended 30 June 2017 has been extracted from the condensed consolidated financial statements which has been prepared in accordance with HKAS 34 'Interim financial reporting'. This announcement should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with HKFRSs.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2016, as described in those annual consolidated financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

3.1 New accounting policies effective from 1 January 2017

Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

3.2 Impact of standards issued but not yet applied by the entity

HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- A FVOCI election is available for the majority of the Group's investments in equity instruments.
- Equity investments currently measured at fair value through profit or loss (FVPL) will likely continue to be measured on the same basis under HKFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

Since the Group does not apply hedge accounting, the Group does not expect the standard has any impact in this regard.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 15 Revenue from contracts with customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management has identified the following areas that are likely to be affected:

- revenue from service — the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue, and

- accounting for costs incurred in fulfilling a contract — certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next six months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will results in almost all leases being recognized on the end of the reporting period, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$3,011,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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 the financial information included in this announcement which has been extracted from the 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 2016.

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 financial information as disclosed in this announcement does 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 2016.

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

5.2 Liquidity risk

Compared to year ended 31 December 2016, the contractual undiscounted cash out flows for financial liabilities in the Group is as follows:

As at 30 June 2017

	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*
Note payable	**–**	**–**	**349,200**	**–**	**349,200**
Loan and interest payables	**524,033**	**25,413**	**61,409**	**–**	**610,855**
Bank borrowings	**203,073**	**–**	**–**	**–**	**203,073**
Trade payables	**17,146**	**–**	**–**	**–**	**17,146**
Margin payables	**47,145**	**–**	**–**	**–**	**47,145**
Derivative financial instruments	**4,082**	**14,292**	**–**	**–**	**18,374**
Other payables	**20,213**	**–**	**–**	**–**	**20,213**
	815,692	**39,705**	**410,609**	**–**	**1,266,006**

As at 31 December 2016

	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*
Note payable	–	–	349,200	–	349,200
Loan and interest payables	436,620	25,173	73,452	–	535,245
Trade payables	16,759	–	–	–	16,759
Margin payables	46,538	–	–	–	46,538
Other payables	6,817	–	–	–	6,817
	506,734	25,173	422,652	–	954,559

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 at 30 June 2017.

	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				
— Listed equity investment	**38,700**	**–**	**–**	**38,700**
— Unlisted investment funds	**–**	**1,315,993**	**–**	**1,315,993**
— Convertible bond	**–**	**110,877**	**–**	**110,877**
Available-for-sale financial assets				
— Listed equity investments	**699,291**	**–**	**–**	**699,291**
— Unlisted bond	**–**	**15,561**	**–**	**15,561**
— Unlisted equity investments	**–**	**–**	**52,040**	**52,040**
— Unlisted investment funds	**–**	**199,720**	**627,416**	**827,136**
Derivative financial assets				
— Written put option	**–**	**25,089**	**–**	**25,089**
— Equity swap	**–**	**3,530**	**–**	**3,530**
— Index futures	**–**	**116**	**–**	**116**
Total	**737,991**	**1,670,886**	**679,456**	**3,088,333**
Liabilities				
Derivative financial instruments				
— Foreign exchange forward contracts	**–**	**(3,321)**	**–**	**(3,321)**
— Equity swap	**–**	**(761)**	**–**	**(761)**
— Total return swap	**–**	**(14,292)**	**–**	**(14,292)**
Total	**–**	**(18,374)**	**–**	**(18,374)**

The following table presents the Group's financial assets that are measured at fair value at 31 December 2016.

	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 investment funds	–	356,712	–	356,712
Available-for-sale financial assets				
— Listed equity investments	661,005	–	–	661,005
— Unlisted equity investments	–	–	50,495	50,495
— Unlisted investment funds	–	196,010	557,096	753,106
Derivative financial assets				
— Foreign exchange forward contracts	–	13,744	–	13,744
— Written put option	–	18,439	–	18,439
Total	661,005	584,905	607,591	1,853,501

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 designated at fair value through profit or loss or available-for-sale financial assets.

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.

There have been no significant transfers between level 1, level 2 and level 3 for the period ended 30 June 2017 and 31 December 2016.

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

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

- Margin receivables and other trade receivables
- Loan and interest receivables
- Deposits with brokers
- Margin accounts with financial institution
- Cash and bank balances
- Trade payables
- Margin payables
- Pledged bank deposits
- Other receivables
- Other payables

6 SEGMENT INFORMATION

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

Due to continuing business transformation in 2016, the management has continued to revisit the operating segments to be presented to the CODM subsequent to period ended 30 June 2016. Consequently, there was a change in operating segments subsequent to period ended 30 June 2016. The presentation of segment information for the current period follows those in the year ended 31 December 2016 and there has been no further change in the current period. The table of segment information below for the period ended 30 June 2016 has been restated to conform with current period's presentation.

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2017 and 2016 is as follows:

30 June 2017

	Asset management *HK'000*	**Securities brokerage** *HK'000*	**Investment holding** *HK$'000*	**Investment banking** *HK$'000*	**Insurance agency** *HK$'000*	**Trading of chemical materials** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**19,366**	**25,255**	**192,475**	**2,740**	**4**	**31**	**3,069**	**242,940**
Segment profit/(loss) before income tax	**14,163**	**6,701**	**163,035**	**(13,688)**	**(21)**	**(5,941)**	**(42,460)**	**121,789**
Other segment information:								
Interest income	**395**	**22,667**	**50,271**	**1,240**	**–**	**32**	**3,068**	**77,673**
Depreciation and amortisation	**231**	**325**	**–**	**–**	**–**	**284**	**1,063**	**1,903**

30 June 2016

	Asset Management *HK$'000*	Securities brokerage *HK$'000*	Investment holding *HK$'000*	Investment banking *HK$'000*	Insurance agency *HK$'000*	Trading of chemical materials *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers	–	5,427	49,951	–	379	–	3,091	58,848
Segment profit/(loss) before income tax	(3,571)	850	41,982	–	(173)	–	(27,673)	11,415
Other segment information								
Interest income	–	7	12,508	–	306	–	2,783	15,604
Depreciation and amortisation	34	139	–	–	261	–	11	445

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) and at the rates of income tax prevailing in the countries in which the Group operates respectively.

The PRC Enterprise Income Tax rate is 25% (2016: 25%).

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
— charge for the period	**10,840**	2,527
Deferred income tax		
— credit for the period	**(1,361)**	–
	9,479	2,527

8 INTEREST INCOME

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Interest income from money lending business	**64,753**	12,508
Interest income from bank deposits	**3,807**	3,091
Interest income from margin lending business	**9,113**	5
	77,673	15,604

9 COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Advisory fee income	**963**	–
Commission income from securities brokerage	**1,991**	5,422
Fee income earned from asset management	**8,456**	–
Insurance agency service income	**4**	379
Loan arrangement fee income	**14,160**	4,150
Underwriting fee income	**1,500**	–
	27,074	9,951

10 NET INVESTMENT INCOME

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Dividend income	**9,622**	–
Gain on disposal of available-for-sale financial assets	**76,709**	3,283
Net gain on financial assets designated at fair value through profit or loss	**71,826**	30,010
Net loss on derivative financial instruments	**(19,964)**	–
	138,193	33,293

11 DIVIDENDS

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

12 EARNINGS PER SHARE

Basic earning per share

The calculation of basic earning 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$115,026,000 (2016: HK$12,288,000) and the weighted average number of ordinary shares of 28,928,719,000 (2016: 28,927,291,000) in issue during the period.

Diluted earnings per share

The effect of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2017. Diluted earnings per share is presented as the Company as follows:

	Six months ended 30 June	
	2017	2016
Earnings		
Profit for the period attributable to owners of the Company *(HK$'000)*	**115,026**	12,288
Number of shares		
Weighted average number of ordinary shares in issue *(in thousands)*	**28,928,719**	28,927,291
Effect of dilutive potential ordinary shares *(in thousands)*:		
— Share options *(Note a) (in thousands)*	**–**	1,428
	28,928,719	28,928,719
Diluted earnings per share (HK cents per share)	**0.40**	0.04

(a) The computation of diluted earnings per share assumed the exercise of the Company's outstanding share options with the exercise price lower than the average market price during the period ended 30 June 2016 with the adjustment for the share options lapsed or exercised during the period.

13 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK$222,000 (six months ended 30 June 2016: HK$1,794,000) on additions to and HK$Nil (six months ended 30 June 2016: HK$77,000) on disposals from fixed assets.

14 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:

	30 June 2017 *HK$'000*	31 December 2016 *HK$'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
Insurance brokerage:		
Jiangyang International Asset Management Limited	**538**	538
	16,409	16,409

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 30 June 2017 and 31 December 2016 are as follows.

	30 June 2017		31 December 2016	
	Securities brokerage	**Asset management**	Securities brokerage	Asset management
% of revenue growth rate	**20%**	**15%**	20%	15%
% of expenses growth rate	**20%**	**20%**	20%	20%
Long term growth rate	**2.5%**	**2.5%**	2.5%	2.5%
Pre-tax discount rate	**21%**	**24%**	21%	24%

No impairment is provided during the period (2016: Nil).

15 INVESTMENT IN ASSOCIATES

Set out below are the associates of the Group as at 30 June 2017 which, in the opinion of the directors, are material to the Group.

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

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

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

The total cash considerations for the investment was US$21,547,000 (approximately HK$168,467,000). There is no quoted market price available for both associates.

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
Investment in associates	**163,048**	123,207

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

	Grand Flight Holding Company Limited 30 June 2017	**Grand Flight Hooyoung Investment L.P. 30 June 2017**
	HK$'000	*HK$'000*
At 30 June:		
Current assets	4,476	542,257
Current liabilities	(3,239)	–
Net current assets	1,237	542,257
Period ended 30 June:		
Revenue	7,727	–
Profit/(loss)	517	(7,715)
Total comprehensive income/(loss)	517	(7,715)
Opening net assets 1 January	721	409,740
Increase in equity interest	–	140,000
Profit/(loss) for the period	517	(7,715)
Currency translation difference	(1)	232
Closing net assets	1,237	542,257
Interest in associates (30%)	371	162,677

MANAGEMENT DISCUSSION AND ANALYSIS

Review

The global economy performed well during the first half of 2017. The economic recovery in major developed countries presented favorable momentum and the economies of the emerging market countries have been better off. China's economy maintained steady and rapid growth, with generally stable investment growth and operational performance in reasonable range. During the first half of the year, a year-on-year Gross Domestic Product (GDP) growth of 6.9% was reported with Consumer Price Index (CPI) increasing by 1.4% year-on-year. The Hong Kong market recorded outstanding performance in the first half of the year with the Hang Seng Index hitting highs and market trading staying active. This year marked the 20th anniversary of Hong Kong's return to the China. Therefore, the central government continued to initiate favorable policies with its highlights and promotion of Bond Connect established on the basis of maturing operation system of cross-border investment via Shanghai Connect and Shenzhen Connect. In June 2017, the Government of the Hong Kong Special Administrative Region entered into the Investment Agreement and Agreement on Economic and Technical Cooperation with the Ministry of Commerce under the framework of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), with an aim to benefit financial cooperation and other key areas, lay a solid foundation for future and in-depth collaboration between Hong Kong and Mainland China, and provide concrete guidance of development and cooperation.

In retrospect, with the strong support of China Minsheng Investment Group ("CMIG") and other major shareholders, the Company seized market opportunities, further clarified the Company's development strategies and continued to enhance management during the first half of 2017, resulting in significant improvement in overall business progress. In terms of integrated management, the senior management of the Company was further optimized and the governance structure was also effectively improved. While the decision-making mechanism of the operation and management procedures continues to improve, the integrated management standard of the Company continued to optimize. As for business development, the Company has highlighted the strategic positioning of "based in Hong Kong, yearning for Mainland to fully facilitate cross-border resource integration and connect" while adhering to the operation development philosophy of the "dual drive forces of internal growth and external development". During the first half of the year, the Company initiated two-pronged approaches to consolidate business profitability foundation and to promote its strategic business layouts. Investment business, investment bank business, securities business and asset management business have made steady progress as intended. Capitalized on rocketing growth of high-net-worth client base of the Company in general, continuous optimization of the investment structure and effective connection between each business segment, the competence of comprehensive financial services has been gradually formed. The overall profitability of the Company was substantially improved as compared to the corresponding period last year with net profit of HK$112 million reported as of and for the first half of the year. Further, the Company has followed the market trend and focused on formulating strategic business layouts in terms of financial technology and cultural tourism and leisure; and captured the momentum of consumption upgrades of the PRC to fully benefit from the industry profit as a result of the rapid development of the tertiary industry.

Prospect

For the second half of the year, weak recovery of the global economy will linger while global trade will gradually recover from recession. Strengthening of risk management and control as well as consolidation of the economic recovery foundation have become the prime tasks faced by each major economic system. We remain cautious and optimistic about the projection of China's economy in the second half of the year, including a new round of revitalization of Guangdong-Hong Kong-Macao Bay Area and Xiong'an New Area and continuous growth momentum to be brought by the economic reform and opening-up of China. According to the spirit of the National Financial Work Conference, it is expected that macroeconomic policies of the PRC will attach greater importance to the balance between "stability" and "prevention", so as to fortify the prevention of financial risks. In addition, the National Financial Work Conference also pointed out that efforts should be made to steadily promote the internationalization of Renminbi, which will further consolidate the status of Hong Kong as an international financial center and facilitate product innovation. The Renminbi offshore market of Hong Kong is expected to achieve sustainable growth horizontally and vertically, implying that Hong Kong will be playing much important role as a Renminbi offshore financial center and a global premier asset management and risk management center. Market reform and innovation will bring in new development opportunities to market participants. During the second half of the year, the Company will adhere to its policies and seize potential development opportunities in the market. With the backing of solid strengths of our shareholders (i.e. CMIG) and business networks, the Company will also continue to enhance profitability, actively identify any transcending development opportunities, and uphold its management philosophy of "group-oriented management and professional operation" to constantly improve corporate governance and management. In line with the Belt and Road Initiative of the PRC, the Company will actively facilitate the integration and connection of cross-border resources while maintaining its base in Hong Kong. This will help enterprises make full use of the markets and resources inside and outside Hong Kong to strengthen their core competitiveness, with a view to establishing a bridge to lead private enterprises going out and facilitating in-depth integration of industry and finance with business partners.

Significant Investments

As at 30 June 2017, the Group had available-for-sale investments, financial assets designated as fair value through profit or loss and derivative financial instruments with a market value of approximately HK$3,069,959,000. The details of significant investments (each of which carrying value more than 1% of the total assets of the Group) as at 30 June 2017 are as follow:

Stock code (where applicable)	Name of investee company/fund	Nature of investments	Number of shares/units held	Investment costs	Fair value as at 30 June 2017	Percentage of Group's total assets as at 30 June 2017	Unrealized gain/(loss) on change in fair value for the period ended 30 June 2017	Realized gain/(loss) for the period ended 30 June 2017	Impairment losses for the period ended 30 June 2017	Dividend income for the period ended 30 June 2017
				HK$'000	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial assets										
Not applicable	PACM Investment Funds SPC- PACM Property Fund Segregated Portfolio	Investment in unlisted investment fund	58,200	582,000	627,416	9.62%	45,416	–	–	–
Not applicable	Shareholder Value Fund	Investment in unlisted investment fund	25,000	193,869	199,720	3.06%	5,851	–	–	–
3958.HK	DFZQ	Investment in listed securities	23,735,200	195,391	177,065	2.71%	(18,326)	–	–	4,102
600865.SH	Baida Group Co. Ltd	Investment in listed securities	10,228,843	127,268	138,361	2.12%	11,093	–	–	–
002356.SZ	Srienzhen Haoningda Meters Co. Ltd	Investment in listed securities	3,077,710	88,576	90,106	1.38%	1,530	–	–	–
SSW.PRG	Seaspan Corporation	Investment in preferred shares	400,000	61,854	65,946	1.01%	4,092	–	–	3,185
Financial assets designated at fair value through profit or loss										
Not applicable	Fullgoal China Access RQFII Fund SPC —Fullgoal Industrial Investment Fund Segregated Portfolio	Investment in unlisted investment fund	100,850	1,008,500	1,037,383	15.91%	28,883	–	–	–
Not applicable	Chariot SPC Fund — Chariot SP II	Investment in unlisted investment fund	24,000	240,000	278,611	4.27%	38,611	–	–	–
872. HK	TUS International	Investment in convertible bond	Not applicable	100,000	110,877	1.70%	10,877	–	–	–

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

Financial Review

For the six months ended 30 June 2017, the unaudited consolidated revenue of the Group was approximately HK$242,940,000 representing an increase of approximately 313% as compared with corresponding period last year. The significant increase in revenue was driven by full employment of capital into various projects and businesses in current period.

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

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

	2017	2016	Change
Interest income	**77,673**	15,604	+398%
Commission and fee income	**27,074**	9,951	+172%
Net investment income	**138,193**	33,293	+315%
Total revenue	**242,940**	58,848	+313%

The Group recorded profit of approximately HK$112,310,000 for the six months ended 30 June 2017, while profit of approximately HK$8,888,000 was recorded for the six months ended 30 June 2016, mainly due to:

1. Positive return from investment business;

2. Stable interest income from money lending business; and

3. Growth in higher profit margin business such as securities brokerage business and asset management business.

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

For the financial position and the cash flows, during the six months ended 30 June 2017, total assets of the Group was approximately HK$6,520,888,000 (31 December 2016: approximately HK$5,913,876,000), representing an increase of 10.26%. Net cash (outflow)/inflow from operating activities, investing activities and financing activities were approximately HK$(476,384,000), HK$(42,222,000) and HK$289,861,000 (six months ended 30 June 2016: approximately HK$(2,682,810,000), HK$(124,677,000) and HK$Nil) respectively. The depreciation for tangible assets was approximately HK$1,903,000 (six months ended 30 June 2016: approximately HK$445,000).

Employee relations

As at 30 June 2017, the Group has 79 employees (as at 30 June 2016: 53 employees).

Total staff costs and related expenses for the period under review were approximately HK$41,053,000 (six months ended 30 June 2016: approximately HK$19,299,000).

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

Liquidity and financial resources

As at 30 June 2017, the Group's cash and bank deposits (excluding pledged bank deposits) amounted to approximately HK$1,207,895,000 (as at 31 December 2016: approximately HK$1,428,308,000). The gearing ratio as at 30 June 2017 (total debts to total equity) was 20.76% (as at 31 December 2016: 15.73%), indicated that the Group's overall financial position remained strong.

Segment information

The details of segment information are set out in Note 6 to this announcement.

Capital structure

There were no changes to the Group's capital structure during the six months ended 30 June 2017.

Material acquisitions and disposals of subsidiaries and associates

The Group had no material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2017.

Charges on Group's assets

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

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
Pledged deposits at bank	**302**	282
Pledged deposits in securities margin accounts	**28,804**	31,699
Pledged investments included in available-for-sale financial assets	**65,946**	61,855
Total charges on Group's assets	**95,052**	93,836

Deposits at bank is pledged as security for a corporate card granted to a director of the Group. Deposits at securities margin accounts and investments in available-for-sale financial assets are pledged for securities dealing purpose.

The above assets are pledged with creditworthy counterparties with no recent history of default.

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 2017 (as at 31 December 2016: HK$Nil).

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 of the Code Provisions A.4.1 which are explained below.

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 (the "NEDs") and the remaining independent non-executive Directors ("INEDs") are appointed for a specific term of three years. Although Mr. Lyu Wei is not appointed for a specific term, the Company believes that as all Directors are subject to retirement by rotation and re-election at the annual general meeting at least once for every three years pursuant to the Articles, such practice meets the same objective and is no less exacting than those prescribed under Code Provision A.4.1.

Under the Code Provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting and he should also invite the chairmen 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 shareholders. During the period ended 30 June 2017, the annual general meeting held on 30 June 2017, the whole Board of Directors and auditor of the Company have attended the meeting to answer questions of the shareholders except that Mr. Li Huaizhen (chairman of the Board) and Mr. Ni Xinguang could not attend the annual general meeting due to other business engagement but they have appointed the other attending Directors as their representatives at the meeting to answer questions of the shareholders of the Company.

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 2017 and this announcement.

The Company's external auditor, PricewaterhouseCoopers Hong Kong has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2017 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 2017.

OTHER INFORMATION

Pre-emptive Rights

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

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

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

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

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

The interim report of the Company for the six months ended 30 June 2017 will be despatched to the shareholders and published on the websites of the HKEx and the Company in due course.

By Order of the Board
China Minsheng Financial Holding Corporation Limited
Li Huaizhen
Chairman

Hong Kong, 23 August 2017

As at the date of this announcement, the Board comprises (1) Mr. Chen Guogang, Mr. Wang Dongzhi, Mr. Ni Xinguang and Ms. Feng Xiaoying as executive directors; (2) Mr. Li Huaizhen as non-executive director; and (3) Mr. Chen Johnny, Mr. Lyu Wei, Mr. Ling Yu Zhang and Dr. Guan Tao as independent non-executive directors of the Company.