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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 245)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Board (the "Board") of Directors (the "Directors") of China Minsheng Financial Holding Corporation Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (hereinafter together referred as the "Group") for the year ended 31 December 2017 together with the comparative figures of the corresponding year in 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Interest income		**162,043**	75,666
Commission and fee income		**33,099**	39,569
Net investment income		**257,033**	114,997
Total revenue	*4, 5*	**452,175**	230,232
Commission expenses		**(304)**	(296)
		451,871	229,936
Other income		**12,484**	1,534
		464,355	231,470
Expenses			
Staff costs and related expenses		**(89,352)**	(65,063)
Other termination benefits		**(12,736)**	–
Premises expenses		**(22,223)**	(8,875)
Legal and professional fees		**(28,159)**	(22,460)
Depreciation		**(3,867)**	(1,919)
Information technology expenses		**(4,895)**	(2,691)
Impairment losses on available-for-sale financial assets		**(9,268)**	(42,950)
Other operating expenses		**(35,062)**	(36,081)
Total operating expenses		**(205,562)**	(180,039)

	Note	2017 HK$'000	2016 HK$'000
Operating profit		**258,793**	51,431
Share of post-tax loss of associates		**(3,361)**	(3,259)
Finance costs		**(47,280)**	(6,121)
Profit before income tax	6	**208,152**	42,051
Income tax expenses	7	**(14,784)**	(10,708)
Profit for the year		**193,368**	31,343
Profit/(loss) attributable to:			
— Owners of the Company		**192,033**	36,933
— Non-controlling interests		**1,335**	(5,590)
		193,368	31,343
		HK$ Cents per share	*HK$ Cents per share*
Earnings per share attributable to owners of the Company			
Basic earnings per share	9	**0.66**	0.13
Diluted earnings per share	9	**0.66**	0.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**193,368**	31,343
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	**48,223**	(54,422)
Currency translation differences	**14,166**	(6,915)
Other comprehensive income for the year, net of tax	**62,389**	(61,337)
Total comprehensive income for the year	**255,757**	(29,994)
Total comprehensive income for the year attributable to:		
— Owners of the Company	**269,593**	(39,025)
— Non-controlling interests	**(13,836)**	9,031
	255,757	(29,994)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**9,264**	9,493
Goodwill		**15,871**	16,409
Other intangible assets		**500**	500
Investments in associates		**164,206**	123,207
Rental and other deposits		**7,002**	367
Available-for-sale financial assets		**623,844**	865,455
Financial assets designated at fair value through profit or loss	*12*	**1,659,513**	256,295
Total non-current assets		**2,480,200**	1,271,726
Current assets			
Margin receivables and other trade receivables	*10*	**445,365**	106,944
Available-for-sale financial assets		**407,509**	599,151
Financial assets designated at fair value through profit or loss	*12*	**33,900**	100,417
Derivative financial instruments		**–**	32,183
Loan and interest receivables	*11*	**1,323,926**	1,230,939
Deferred tax assets	*7*	**11,760**	8,045
Other receivables, prepayments and deposits		**70,256**	68,248
Pledged bank deposits		**313**	282
Margin accounts with financial institution		**370**	212,814
Deposits with brokers		**247,369**	854,819
Cash and bank balances		**1,137,535**	1,428,308
Total current assets		**3,678,303**	4,642,150
Total assets		**6,158,503**	5,913,876

	Note	2017 HK$'000	2016 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**5,667,546**	5,667,546
Other reserves		**784,797**	704,603
Accumulated losses		**(918,861)**	(1,110,894)
		5,533,482	5,261,255
Non-controlling interests		**(258,347)**	(244,511)
Total equity		**5,275,135**	5,016,744
LIABILITIES			
Non-current liabilities			
Note payable		**349,200**	349,200
Derivative financial instruments		**7,690**	–
Deferred tax liabilities	*7*	**–**	353
Total non-current liabilities		**356,890**	349,553
Current liabilities			
Loan and interest payables		**196,721**	393,508
Bank borrowings		**200,450**	–
Current tax liabilities		**30,835**	14,100
Trade payables	*13*	**9,106**	16,759
Margin payables		**–**	46,538
Derivative financial instruments		**383**	–
Accruals and other payables		**88,983**	76,674
Total current liabilities		**526,478**	547,579
Total liabilities		**883,368**	897,132
Total equity and liabilities		**6,158,503**	5,913,876

Notes:

1. STATUTORY FINANCIAL STATEMENTS

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results 2017 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2017 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for the years ended 31 December 2017 and 2016. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. GENERAL INFORMATION

The Company was incorporated in Hong Kong with limited liability. The address of its registered and business office is Unit A02, 11/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

This consolidated financial statements is presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated.

In the opinion of the directors of the Company, at 31 December 2017, CMI Financial Holding Company Limited, a company incorporated in Hong Kong, is the immediate holding company; China Minsheng Investment Corporation Limited, a company incorporated in the People's Republic of China (the "PRC"), is the ultimate holding company.

3.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial investments, and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

3.2 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

In the year ended 31 December 2017, the Group has adopted the following amendments to HKFRSs which were effective for accounting periods beginning on or after 1 January 2017:

Amendments to HKAS 12	Income Taxes — Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKAS 7	Statement of Cash Flows — Disclosure Initiative

The adoption of these amendments to HKFRSs does not have any financial impact on the Group.

Only amendments to HKAS 7 require the disclosure of changes in liabilities arising from financing activities.

The adoption of these amendments did not have any material impact on the current period or any prior period.

3.3 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below.

(i) HKFRS 9 Financial instruments

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in September 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. A significant portion of the Group's available-for-sale financial assets would likely be classified as at fair value through other comprehensive income.

The new impairment and classification and measurement requirements will be applied by adjusting our Consolidated Balance Sheet on 1 January 2018, the date of initial application, with no restatement of comparative period financial information.

The adoption of HKFRS 9 is expected to result in certain differences in the classification of financial assets when compared to the classification under HKAS 39. The most significant changes include approximately HK$1,031,353,000 of financial assets which were previously classified as available-for-sale financial assets will be reclassified to financial assets at fair value through profit or loss. Based on current estimates, the adoption of HKFRS 9 is expected to result in an increase to accumulated losses as at 1 January 2018 of less than 5%. The primary impact is attributable to increases in the allowance for credit losses under the new impairment requirements. Management will continue to monitor and refine certain elements of our impairment process in advance for our future reporting.

(ii) HKFRS 15 Revenue from contracts with customers

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

The Group is expected that the standard may not have significant impact, when applied, on the consolidated financial statements of the Group.

(iii) HKFRS 16 Leases

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 'Leases', and related interpretations. The Directors of the Group are assessing the impact of HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRS or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. SEGMENT INFORMATION

Due to the business transformation process of the Group in 2016, Management has continued to revisit the operating segments to be presented to the chief operating decision maker ("CODM").

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"), and corporate functions ("Others"). Each of the Group's operating segments represents a strategic business unit that is managed by different business unit leaders. Information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

For the year ended 31 December 2017

	Asset management *HK$'000*	Securities brokerage *HK$'000*	Investment holding *HK$'000*	Investment banking *HK$'000*	Insurance agency *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers	18,457	75,062	347,108	2,740	–	8,808	452,175
Segment profit/(loss) before income tax	430	44,458	295,742	(29,104)	–	(103,374)	208,152
Other segment information:							
Interest income	–	54,767	97,228	1,240	–	8,808	162,043
Depreciation and amortisation	(269)	(573)	(99)	–	–	(2,926)	(3,867)
Staff costs and related expenses	(6,241)	(7,121)	(10,867)	(12,982)	–	(52,141)	(89,352)

For the year ended 31 December 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	20,838	32,772	170,909	–	374	–	5,339	230,232
Segment profit/(loss) before income tax	(294)	19,581	110,581	(25,394)	(376)	(12,401)	(49,646)	42,051
Other segment information:								
Interest income	–	18,258	53,385	–	–	70	3,953	75,666
Depreciation and amortisation	(226)	(465)	–	–	–	(566)	(662)	(1,919)

5. REVENUE

	2017 *HK$'000*	2016 *HK$'000*
Interest income:		
Interest income from money lending business	**124,221**	67,174
Interest income from margin lending business	**27,594**	3,451
Interest income from bank deposits	**10,228**	5,040
Other interest income	**–**	1
	162,043	75,666
Commission and fee income:		
Advisory fee income	**3,585**	–
Commission income from securities brokerage	**3,270**	15,526
Loan arrangement fee income	**11,640**	6,650
Fee income received from asset management	**8,604**	1,982
Referral fee income	**–**	14,739
Underwriting fee income	**6,000**	–
Insurance agency fee income	**–**	672
	33,099	39,569
Net investment income:		
Net gain on financial assets designated at fair value through profit or loss	**133,269**	16,712
Net (loss)/gain on derivative financial instruments	**(36,289)**	43,473
Gain on disposal of available-for-sale investments	**143,400**	38,326
Dividend income	**16,653**	16,486
	257,033	114,997
	452,175	230,232

6. PROFIT BEFORE INCOME TAX

The Group's profit for the year is stated after charging/(crediting) the following:

	2017	2016
	HK$'000	*HK$'000*
Profit before income tax has been arrived at after charging/(crediting):		
Auditors' remuneration		
Audit fees	**2,508**	1,580
Non-audit fees	**970**	3,325
Loss on disposals of property, plant and equipment	**37**	499
Written-off of property, plant and equipment	**124**	–
Impairment loss on goodwill	**538**	–
Foreign exchange losses, net	**4,756**	7,516
Written-back of trade and tax payables	**(12,168)**	(1,091)

7. INCOME TAX EXPENSES

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%).

	2017	2016
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
— charge for the year	**17,627**	12,515
— overprovision for prior year	**(155)**	–
PRC Enterprise Income Tax		
— charge for the year	**790**	1,542
— underprovision for prior year	**1**	14
Deferred income tax		
— credit for the year	**(3,479)**	(3,363)
	14,784	10,708

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

	2017	2016
	HK$'000	*HK$'000*
Profit before income tax	**208,152**	42,051
Income tax at income tax rate applicable to assessable profit of the operation in different jurisdictions	**33,767**	13,640
Tax effect of expenses not deductible for tax purpose	**8,400**	9,727
Tax effect of income not taxable for tax purpose	**(26,168)**	(13,601)
Under provision in prior year	**(471)**	14
Utilisation of tax losses previously not recognised	**(1,257)**	(2,789)
Tax effect of temporary difference not recognised in prior year now recognised	**114**	–
Tax effect of tax losses not recognised	**363**	3,797
Others	**36**	(80)
Income tax for the year	**14,784**	10,708

As at 31 December 2017, deferred tax asset of HK$6,950,000 (2016: HK$3,386,000) has been recognised for some of the unused tax losses. There were no material unrecognised tax losses which have been agreed with the Inland Revenue Department.

		2017			2016	
	Before tax	**Tax credit**	**After tax**	Before tax	Tax credit	After tax
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Fair value losses on available-for-sale financial assets	**47,721**	**503**	**48,224**	(58,728)	4,306	(54,422)
Currency translation differences	**14,165**	**–**	**14,165**	(6,915)	–	(6,915)
Other comprehensive income	**61,886**	**503**	**62,389**	(65,643)	4,306	(61,337)
Deferred tax		**503**			4,306	

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

	2017	2016
	HK$'000	*HK$'000*
Deferred tax assets		
— Net fair value losses	**4,810**	4,659
— Tax losses	**6,950**	3,386
	11,760	8,045
Deferred tax liabilities		
— Net fair value gain	**–**	353

8. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: HK$Nil).

9. 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 year attributable to owners of the Company of approximately HK$192,033,000 (2016: HK$36,933,000) and the weighted average number of ordinary shares of 28,928,719,000 (2016: 28,927,886,000) in issue during the year.

Diluted earning per share

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the year ended 31 December 2017.

10. MARGIN RECEIVABLES AND OTHER TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Margin clients	**442,855**	104,944
Less: Impairment allowances on trade receivables	**–**	–
	442,855	104,944
Trade receivables arising from the businesses of asset management	**2,510**	1,982
Others	**–**	18
	445,365	106,944

The settlement terms of trade receivables arising from the business of securities dealing and broking excluding margin clients are two days after trade date.

Loans to margin clients are secured by clients' pledged Hong Kong-listed securities at fair value of HK$1,442,588,000 (2016: HK$398,238,600) which can be sold at the Company's discretion to settle margin call requirements imposed by their respective securities transactions. The loans are repayable on demand and bear interest at commercial rates.

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

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

	2017	2016
	HK$'000	*HK$'000*
0–90days	**2,510**	1,982
91–180days	**–**	–
181–365days	**–**	–
Over 365days	**–**	18
	2,510	2,000

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

The Group believes that the amount is considered recoverable given that the collaterals are sufficient to cover the balances. No impairment allowance is provided for the margin loan receivable (2016: Nil).

11. LOAN AND INTEREST RECEIVABLES

As at 31 December 2017, these loan receivables bear interest at fixed rate ranged from 8.5% to 10% per annum (31 December 2016: 7.3% to 30%). Interest income derived from loan receivables was recognised and presented under "Interest income". The carrying value of the loan receivables approximate to their fair values.

Regular reviews on these loans receivables are conducted by the Risk Management and Operation Department based on the latest status of these loans, and the latest announced or available information about the borrowers and the underlying collateral held. Apart from collateral monitoring, the Group seeks to maintain effective control over its loans in order to minimise credit risk by regularly reviewing the borrowers' and/or guarantors' financial positions.

As these loan receivables will be settled within 12 months, the carrying amount approximate to their fair value.

One of the loan receivable matured on 28 February 2018 was subsequently extended to 30 November 2018.

As at 31 December 2017, the loan receivables are neither past due nor impaired (2016: Nil). Having considered the business nature of loan and interest receivables, the directors are of opinion that no further aging analysis is disclosed.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2017	2016
	HK$'000	*HK$'000*
Financial assets designated at fair value through profit or loss		
Unlisted investment fund	**1,502,666**	256,295
Unlisted bond fund	**–**	100,417
Convertible bonds	**156,847**	–
Listed shares	**33,900**	–
	1,693,413	356,712
Classified as		
Non-current assets	**1,659,513**	256,295
Current assets	**33,900**	100,417
	1,693,413	356,712

The investments in unlisted investment fund of HK$1,502,666,000 (2016: HK$256,295,000) as above represent investments in unconsolidated structured entities. The maximum exposure to loss is HK$1,502,666,000 (2016: HK$256,295,000) which represents the fair value as at 31 December 2017.

The size of these unconsolidated structured entities is HK$1,532,965,000 (2016: HK$256,295,000).

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

The above investments was designated upon initial recognition of fair value through profit or loss.

13. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers but certain suppliers would require the Group to pay in advance.

The aging analysis of trade payables, based on date of receipt of goods and services, is as follows:

	2017	2016
	HK$'000	*HK$'000*
0–90 days	**–**	–
91–180 days	**–**	–
181–365 days	**–**	1
Over 365 days	**9,106**	16,758
	9,106	16,759

14. SHARE CAPITAL

		2017		2016	
		Number of shares	**Amount**	Number of shares	Amount
	Note	***'000***	***HK$'000***	*'000*	*HK$'000*
Ordinary shares, issued and fully paid:					
At 1 January		**28,928,719**	**5,667,546**	28,927,291	5,666,290
Issue of shares under share option scheme	*(a)*	**–**	**–**	1,428	1,256
At 31 December		**28,928,719**	**5,667,546**	28,928,719	5,667,546

Notes:

(a) During the year ended 31 December 2016, 1,428,000 shares of the Company were issued under share option scheme, as follows:

Issue date	**Exercise price**	**Number of shares**	**Net proceeds**
	HK$	*'000*	*HK$'000*
1 August 2016	0.49	1,428	700
		1,428	700

Upon exercise of share options, the fair value of the options on the date of grant are transferred from the Company's share-based payments reserve to the Company's share capital. During the year ended 31 December 2016, approximately HK$1,256,000 was credited to the Company's share capital.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Year 2017 was marked by the global economic recovery. As indicated in the World Economic Outlook report published by International Monetary Fund last fall, the cyclical upswing in the global economy has been gathering strength. China recorded 6.9% growth in GDP, the first acceleration since 2011, and the overall economy maintained a healthy growth in 2017. Hong Kong's stock market recorded phenomenal performance. The Hang Seng Index broke through the threshold of 30,000 points for the first time in ten years, with an annual increase of over 30% that made it the best performer among other leading stock indicators. In light of the impressive turnover growth of "Shanghai-Hong Kong Stock Connect" and "Shenzhen-Hong Kong Stock Connect", "Bond Connect" was launched in July 2017, further deepening the connection between the capital markets of mainland China and Hong Kong. With the ongoing capital influx from mainland China into Hong Kong and the availability of capital from China and overseas, the tie between China and Hong Kong has become closer. During the year, the Stock Exchange announced its intention to propose reform to the listing regime, allowing certain companies with weighted voting rights to seek a listing status. For 20 years since the reunion of Hong Kong with the motherland, the central government has been introducing favourable policies and supporting Hong Kong to enhance its position as an international financial hub. At the 19th National Congress of the Communist Party of China, the central government reiterated its determination to support the integration of Hong Kong into the country's overall development through the "Belt and Road Initiative" and the development of the "Greater Bay Area", giving a clear direction for the future development of Hong Kong.

Influenced by the foreign exchange control policies and regulatory policies of the Chinese government, the competitiveness of cross-border mergers and acquisitions by Chinese enterprises declined in 2017 and the transaction value of the mergers and acquisitions for the whole year was also less than the record high achieved in 2016. However, with the regulations imposed by the Chinese government and the regulatory authorities in respect of overseas investment becoming clearer, the Chinese enterprises have taken a more rational and realistic approach to overseas investments which have seen gradual recovery since the latter half of 2017. With the support of technologies and capital, the Chinese enterprises still favour the growing trend of "Going Out" and sought diversification into the international markets. Thus, the Chinese enterprises still have the motivation for cross-border mergers and acquisitions. In terms of geographical analysis, in 2017, the number of companies in Europe and the US being the subject of mergers and acquisitions by Chinese enterprises decreased while those in Asia, especially those mergers and acquisitions that can be linked to the "Belt and Road Initiative", were obviously on the rise. The trend will present huge opportunities for the Hong Kong financial market. By capitalizing on the opportunities afforded by market changes as a result of the "Belt and Road Initiative", the connection between the capital markets of mainland China and Hong Kong as well as the possibility of new-economy companies being listed on the Stock Exchange, the Company will continue to seek new development and identify more asset allocation alternatives with greater potential for growth for investors.

PROSPECT

The Company will continue to develop and implement our two-pronged strategy of "Investment + Investment Banking", with emphasis on building up our asset management and securities businesses, to serve our high-end customer base both in China and abroad.

We are keen to develop our international platform to become the "financial partner of choice" to assist the leading domestic Chinese enterprises as they expand overseas, assist our business partners to access advantageous resources and advanced technology overseas, and help international investors to seize the opportunities in China. As part of the leading privately-owned enterprise group in China, in additional to being one of the key members of the National Federation of Industry and Commerce, the Company has also established close relationships with many leading enterprises. We thoroughly understand the requirements of enterprises in various stages of development and create custom-made funding solution for their development.

While we will focus on building up scale for each of our vertical businesses, we will continue to tap the potential for the synergy across our various resources and platforms in securities, investment, investment banking and asset management, to better serve our customers. Furthermore, the Company will also seek opportunities for strategic mergers and acquisitions both to further bolster scale across all of our platforms, as well as to participate in emerging financial sectors such as fintech and other potentially revolutionary business models within the financial industry.

BUSINESS REVIEW

Since December 2015, the Company has been gradually growing its business and operations. In 2017, the Company has successfully acquired the licence to carry out type 6 (advising on corporate finance) regulated activity, thus providing complete financial service offerings by fully utilizing its licences regulated under the SFO (Types 1, 4, 6 and 9 licences), as well as running its money lending business under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

During the year, the Company has further optimized its management structure. With effect from November 2017, Mr. Chen Guogang was re-designated as the Chairman of the Board (the "Chairman"), Mr. Ni Xinguang was appointed as the Vice Chairman of the Board and Mr. Wang Dongzhi was re-designated as the Chief Executive Officer of the Company (the "CEO"). Corporate governance has also been enhanced with the addition of several specialized committees.

For our on-going business development, the Company will continue to leverage its strategic presence in Hong Kong while leveraging its mainland China connections, pushing for further integration and synergy with the aim of grasping more cross-border opportunities. Building on our core businesses, such as direct investment, securities, investment banking and asset management, we will continue to pursue a profitable growth strategy in each segment. The number of the Company's high net worth customers has grown rapidly while the portfolio of investments is being optimized. The Company is fostering a coordinated development of its various business segments, thus building up its capability to provide comprehensive financial services. Overall, the Company's profit for 2017 grew considerably compared with that for 2016. Meanwhile, the Company adapts itself to the trends of the market by putting in place its plan for developing financial technology. This will enable it to capitalize on the upgrading of China's consumption demand and to reap the dividends paid by the rapid development of the tertiary industry.

FINANCIAL REVIEW

For the year ended 31 December 2017, the audited consolidated revenue of the Group was approximately HK$452,175,000 (2016: approximately HK$230,232,000), representing an increase of approximately 96% as compared with the corresponding period last year.

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

For the year ended 31 December 2017, in HK$'000

	2017	2016	Change
Interest income	**162,043**	75,666	114.2%
Commission and fee income	**33,099**	39,569	(16.4%)
Net investment income	**257,033**	114,997	123.5%
Total revenue	**452,175**	230,232	96.4%

The Group recorded profit of approximately HK$193,368,000 for the year ended 31 December 2017 (2016: approximately HK$31,343,000). The significant increase in profit was mainly due to the following factors:

(i) the increase in profit from the direct investment segment as a result of the expansion of investment holding business; and

(ii) the growth of the interest income from money lending business as a results of the expansion of the loans portfolio.

On financial position and cash flows:

— the Group's total assets were approximately HK$6,158,503,000 as at 31 December 2017 (as at 31 December 2016: approximately HK$5,913,876,000), representing an increase of 4.1%.

— net cash (outflows)/inflows from operating activities, investing activities and financing activities were approximately HK$(259,741,000), HK$(46,656,000) and HK$5,945,000 respectively for the year ended 31 December 2017 (2016: approximately HK$(4,220,207,000), HK$(137,042,000) and HK$736,939,000).

As at 31 December 2017, the Group's total cash and bank balances (excluding pledged bank deposits) were approximately HK$1,137,535,000 (as at 31 December 2016: approximately HK$1,428,308,000).

Key financial and business performance indicators

The key financial and business performance indicators of the Group are comprised of profitability growth; loan receivables growth; impaired loan receivables to total loan receivables ratio; and gearing ratio.

The Group recorded a profit attributable to owners of the Company of approximately HK$192,033,000 for the year ended 31 December 2017 which represented a 419.9% increment as compared to approximately HK$36,933,000 for the year ended 31 December 2016.

Loan and interest receivables balance arising from lending business increased to approximately HK$1,323,926,000 as at 31 December 2017 (as at 31 December 2016: approximately HK$1,230,939,000). The Group will continue to focus on growing its lending business in order to generate sufficient and stable returns to support its continuous operations.

Based on individual assessments on loan receivables, the Group recognised no impairment for the year ended 31 December 2017 (2016: Nil). Impaired loan receivables to total loan receivables ratio is Nil as of 31 December 2017 (2016: Nil). The Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its loan receivables and to take prompt actions to pursue loans recovery regarding potential problem credits.

As at 31 December 2017, the Group had total assets of approximately HK$6,158,503,000 (as at 31 December 2016: approximately HK$5,913,876,000) and the gearing ratio (total debt to total equity) was approximately 14.1% (2016: approximately 15.7%). The Group strives to achieve appropriate leverage level in order to grow its business effectively, and at the same time continue to monitor its liquidity prudently, manage key risks cautiously and set appropriate yet flexible business development strategies to strike a balance between business growth and risk management.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group's cash and bank balances (excluding pledged bank deposits) amounted to approximately HK$1,137,535,000 (as at 31 December 2016: approximately HK$1,428,308,000). The current ratio as at 31 December 2017 was 698.7% (as at 31 December 2016: 847.8%), which indicated that the Group's overall financial position remained strong.

The Directors are of the opinion that there are sufficient cash resources for the Group to meet its financial obligation and business requirements.

OPERATIONAL REVIEW

Funding, capital structure and capital management

The main objective of the Group's funding activities is to ensure the availability of funds at reasonable costs to meet all contractual financial commitments and to generate reasonable returns from available funds.

The Group relies principally on its share capital, internally generated capital, issuance of notes, bank and other borrowing to fund its money lending business and investments. The Group's interest bearing borrowing in the form of note payable, loan payables, bank borrowings and margin payables amounted to approximately HK$746,371,000 as at 31 December 2017 (as at 31 December 2016: approximately HK$789,246,000). Based on the level of total debt to total equity of the Group, the Group's gearing ratio stood at a healthy level of 14.1% as at 31 December 2017. The Group's borrowings are mainly in US dollars, Renminbi and Hong Kong dollars, and have remaining average maturity periods of more than one year. The Group's cash and cash equivalents are mainly in US dollars, Renminbi and Hong Kong dollars. There were no foreign currency net investments hedged by foreign currency borrowings and other hedging instruments by the Group during the year under review.

Asset quality and credit management

The Group will continue to manage key risks cautiously and set appropriate yet flexible business development strategies to strike a balance between business growth and risk management. Based on individual assessments on the loan receivables, the Group recognized no impairment for the year ended 31 December 2017.

The Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its assets. Further, the Group's investments and cash and bank balances are placed with a diversified portfolio of reputable financial institutions.

Human resources management

The objective of the Group's human resources management is to reward and recognise well performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group. Staff are enrolled in external training courses, seminars, professional and technical courses in order to update their technical knowledge and skills, to increase their awareness of the market developments, and to improve their management and business skills. Staff also participated in social activities organised by the Group to promote team spirit and social responsibility to the community.

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND RELATED HEDGING

The Directors considered that the Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in foreign currencies other than its functional currency, which is Hong Kong dollars. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency should the need arises.

STAFF AND REMUNERATION POLICY

As at 31 December 2017, the Group has 71 employees (2016: 59 employees).

The employees are remunerated based on their work performances, professional experiences and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the Group's management.

CHARGES ON GROUP'S ASSETS

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

As at 31 December 2017, in HK$'000

	2017	2016
Pledged deposits at bank	**313**	282
Pledged deposits at securities margin accounts	**–**	31,699
Pledged investments in available-for-sale financial assets	**–**	61,855
Total charges on Group's assets	**313**	93,836

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

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

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2017 (as at 31 December 2016: Nil).

CAPITAL COMMITMENTS

The Group has entered into a contract to commit investing into an unlisted investment fund. The non-cancellable capital commitment as at 31 December 2017 is approximately HK$62,535,000 (as at 31 December 2016: approximately HK$106,250,000).

Save as disclosed above, the Group did not have any other significant capital commitments as at 31 December 2017.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Save as disclosed elsewhere in this announcement, the Group had no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICES

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

Throughout the year ended 31 December 2017, 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, E.1.2 and A.6.7 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 and the remaining independent non-executive Directors are appointed for a specific term of three years. Although Mr. Lyu Wei is not appointed for a specific term, the Company believes that as all Directors are subject to retirement by rotation and re-election at the annual general meeting at least once for every three years pursuant to the articles of association of the Company, 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 should attend the annual general meeting and he should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In addition, under the Code Provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of the shareholders. During the year ended 31 December 2017, the annual general meeting was held on 30 June 2017, and the whole Board and the auditor of the Company responsible for the audit of the Company's financial statements for the year ended 31 December 2016 have attended the meeting to answer questions of the shareholders except that Mr. Chen Guogang, Mr. Ni Xinguang, Mr. Li Huaizhen and Mr. Lyu Wei could not attend the annual general meeting due to other business engagements but they have appointed the other attending Directors as their representative at the meeting to answer questions of the shareholders of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. All the Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2017.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises Mr. Chen Johnny (chairman), Mr. Lyu Wei, Mr. Ling Yu Zhang and Dr. Guan Tao. The Audit Committee has reviewed and discussed with the management and the external auditor financial reporting matters including the annual results for the year ended 31 December 2017.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ANNUAL GENERAL MEETING

The 2018 annual general meeting (the "2018 AGM") is expected to be held in June 2018. A further announcement in relation to the date of the 2018 AGM and the closure of register of members will be published in accordance with the Listing Rules.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As disclosed in the Company's announcement on 21 March 2018, a wholly owned subsidiary of the Company ("Subscriber"), together with other subscribers and eToro Group Ltd. ("eToro") have entered into the Share Purchase Agreement; and the Subscriber and eToro have entered into the Joinder Agreement, pursuant to which the Subscriber has agreed to subscribe for and eToro has agreed to allot and issue to the Subscriber, in tranches, the 1,216,248 Class E preferred shares of eToro for an aggregate consideration of US$50,000,000. eToro is principally engaged in social trading and provision of online investment platform of a wide array of assets classes.

Save as disclosed above, the Group had no significant events after the reporting period and up to the date of this announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

The annual report of the Company for the year ended 31 December 2017 will be dispatched to shareholders and be published on the aforementioned websites in due course.

On behalf of the Board
China Minsheng Financial Holding Corporation Limited
Chen Guogang
Chairman

Hong Kong, 23 March 2018

As at the date of this announcement, the Board comprises (1) Mr. Chen Guogang, Mr. Wang Dongzhi and Mr. Ni Xinguang as executive Directors; (2) Mr. Ma Jianting 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.