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 2018

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 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Interest income	*8*	**82,353**	77,673
Commission and fee income	*9*	**10,010**	27,074
Net investment income	*10*	**215,156**	138,193
Total revenue	*6*	**307,519**	242,940
Commission expenses		**(23)**	(109)
		307,496	242,831
Other income		**20,935**	6
		328,431	242,837
Expenses			
Staff costs and related expenses		**(64,891)**	(41,053)
Other termination benefits		**–**	(11,829)
Premises expenses		**(18,284)**	(3,236)
Legal and professional fees		**(12,966)**	(8,788)
Depreciation	*6*	**(2,274)**	(1,903)
Information technology expenses		**(2,718)**	(2,148)
Change in expected credit loss		**4,453**	–
Impairment losses on available-for-sale financial assets		**–**	(6,650)
Foreign exchange gains/losses, net		**592**	(791)
Other operating expenses		**(16,949)**	(14,093)
Total operating expenses		**(113,037)**	(90,491)

	Note	Six months ended 30 June **2018** ***HK$'000***	2017 *HK$'000*
Operating profit		**215,394**	152,346
Share of post-tax loss of associates	*15*	**(1,409)**	(2,159)
Finance costs		**(16,661)**	(28,398)
Profit before income tax	*6*	**197,324**	121,789
Income tax expenses	*7*	**(21,795)**	(9,479)
Profit for the period		**175,529**	112,310
Profit attributable to:			
— Owners of the Company		**176,361**	115,026
— Non-controlling interests		**(832)**	(2,716)
		175,529	112,310
		HK$ Cents per share	HK$ Cents per share
Earnings per share attributable to owners of the Company			
Basic earnings per share	*12*	**0.61**	0.40
Diluted earnings per share	*12*	**0.61**	0.40

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**175,529**	112,310
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
Currency translation differences	**(1,737)**	6,014
Items that will not be reclassified to profit or loss		
Change in fair value of financial assets at fair value through other comprehensive income	**(41,008)**	–
Other comprehensive (loss)/income for the period, net of tax	**(42,745)**	132,350
Total comprehensive income for the period	**132,784**	244,660
Total comprehensive income for the period attributable to:		
— Owners of the Company	**131,383**	253,066
— Non-controlling interests	**1,401**	(8,406)
	132,784	244,660

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2018

	Note	**30 June 2018** *HK$'000*	31 December 2017 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	**8,271**	9,264
Goodwill	*14*	**15,871**	15,871
Other intangible assets		**500**	500
Investments in associates	*15*	**169,840**	164,206
Rental and other deposits		**12,130**	7,002
Financial assets at fair value through profit or loss		**486,770**	1,659,513
Financial assets at fair value through other comprehensive income		**240,434**	–
Available-for-sale financial assets		**–**	623,844
Total non-current assets		**933,816**	2,480,200
Current assets			
Margin receivables and other trade receivables		**395,814**	445,365
Available-for-sale financial assets		**–**	407,509
Financial assets at fair value through profit or loss		**2,519,177**	33,900
Loan and interest receivables		**990,160**	1,323,926
Deferred tax assets		**15,904**	11,760
Other receivables, prepayments and deposits		**27,626**	70,256
Pledged bank deposits		**310**	313
Margin accounts with financial institutions		**8,592**	370
Deposits with brokers		**13,900**	247,369
Cash and bank balances		**1,083,671**	1,137,535
Total current assets		**5,055,154**	3,678,303
Total assets		**5,988,970**	6,158,503

	30 June 2018 *HK$'000*	31 December 2017 *HK$'000*
EQUITY		
Equity attributable to owners of the Company		
Share capital	**5,667,546**	5,667,546
Other reserves	**745,858**	784,797
Accumulated losses	**(756,202)**	(918,861)
	5,657,202	5,533,482
Non-controlling interests	**(256,946)**	(258,347)
Total equity	**5,400,256**	5,275,135
LIABILITIES		
Non-current liabilities		
Note payable	**–**	349,200
Derivative financial instruments	**–**	7,690
Total non-current liabilities	**–**	356,890
Current liabilities		
Note payable	**349,200**	–
Loan and interest payables	**100,140**	196,721
Bank borrowings	**–**	200,450
Trade payables	**9,028**	9,106
Accruals and other payables	**84,369**	88,983
Derivative financial instruments	**8,280**	383
Current tax liabilities	**37,598**	30,835
Deferred tax liabilities	**99**	–
Total current liabilities	**588,714**	526,478
Total liabilities	**588,714**	883,368
Total equity and liabilities	**5,988,970**	6,158,503

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1 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 condensed consolidated financial statements were authorised for issue on 31 August 2018.

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

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

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

The financial information relating to the year ended 31 December 2017 that is included in the condensed consolidated financial statements for the six months ended 30 June 2018 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 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

2 BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated financial statements was reviewed by the Audit Committee. The Board of Directors of the Group has approved the condensed consolidated financial statements on 31 August 2018.

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The preparation of the condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing the condensed consolidated financial statements, the significant judgement made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017 other than those relating to HKFRS 9 which was first adopted on 1 January 2018.

The condensed consolidated financial statements are unaudited, but has been reviewed by PricewaterhouseCoopers ("PwC") in accordance with Hong Kong Standards on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by HKICPA.

3 ACCOUNTING POLICIES

3.1 New accounting policy adopted by the Group during the six months ended 30 June 2018

Except as described below, the accounting policies applied in preparing these condensed consolidated financial statements are the same as those applied in preparing the consolidated financial statements for the year ended 31 December 2017, as disclosed in the Annual Report for 2017.

Standards applied during the half-year to 30 June 2018

The Group has adopted the requirements of HKFRS 9 and HKFRS 15 from 1 January 2018. Under HKFRS 9, the classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application. As permitted by HKFRS 9, the Group has not restated comparatives. The adoption of HKFRS 15 "Revenue from contracts with customers" has had an insignificant effect on the condensed consolidated financial statements of the Group.

Set out below are disclosures relating to the impact of the adoption of HKFRS 9 on the Group.

(i) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with HKAS 39 and HKFRS 9 as at 1 January 2018 are compared as follows:

Financial assets/liabilities	**Original measurement under HKAS 39**	**New measurement category under HKFRS 9**	**Original carrying amount under HKAS 39 HK$'000**	**New carrying amount under HKFRS 9 HK$'000**
Non-current assets				
Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial assets at fair value through profit or loss	623,844	623,844
	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	1,376,830	1,376,830
Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	282,683	282,683
Current assets				
Margin receivables and other trade receivables	Amortised cost	Amortised cost	445,365	443,806
Loan and interest receivables	Amortised cost	Amortised cost	1,323,926	1,318,719
Financial assets at fair value through profit or loss	Available-for-sale financial assets	Financial assets at fair value through profit or loss	407,509	407,509
	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	33,900	33,900

(ii) Reconciliation of statement of financial position balances from HKAS 39 to HKFRS 9:

For financial assets subject to Expected Credit Loss ("ECL") impairment, the carrying amounts in accordance with HKAS 39 has been remeasured upon transition to HKFRS 9 on 1 January 2018. The reconciliation of carrying amounts in accordance with HKAS 39 and HKFRS 9 is as follows:

	HKAS 39 carrying amount as at 31 December 2017 *HK$'000*	Remeasurement (Expected Credit Loss allowance) *HK$'000*	**HKFRS 9 carrying amount as at 1 January 2018** ***HK$'000***
Margin receivables and other trade receivables	445,365	1,559	**443,806**
Loan and interest receivables	1,323,926	5,207	**1,318,719**

The adjustment on the opening accumulated losses as at 1 January 2018 amounted to HK$6.8 million.

Summary of significant accounting policies

Set out below are the new or substantially revised accounting policies implementing HKFRS 9 which replace the existing HKAS 39 policies. The following policies will substantially replace existing policies in the Annual Report for 2017 with subsequent policies in the Annual Report for 2018:

(a) Financial instruments measured at amortised cost

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

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

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

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

(c) Equity securities measured at fair value with fair value movement presented in OCI

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

(d) Financial instruments designated at fair value

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

— the use of the designation removes or significantly reduces an accounting mismatch;

— when a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on the fair value basis, in accordance with a documented risk management or investment strategy; and

— where the financial liabilities contains one or more non-closely related embedded derivatives.

Designated financial assets are recognised when the Group enters into contracts with counterparties, which is generally on trade date, and are normally derecognised when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognised when the Group enters into contracts with counterparties, which is generally on settlement date, and are normally derecognised when extinguished. Subsequent changes in fair value are recognised in the income statement in "Net income from financial instruments measured at fair value".

(e) Derivatives

Derivatives are financial instruments that derive their value from the price of underlying item such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at fair value. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes embedded derivatives in financial liabilities which are bifurcated from the host contract when they meet the definition of a derivative on a stand-alone basis.

(f) Impairment of amortised cost and FVOCI financial assets

Expected credit losses are recognised for loans and advances to customers and other financial assets held at amortised cost. At initial recognition, allowance is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ("12-month ECL"). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ("lifetime ECL"). Financial assets where 12-month ECL is recognised are considered to be "stage 1"; financial assets which are considered to have experienced a significant increase in credit risk are in "stage 2"; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit-impaired are in "stage 3".

The Group has not applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The Group has commenced an assessment of the impact of these new standards and amendments, but is not yet in a position to state whether they would have a significant impact on its results and financial position.

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

HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will results in almost all leases being recognised on the statement of financial position, 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 recognised. 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$48,298,000. 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 this condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

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

5.2 Liquidity risk

Compared to year ended 31 December 2017, the contractual undiscounted cash out flows for financial liabilities in the Group is as follows:

As at 30 June 2018

	On demand or less than 1 year *HK$'000*	**Between 1 and 2 years** *HK$'000*	**Between 2 and 5 years** *HK$'000*	**Over 5 years** *HK$'000*	**Total** *HK$'000*
Note payable	**349,200**	**–**	**–**	**–**	**349,200**
Loan and interest payables	**100,140**	**–**	**–**	**–**	**100,140**
Trade payables	**9,028**	**–**	**–**	**–**	**9,028**
Derivative financial instruments	**8,280**	**–**	**–**	**–**	**8,280**
Other payables	**84,369**	**–**	**–**	**–**	**84,369**
	551,017	**–**	**–**	**–**	**551,017**

As at 31 December 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	224,241	27,259	51,904	–	303,404
Bank borrowings	201,264	–	–	–	201,264
Trade payables	9,106	–	–	–	9,106
Other payables	6,706	–	–	–	6,706
Derivative financial instruments	383	7,690	–	–	8,073
	441,700	34,949	401,104	–	877,753

5.3 Fair value of financial assets and liabilities

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June 2018.

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Assets				
Financial assets at fair value through profit or loss				
— Listed equity investments	**260,487**	**–**	**–**	**260,487**
— Unlisted equity investment	**–**	**–**	**486,770**	**486,770**
— Unlisted investment funds	**–**	**121,117**	**1,978,702**	**2,099,819**
— Convertible bonds	**–**	**108,148**	**50,723**	**158,871**
Financial assets at fair value through other comprehensive income				
— Unlisted investment fund	**–**	**240,434**	**–**	**240,434**
Total	**260,487**	**469,699**	**2,516,195**	**3,246,381**
Liabilities				
Derivative financial instruments				
— Equity swap	**–**	**(590)**	**–**	**(590)**
— Total return swap	**–**	**(7,690)**	**–**	**(7,690)**
Total	**–**	**(8,280)**	**–**	**(8,280)**

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 December 2017.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
Financial assets at fair value through profit or loss				
— Unlisted investment funds	–	403,879	1,098,787	1,502,666
— Convertible bonds	–	106,124	50,723	156,847
— Listed equity investments	33,900	–	–	33,900
Available-for-sale financial assets				
— Listed equity investments	233,007	–	–	233,007
— Unlisted bond	–	15,722	–	15,722
— Unlisted equity investment	–	–	199	199
— Unlisted investment funds	–	–	782,425	782,425
Total	266,907	525,725	1,932,134	2,724,766
Liabilities				
Derivative financial instruments				
— Equity swap	–	(383)	–	(383)
— Total return swap	–	(7,690)	–	(7,690)
Total	–	(8,073)	–	(8,073)

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

Unlisted investment funds classified as level 3 is principally due to they are open-ended investment fund and their underlying investments are unlisted equity or unlisted debt investments.

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

Equity Investments	**Fair value as at 30 June 2018**	**Valuation techniques**	**Unobservable input**	**Range**	**Relationship of unobservable inputs to fair value**
Unlisted investment funds	1,740,266,000	Net asset value *(note a)*	n/a	n/a	n/a
	238,436,000	Adjusted net assets value	n/a	n/a	n/a
Unlisted convertible bond	50,723,000	Discounted cash flow	Discount rate	12%	The higher the discount rate, the lower the fair value
Unlisted equity investment	486,770,000	Discounted cash flow	Discount rate	26%	The higher the discount rate, the lower the fair value

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

There have been no significant transfers between level 1, level 2 and level 3 for the period ended 30 June 2018.

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

The following table presents the changes in level 3 items for the period/year ended 30 June 2018 and 31 December 2017 for recurring fair value measurements:

	Jun 2018	Dec 2017
	HK$'000	*HK$'000*
Opening balance as at beginning of the period/year	**1,932,134**	607,591
Purchase	**391,891**	1,058,845
Disposals	**–**	(50,307)
Transfer from level 2	**–**	286,724
Amounts recognised in profit or loss		
Currency translation difference	**–**	11
Gains recognised in other income *	**247,104**	29,270
Closing balance as at period/year end	**2,571,129**	1,932,134
* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	**247,104**	29,270

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
- Pledged bank deposits
- Other receivables
- Other payables
- Bank borrowing
- Note payable

6 SEGMENT INFORMATION

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

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2018 and 2017 is as follows:

30 June 2018

	Asset management *HK$'000*	**Securities brokerage** *HK$'000*	**Investment holding** *HK$'000*	**Investment banking** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**5,224**	**24,569**	**272,322**	**–**	**5,404**	**307,519**
Segment profit/(loss) before income tax	**(9,298)**	**11,360**	**257,300**	**(3,671)**	**(58,367)**	**197,324**
Other segment information:						
Interest income	**8**	**20,644**	**58,403**	**–**	**3,298**	**82,353**
Depreciation and amortisation	**(24)**	**(150)**	**–**	**–**	**(2,100)**	**(2,274)**

30 June 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	19,366	25,255	192,475	2,740	4	3,100	242,940
Segment profit/(loss) before income tax	14,163	6,701	163,035	(13,688)	(21)	(48,401)	121,789
Other segment information:							
Interest income	395	22,667	50,271	1,240	–	3,100	77,673
Depreciation and amortisation	(231)	(325)	–	–	–	(1,347)	(1,903)

7 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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% (2017: 25%).

	Six months ended 30 June	
	2018 *HK$'000*	2017 *HK$'000*
Hong Kong Profits Tax		
— charge for the period	**24,611**	10,840
Deferred income tax		
— credit for the period	**(2,816)**	(1,361)
	21,795	9,479

8 INTEREST INCOME

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Interest income from money lending business	**58,403**	64,753
Interest income from bank deposits	**3,307**	3,807
Interest income from margin lending business	**20,643**	9,113
	82,353	77,673

9 COMMISSION AND FEE INCOME

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Advisory fee income	**2,556**	963
Commission income from securities brokerage	**791**	1,991
Fee income earned from asset management	**5,085**	8,456
Insurance agency service income	**–**	4
Loan arrangement fee income	**1,578**	14,160
Underwriting fee income	**–**	1,500
	10,010	27,074

10 NET INVESTMENT INCOME

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Dividend income	**62,797**	9,622
Gain on disposal of available-for-sale financial assets	**–**	76,709
Net gain on financial assets at fair value through profit or loss	**152,672**	71,826
Net loss on derivative financial instruments	**(313)**	(19,964)
	215,156	138,193

11 DIVIDENDS

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

12 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings 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$176,361,000 (2017: HK$115,026,000) and the weighted average number of ordinary shares of 28,928,719,000 (2017: 28,928,719,000) in issue during the period.

Diluted earnings 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 six-month period ended 30 June 2018 and 30 June 2017.

13 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK$1,284,000 (six months ended 30 June 2017: HK$222,000) on additions to and nil (six months ended 30 June 2017: Nil) 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 2018 *HK$'000*	31 December 2017 *HK$'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
Jiangyang International Asset Management Limited	**–**	–
	15,871	15,871

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

For each of the CGUs with significant amount of goodwill, the key assumptions used in the value-in-use calculations as at 30 June 2018 and 31 December 2017 are as follows.

	30 June 2018		31 December 2017	
	Securities brokerage	**Asset management**	Securities brokerage	Asset management
% of revenue growth rate	**20%**	**20%**	20%	20%
% 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 charge is recognised during the period ended 30 June 2018 (For the year ended 31 December 2017: HK$538,000).

15 INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at 30 June 2018 which, in the opinion of the directors, are material to the Group.

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

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

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

There is no quoted market price available for both associates.

	30 June 2018 *HK$'000*	31 December 2017 *HK$'000*
Investments in associates	**169,840**	164,206

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

	Grand Flight Holding Company Limited 30 June 2018 *HK$'000*	**Grand Flight Hooyoung Investment L.P. 30 June 2018** *HK$'000*
At 30 June:		
Current assets	11,115	559,784
Current liabilities	(4,766)	–
Net current assets	6,349	559,784
Period ended 30 June:		
Revenue	7,840	–
Profit/(loss)	895	(7,770)
Total comprehensive income/(loss)	895	(7,770)
Opening net assets 1 January	5,432	541,920
Increase in equity interest	–	23,479
Profit/(loss) for the period	895	(7,770)
Currency translation difference	22	2,155
Closing net assets	6,349	559,784
Interest in associates (30%)	1,905	167,935

MANAGEMENT DISCUSSION AND ANALYSIS

Review

During the first half of 2018, while the global economy extended the growth momentum from last year and continued its recovery track, the marginal growth appeared to be diminishing. China's economy continued the uptrend and saw steady but slowing growth, owing to the persistent benefits arising from the supply-side reform. The rise of middle class and consumption upgrade have become new growth drivers of the new economy. According to the National Bureau of Statistics of China, the GDP of China reached RMB41,896.1 billion in the first half of 2018, representing a year-on-year increase of 6.8%. The capital market of Hong Kong has continued its robust momentum since last year, and the connection between capital markets of China and Hong Kong has been further improved and strengthened. In particular, the new listing mechanism which targets emerging and innovative industry companies has fueled the good sentiment of the overall Hong Kong IPO market, and it has attracted the attention of a significant number of new-economy companies. National strategies such as the "Belt and Road Initiative" and the development of the "Guangdong-Hong Kong-Macau Greater Bay Area" have continued to create new business opportunities for Hong Kong and has driven the development of Hong Kong in the new era, thus further enabling the consolidation and strengthening of Hong Kong's status as an international financial centre.

Despite the impact of increasingly stringent regulations imposed by the Chinese government, geopolitical uncertainties and trade wars, according to data released by Thomson Reuters, the total transaction value of cross-border mergers and acquisitions by Chinese enterprises in the first half of 2018 amounted to US$76.6 billion, representing a year-on-year increase of 46%. In terms of geographical analysis, in the first half of 2018, companies in Portugal, Hong Kong and Germany were the main target of mergers and acquisitions by Chinese enterprises, accounting for a market share of 37%, 17% and 13%, respectively; while the total transaction value of mergers and acquisitions along the "Belt and Road Initiative" countries amounted to US$8.3 billion. Driven by the demand for technologies and capital, "Going out" of Chinese enterprises and expansion into the international markets remained the major trend, sustaining the momentum of cross-border mergers and acquisitions. Although the increasingly stringent regulatory policies will continue to affect cross-border mergers and acquisitions in the future, they also guide the direction of on-going cross-border mergers and acquisitions by enterprises to a certain extent, thus enabling the Chinese enterprises to take a more rational and realistic approach to overseas investments. The Company will proactively seize market opportunities and will continue to seek new development, so as to identify more asset allocation alternatives with greater growth potential for investors.

Looking back on the first half of 2018, the Company had been improving its complete financial service chain to serve the real economy. Besides, by fully leveraging on the geographical advantages of Hong Kong, policy support of local government, as well as national strategies such as "Belt and Road Initiative" and the development of "Guangdong-Hong Kong-Macau Greater Bay Area", the Company was able to develop financial technology based on the traditional financial model, and to create an integrated innovative financial service platform under the two-pronged strategy of "Traditional Finance + Financial Technology". In April 2018, the Company Financial led the Series E financing for eToro Group Ltd. ("eToro"), the pioneer of financial technology industry, and entered into a strategic cooperation alliance with eToro. The Company expects to create a new ecosystem of financial services with blockchain technology by applying new technology through diversified cooperation, and to provide international and comprehensive solutions for customers at home and aboard, so as to promote the Group's financial technology development strategy to a new level. The Group seized the opportunity to create a pioneering business model in emerging financial sectors such as financial technology and other potential sectors in the financial industry. For the six months ended 30 June 2018, the Group's net profit increased significantly by 56% to HK$176 million compared to the corresponding period of last year. Meanwhile, the Group has adapted itself to the market trends by capitalizing on the upgrading of China's consumption demand and to reap the benefits generated by the rapid development of the tertiary industry.

Prospect

In the second half of 2018, the global economy will face two major risks arising from the trade protectionism promoted by the U.S., as well as a global shift to the monetary easing policy. In anticipation of a rising inflation, an expanding total demand, a tightening total supply and the lagging impact of interest rate hike, global inflation may rise to a peak in the second half of 2018. The reform and opening-up of China is turning to its 40th anniversary and for such new start, more unexpected and practical reform and opening-up measures are expected to be promulgated successively for China's economy, such that issues on new economy, consumption upgrade, "Belt and Road Initiative" and reform of state-owned enterprises will get more attention.

Looking ahead, the Company will continue to develop and implement the two-pronged strategy of "Traditional Finance + Financial Technology". By having leading financial technology companies' assistance in building our innovative financial service platforms, the Company will outperform its competitors in technology, and be able to focus on developing asset management and securities business services. By making full use of our business partners' product research and development capabilities and resources, the Company will be able to serve high-end customers in China and overseas. We are keen 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 so as to share economic development results.

Taking advantage of the rich resources of the Group, we will be able to explore opportunities for reforming traditional industries through the application of blockchain technology, form alliance with professional blockchain companies by strategic equity investment in those companies, and strive to achieve investment banking strategy of brand differentiation that combined with capital operations. By relying on the domestic market and incorporating international advanced technology, we aim to become a professional investment bank that renders listing services for financial technology (blockchain) enterprises, as well as a professional group in the area of financial technology. Moreover, the Company will seize opportunities for strategic mergers and acquisitions, thereby further expanding the scale of all platforms, and continue to create business models for emerging financial sectors such as financial technology and other potential sectors in the financial industry.

Significant Investments

As at 30 June 2018, the Group had financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments with a market value of approximately HK$3,246,381,000. The details of significant investments (each of which carrying value more than 2% of the total assets of the Group) as at 30 June 2018 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 2018	Percentage of Group's total assets as at 30 June 2018	Unrealised gain/(loss) on change in fair value for the period ended 30 June 2018	Realised gain/(loss) for the period ended 30 June 2018	Impairment losses for the period ended 30 June 2018	Dividend income for the period ended 30 June 2018
				HK$'000	*HK$'000*		*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through other comprehensive income										
Not applicable	Chariot SPC Fund — Chariot SP II	Investment in unlisted investment fund	24,000	240,000	240,434	4.01%	N/A	–	–	–
Financial assets at fair value through profit or loss										
Not applicable	PACM Investment Funds SPC — PACM Property Fund Segregated Portfolio	Investment in unlisted investment fund	58,200	582,000	631,579	10.55%	7,934	–	–	–
Not applicable	Shareholder Value Fund	Investment in unlisted investment fund	25,000	193,869	238,436	3.98%	79,656	–	–	–
Not applicable	Fullgoal China Access RQFII Fund SPC — Fullgoal Industrial investment Fund Segregated Portfolio	Investment in unlisted investment fund	100,850	1,008,845	1,108,687	18.51%	9,900	–	–	56,360
Not applicable	Central China Dragon Growth Fund SPC — Central China Drago Growth Fund SP3	Investment in unlisted bond	1,200,000	120,192	121,117	2.02%	(78)	–	–	5,513
Not applicable	eToro Group Ltd.	Investment in unlisted preferred shares	1,216,248	391,891	486,572	8.12%	94,681	–	–	–

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 2018, the unaudited condensed consolidated revenue of the Group was approximately HK$307,519,000, representing an increase of 27% as compared with corresponding period last year. The significant increase in revenue was driven by the increase in fair value gain on financial assets at fair value through profit or loss.

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

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

	2018	2017	Change
Interest income	**82,353**	77,673	6%
Commission and fee income	**10,010**	27,074	(63%)
Net investment income	**215,156**	138,193	56%
Total revenue	**307,519**	242,940	27%

The Group recorded profit of approximately HK$175,529,000 for the six months ended 30 June 2018, while profit of approximately HK$112,310,000 was recorded for the six months ended 30 June 2017, mainly due to the following:

1. The increase in fair value gain on financial assets at fair value through profit or loss; and

2. The decrease in finance cost.

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

For the financial position and the cash flows, during the six months ended 30 June 2018, total assets of the Group was approximately HK$5,988,970,000 (31 December 2017: approximately HK$6,158,503,000), representing an decrease of 2.75%. Net cash (outflow)/inflow from operating activities, investing activities and financing activities for the period under review were approximately HK$254,026,000, HK$(1,284,000) and HK$(294,888,000) (six months ended 30 June 2017: approximately HK$(476,384,000), HK$(42,222,000) and HK$289,861,000) respectively. The depreciation for tangible assets for the period under review was approximately HK$2,274,000 (six months ended 30 June 2017: approximately HK$1,903,000).

Employee relations

As at 30 June 2018, the Group has 80 employees (as at 30 June 2017: 79 employees).

Total staff costs and related expenses for the period under review were approximately HK$64,891,000 (six months ended 30 June 2017: approximately HK$41,053,000).

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 2018, the Group's cash and bank deposits (excluding pledged bank deposits) amounted to approximately HK$1,083,671,000 (as at 31 December 2017: approximately HK$1,137,535,000). The gearing ratio as at 30 June 2018 (total debts to total equity) was 8.32% (as at 31 December 2017: 14.10%), which indicated that the Group's overall financial position remained strong.

Segment information

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

Capital structure

There were no changes to the Group's capital structure during the six months ended 30 June 2018.

Material acquisitions and disposals of subsidiaries and associates

Save as disclosed, the Group had no material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2018.

Charges on Group's assets

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
Pledged deposits at bank	**310**	313
Total charges on Group's assets	**310**	313

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

Exposure to exchange rate fluctuation and related hedging

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

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2018 (as at 31 December 2017: Nil).

Donations

Donations by the Group for charitable and other purposes amounted to HK$0.2 million (2017: 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 Code Provision A.4.1 which is explained below.

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. Except for Mr. Lyu Wei, an independent non-executive Director, 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.

Review of Accounts

Disclosure of financial information in this announcement 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 2018 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 2018 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 HKICPA.

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 2018.

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 2018 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
Mr. Wang Dongzhi
Chairman

Hong Kong, 31 August 2018

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