



INTERIM  
REPORT 2016

**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



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## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors*

Liu Tianlin (*Vice Chairman*)

Wang Sing (*Chief Executive Officer*)

Feng Xiaoying (*Deputy Chief Executive Officer*)

Zhao Hongbo

#### *Non-executive Directors*

Li Huaizhen (*Chairman*)

(*Appointed on 3 June 2016*)

Ni Xinguang

Zhang Sheng (*Resigned on 3 June 2016*)

### Independent Non-executive Directors

Chen Johnny

Thaddeus Thomas Beczak

Lyu Wei

Ling Yu Zhang

### Audit Committee

Chen Johnny (*Chairman*)

Ni Xinguang

Lyu Wei

### Nomination Committee

Thaddeus Thomas Beczak (*Chairman*)

(*Appointed as Chairman on 3 June 2016*)

Ling Yu Zhang (*Resigned as member on 20 February 2016 and reappointed as member on 3 June 2016*)

Lyu Wei

Zhang Sheng (*Resigned as Chairman and member on 3 June 2016*)

### Remuneration Committee

Chen Johnny (*Chairman*)

Ni Xinguang

Thaddeus Thomas Beczak

### Company Secretary

Wong Choi Chak

### Principal Bankers

Bank of China (Hong Kong) Limited

Bank of Shanghai Co., Ltd

China Merchants Bank, Hong Kong Branch

China Construction Bank Corporation

DBS Bank (Hong Kong) Limited

Industrial and Commercial Bank of China (Asia) Limited

### Solicitors

*Hong Kong Law*

Herbert Smith Freehills

### Independent Auditor

PricewaterhouseCoopers Hong Kong

*Certified Public Accountants*

### Registered Office

Unit A02, 11/F

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

### Share Registrar and Transfer Office

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

### Stock Code

245 HK

### Website

[www.cm-fin.com](http://www.cm-fin.com)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Upon completion of share subscription by China Minsheng Investment Corporation Limited and other strategic investors in December 2015, and under the leadership of a management team with extensive international experience in financial services as well as deep understanding in the Chinese market and culture, China Minsheng Financial Holding Corporation Limited (the “Company”) and its subsidiaries (collectively the “Group”) has a strategic goal of building a comprehensive financial services platform. Leveraging its strong capital base and under a “merchant banking” business model, the Company provides integrated financial services to both Chinese and overseas enterprises by connecting businesses and capital. With extensive resources and business networks in the mainland Chinese market, the Company is well positioned to develop its businesses in Hong Kong’s vibrant financial market.

The Group is licensed to carry out type 1 regulated activity (dealing in securities), type 4 regulated activity (advising on securities) and type 9 regulated activity (asset management) under the Securities and Futures Ordinance (the “SFO”), as well as the money lending business in accordance with the Money Lenders Ordinance. With these licenses, the Group conducts principal investment, asset management, securities brokerage, and money lending businesses in Hong Kong. It is also actively looking for investment banking opportunities in the area of financial advisory and securities underwriting.

Despite a challenging macroeconomic environment, the Group has reaped early benefits from the growth of its financial services platform. During the reporting period, the Group successfully provided a HK\$250 million bridge loan, and two term loans in the amount of HK\$470 million and HK\$240 million respectively. CM Securities (Hongkong) Company Limited (“CM Securities”), a wholly-owned subsidiary of the Company, also acted as one of the underwriters in the first drawdown of China Minsheng Investment Corporation Limited’s (“CMI”) medium term notes programme. In addition, the Company became a cornerstone investor and subscribed US\$25 million worth of shares in Orient Securities’ initial public offering (IPO) in June. This transaction marks the Company’s first investment in the Hong Kong IPO market.

The Company has continued to strengthen its management team in the first half of 2016, and has recruited talents from the market with extensive financial and management experience, as well as deep knowledge in market's best practice on corporate governance. During the reporting period, the Company appointed Mr. Li Huaizhen as the Chairman, Mr. Wang Sing as Chief Executive Officer, Mr. Wang Ren as Chief Financial Officer and Head of Investment Bank, Mr. Tan Wentao as Head of Securities, Mr. Lin Bing as Managing Director of CM Asset Management (Hongkong) Company Limited, and Ms. Christie Ju as Head of Equities and Research. To further strengthen its Board of Directors, the Company appointed Thaddeus Thomas Beczak as an Independent Non-Executive Director in February 2016.

Mr. Li Huaizhen has been the President of CMI since 2014. The appointment of Mr. Li as the Company's Chairman signifies the cooperation between the Company and CMI, which is one of the largest private investment groups in China. In June 2016, the Company further diversified its shareholder base after a share placement by CMI to a number of strategic shareholders. After the placement, CMI decreased its shareholding in the Company from 70.6% to 58.1% but remained as the single largest shareholder of the Company.

### **Market Review**

In the first half of 2016, global macroeconomic environment was relatively volatile as market uncertainties and geopolitical risks intensified. As a result, both Europe and Japan have entered into the era of negative interest rates, and the US Federal Reserve has further postponed the potential interest rate hikes. The result of the UK's Brexit referendum on 24 June 2016 has led to a period of extreme volatility in the global financial markets. The US presidential election later this year also creates uncertainties around the US economy.

More stringent supervision on the sector worldwide and higher compliance cost have negatively impacted the efficiency and quality of customer service provided by financial institutions. Risks within the P2P (Peer-to-Peer) lending sector in mainland China continued to increase while share price of peer companies in the US dropped significantly. In Hong Kong, valuation of stocks remains low while IPO transactions were heavily relying on cornerstone investors dominated by Chinese institutions.

## Outlook

China's economy remained relatively stable in the first half of 2016 with a year-on-year GDP growth of 6.7%. In the second half of 2016, China is expected to support a steady development of the economy by continuing its prudent monetary policy as well as strong support on economic reforms and development of new economy industries. As low interest rate in China will likely persist and more countries adopt negative interest rate, there will be a stronger demand on high yield assets. Continuous depreciation of RMB will increase Chinese investors' assets allocation overseas. However, cross-border capital mobilization will remain slow and costly under stricter capital control on RMB.

The current domestic and international market environment brings both challenges and opportunities for the Company. Looking forward to the second half of 2016, with its strong foundation in place, the Company will continue to focus on its core strategy through its prudent and sound principles, and seize upcoming opportunities arising from the China and international markets.

## Financial Review

For the six months ended 30 June 2016, the unaudited consolidated income of the Group was approximately HK\$58,848,000, representing a decrease of approximately 57.7% as compared with corresponding period last year, mainly due to the business transformation process of the Group, which led to suspension of businesses with lower gross profit margin such as trading of chemical materials and insurance agency services and thus the relevant income streams.

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

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

	2016	2015	Change
Interest income	15,604	–	N/A
Commission and fee income	9,951	3,998	+148.9%
Net investment income	33,293	–	N/A
Income from trading of chemical materials	–	135,038	-100.0%
Total revenue	58,848	139,036	-57.7%

The Group recorded profit of approximately HK\$8,888,000 for the six months ended 30 June, 2016, while loss of approximately HK\$12,225,000 was recorded for the six months ended 30 June, 2015, mainly due to:

1. Investment business recorded positive return; and
2. Moved to higher profit margin business such as securities brokerage business and money lending business.

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

For the financial position and the cash flows, during the six months ended 30 June, 2016, total assets of the Group was approximately HK\$5,344,391,000 (31 December 2015: approximately HK\$5,084,840,000), representing an increase of 5.1%. Net cash (outflow)/inflow from operating activities, investing activities and financing activities were approximately HK\$(2,682,810,000), HK\$(124,677,000) and HK\$Nil (six months ended 30 June 2015: approximately HK\$(9,634,000), HK\$208,000 and HK\$52,440,000) respectively. The depreciation for tangible assets was approximately HK\$445,000 (six months ended 30 June 2015: approximately HK\$109,000).

### **Employee relations**

As at 30 June 2016, the Group has 53 employees (as at 30 June 2015: 50 employees).

Total staff costs and related expenses for the period under review were approximately HK\$19,299,000 (six months ended 30 June 2015: approximately HK\$4,993,000).

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 2016, the Group's cash and bank deposits (include pledged bank deposits) amounted to approximately HK\$2,254,408,000 (as at 31 December 2015: approximately HK\$5,062,764,000). The gearing ratio as at 30 June 2016 (total interest bearing borrowings to total assets) was 0% (as at 31 December 2015: 0%), 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 2016.

### **Material acquisitions and disposals of subsidiaries and associates**

On 28 April 2016, the Company invested in 30% equity interest of Grand Flight Holding Company Limited and Grand Flight Hooyoung Investment L.P. respectively.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 2016.

### **Charges on Group assets**

Apart from the deposit of approximately HK\$293,000 (at 31 December 2015: approximately HK\$299,000) pledged to a bank as security for a corporate card with credit limit of approximately HK\$234,000 (at 31 December 2015: approximately HK\$239,000) granted to a non-executive director of the Group, as at 30 June 2016, there were no other charges on the Group's assets.

### **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. Risk management committee of 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 2016 (as at 31 December 2015: HK\$Nil).

On behalf of the Board

**China Minsheng Financial Holding Corporation Limited**

**Li Huaizhen**

*Chairman and non-executive director*

Hong Kong, 22 August 2016

## DIRECTORS' INTEREST IN SHARES

As at 30 June 2016, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out below:

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

Name of director	Number of shares held		Total	Percentage of the issued share capital (Note (b))
	Personal interests	Corporate interests		
Ni Xinguang ("Mr. Ni")	46,068,000	416,004,000 (Note (a))	462,072,000	1.6%

Notes:

- (a) 416,004,000 shares are owned by Group First Limited, a private company wholly owned by Mr. Ni, representing approximately 1.4% of the issued share capital of the Company.
- (b) The percentage was calculated based on the total number of 28,927,291,250 ordinary shares of the Company in issue as at 30 June 2016.

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2016, none of the Directors or chief executive of the Company, had any short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTIONS

The Company adopted a new share options scheme on 9 December 2013 (the "2013 Share Option Scheme") to replace the Share Option Scheme adopted on 28 May 2004 (the "2004 Share Option Scheme"). Since then, no further options can be granted under the 2004 Share Option Scheme, but all options granted previously will remain exercisable in accordance with the terms of the 2004 Share Option Scheme and the relevant letters of offers to the respective grantees.

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

Based on the existing outstanding number of share options as of 30 June 2016 and assume that no further share options are to be granted in the six months to 31 December 2016, no further share option cost will be charged to the statement of profit or loss as share option expense.

Movements of the options, which were granted under the 2004 Share Option Scheme, during the period under review were listed below in accordance with Rule 17.07 of the Listing Rules on the Stock Exchange:

Category	Date of grant	Number of option shares held as at 01/01/2016	Number of option shares granted during the period	Number of option shares exercised during the period	Number of option shares lapsed during the period	Number of option shares held as at 30/06/2016	Exercise price HK\$	Exercise period
Consultants	30/04/2009	1,428,000	-	-	-	1,428,000	0.49	05/05/2010 – 04/05/2017
		1,428,000	-	-	-	1,428,000		

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

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2016, so far as was known to the Directors of the Company, the following persons, other than the Directors and chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company, which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

### Long positions in the shares and underlying shares of the Company

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Percentage of the issued share capital (Note (d))
China Minsheng Investment Corporation Ltd.	Interests of a controlled corporation (Note (a))	16,808,000,000	58.10%
CMI Financial Holding Company Limited	Beneficial owner (Note (a))	16,808,000,000	58.10%
Minsheng (Shanghai) Assets Management Company Limited	Interests of a controlled corporation (Note (a))	16,808,000,000	58.10%
D. E. Shaw & Co. (Asia Pacific) Limited	Investment Manager (Note (b))	2,342,000,000	8.10%
D. E. Shaw & Co. II, Inc.	Interests of a controlled corporation (Note (b))	2,342,000,000	8.10%
D. E. Shaw & Co., Inc.	Interests of a controlled corporation (Note (b))	2,342,000,000	8.10%
D. E. Shaw & Co., L.L.C.	Interests of a controlled corporation (Note (b))	2,342,000,000	8.10%
D. E. Shaw & Co., L.P.	Interests of a controlled corporation (Note (b))	2,342,000,000	8.10%
D. E. Shaw Composite Portfolios L.L.C.	Interests of a controlled corporation (Note (b))	2,342,000,000	8.10%

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Percentage of the issued share capital (Note (d))
David Elliot Shaw	Interests of a controlled corporation (Note (b))	2,342,000,000	8.10%
Wanzaixingjun Investment Centre (Limited Partnership)	Beneficial owner (Note (c))	2,118,000,000	7.32%
Yan Mengxiang	Investment Manager (Note (c))	2,118,000,000	7.32%

Notes:

- (a) The shares of the Company are held by CMI Financial Holding Company Limited, which is wholly owned by Minsheng (Shanghai) Assets Management Company Limited. Minsheng (Shanghai) Assets Management Company Limited is wholly owned by China Minsheng Investment Corporation Limited.
- (b) The interests in shares represent the shares issued pursuant to the subscription agreement held by D. E. Shaw Composite Portfolios, L.L.C., which is controlled by D. E. Shaw & Co., L.L.C., which is controlled by D. E. Shaw & Co. II, Inc., which in turn is wholly-owned by Dr. David Elliot Shaw, who controls D. E. Shaw & Co., Inc., which controls D. E. Shaw & Co., L.P., which in turn controlled D. E. Shaw & Co. (Asia Pacific) Limited. All of these companies and Dr. David Elliot Shaw are deemed under the SFO to be interested in such shares.
- (c) Yan Mengxiang is deemed to be interested in the 2,118,000,000 shares as it holds 49% of the issued share capital of Wanzaixingjun Investment Centre (Limited Partnership).
- (d) The percentage has been calculated based on the total number of 28,927,291,250 ordinary shares of the Company in issue as at 30 June 2016.

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

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at 30 June 2016, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## **RIGHTS TO ACQUIRE COMPANY'S SECURITIES**

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

## **CORPORATE GOVERNANCE**

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

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

Throughout the period under review, the Company has complied with most of the Code Provisions of the CG Code, save for the deviation of the Code Provisions A.4.1 which are explained below.

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to reelection. Except Mr. Lyu Wei and Mr. Ling Yu Zhang, as the independent non-executive Directors (the "INEDs") and Mr. Ni Xinguang, as the non-executive Director, all the non-executive Directors (the "NEDs") and the remaining INEDs are appointed for a specific term of three years. Although Mr. Lyu Wei, Mr. Ling Yu Zhang and Mr. Ni Xinguang are 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 report complies with Appendix 16 of the Listing Rules.

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and has discussed with the management, the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2016.

The Company's external auditor, PricewaterhouseCoopers Hong Kong has reviewed the interim financial information for the six months ended 30 June 2016 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors securities transactions. All the Directors of the Board have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2016.

## **ADVANCE TO AN ENTITY**

Reference is made to the announcement of the Company dated 31 May 2016 (the "Announcement"), and capitalised terms used in this section shall have the meanings as those defined in the Announcement.

On 31 May 2016, the Lender, a subsidiary of the Company, entered into the Loan Agreement with the Borrower, pursuant to which the Lender has agreed to provide the Term Loan to the Borrower. The interest of the Term Loan is at 10% per annum payable quarterly, and the Borrower shall repay the Term Loan, all unpaid interest accrued thereon and any other amounts due but unpaid under the Loan Agreement in full on the Maturity Date. The obligation of the Borrower under the Term Loan is (i) secured by a ship mortgage in respect of an oil and chemical tanker owned by the Borrower and a ship mortgage in respect of an oil and chemical tanker owned by Gaocheng, a wholly-owned subsidiary of the Borrower; and (ii) guaranteed by the Corporate Guarantee and the Personal Guarantee.

Please refer to the Announcement for further details of the Term Loan.

## OTHER INFORMATION

### Use of Proceeds from the Share Subscription

Reference is being made to the Company's announcement dated 11 August 2016.

This section is made by the Company to provide an update on (i) the use of proceeds from the Share Subscription, and (ii) the Company's cash level. All figures disclosed in this section in respect of the financial position of the Group have not been audited or otherwise reviewed by the auditor of the Company.

The Company's actual use of proceeds as at 30 June 2016 and corresponding explanations are set out in the table below:

Proposed Use of Proceeds	Proposed Amount to be used and time frame	Amount used as of 30 June 2016	Amount committed to be used for the next 12 months	Changes and explanations
To provide funding for clients under the Securities Margin Business	HK\$550 million (Fund to be allocated upon Closing)	HK\$330 million and HK\$220 million has been injected into the CM Securities (Hongkong) Company Limited ("CM Securities") for the purpose of the Securities and Futures Ordinance (Financial Resources) Rules	-	Utilised as intended
Facilitate dealing and settlement requirements for sales and trading	HK\$300 million (Upon Closing)	HK\$10 million has been allocated	-	Additional HK\$190 million has been allocated in July 2016. No material change from proposed use
Upgrading of IT system	HK\$40 million	HK\$0.5 million has been used	Agreed under legally binding contracts to pay a total of HK\$1.6 million in the next 12 months	No material change from proposed use
Recruitment of traders and new staff etc	HK\$70 million (as soon as practicable)	HK\$4.4 million has been used	Agreed under legally binding contracts to pay a total of HK\$27 million in the next 12 months	No material change from proposed use



Proposed Use of Proceeds	Proposed Amount to be used and time frame	Amount used as of 30 June 2016	Amount committed to be used for the next 12 months	Changes and explanations
Rental and refurbishment of office	HK\$40 million (as soon as practicable)	HK\$4.4 million has been used	Agreed under legally binding contracts to pay a total of HK\$4.5 million in the next 12 months	No material change from proposed use
Development of loan financing business	HK\$250 million (funds to be set aside immediately upon Closing)	HK\$1 billion has been lent to customers under the loan financing business	-	Actual usage is temporarily larger than proposed usage for cash management and return generation purpose
Expansion of asset management business	HK\$125 million (within first year)	HK\$5 million has been injected into the CM Asset Management (Hongkong) Company Limited ("CMAM") as issued capital for the purpose of the Securities and Futures Ordinance (Financial Resources) Rules	-	In progress of launching funds
Expansion of other lines of investment banking business	HK\$125 million (within first year)	-	-	In progress
Strategic investments and acquisitions etc	HK\$1.5 billion to HK\$2 billion (within first year)	-	-	Under the process of target identification
Establishment of principal trading	HK\$750 million to HK\$1.25 billion	HK\$1.98 billion has been used	-	Actual usage is temporarily larger than proposed usage for cash management and return generation purpose
General working capital	HK\$750 million	HK\$24 million have been used	Agreed under legally binding contracts to pay a total of HK\$20 million in the next 12 months	No material change from proposed use

### ***The Company's cash level***

As of 30 June 2016, the cash to total assets ratio of the Company is 42.18%.

As of 30 June 2016, the adjusted cash to total assets ratio of the Company is 31.80%. The adjusted cash to total asset ratio means the cash to total asset ratio adjusted for HK\$550 million and HK\$5 million that have been injected by the Company into CM Securities and CMAM, respectively, for the purpose of the Securities and Futures Ordinance (Financial Resources) Rules.

As of 30 June 2016, the adjusted cash to total assets ratio less cash that are under legally binding contracts that are to be made in the next 12 months is 30.81%.

### **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.

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 2016 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
Interest income	8	15,604	–
Commission and fee income	9	9,951	3,998
Net investment income	10	33,293	–
Income from trading of chemical materials		–	135,038
<b>Total revenue</b>	6	<b>58,848</b>	<b>139,036</b>
Commission expenses		(959)	(3,843)
Cost of chemical materials		–	(133,805)
		<b>57,889</b>	<b>1,388</b>
Other income		405	370
		<b>58,294</b>	<b>1,758</b>
<b>Expenses</b>			
Staff costs and related expenses		(19,299)	(4,993)
Premises expenses		(4,416)	(1,516)
Legal and professional fees		(4,172)	(1,250)
Depreciation		(445)	(109)
Information technology expenses		(241)	–
Net exchange loss		(7,135)	(42)
Other operating expenses		(10,669)	(6,073)
<b>Total operating expenses</b>		<b>(46,377)</b>	<b>(13,983)</b>

		Six months ended 30 June	
		2016	2015
	Note	HK\$'000	HK\$'000
<b>Operating profit/(loss)</b>	6	11,917	(12,225)
Share of post-tax loss of associates	15	(502)	–
<b>Profit/(loss) before tax</b>		11,415	(12,225)
Tax expenses	7	(2,527)	–
<b>Profit/(loss) for the period</b>		8,888	(12,225)
<b>Profit/(loss) attributable to:</b>			
— Owners of the Company		12,288	(8,671)
— Non-controlling interests		(3,400)	(3,554)
		8,888	(12,225)
		HK\$ Cents per share	HK\$ Cents per share
<b>Earnings/(loss) per share attributable to owners of the Company</b>			
<b>Basic earnings/(loss) per share</b>	12	0.04	(0.37)
<b>Diluted earnings/(loss) per share</b>	12	0.04	(0.37)

The notes on pages 27 to 48 form an integral part of these condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
<b>Profit/(loss) for the period</b>	8,888	(12,225)
<b>Other comprehensive income/ (expense)</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net change on fair value on available-for-sale financial assets, net of tax	8,113	–
Currency translation differences	(262)	(5)
<b>Other comprehensive income for the period, net of tax</b>	7,851	(5)
<b>Total comprehensive income for the period</b>	16,739	(12,230)
<b>Total comprehensive income for the period attributable to:</b>		
— Owners of the Company	14,993	(8,664)
— Non-controlling interests	1,746	(3,566)
	16,739	(12,230)

The notes on pages 27 to 48 form an integral part of these condensed consolidated financial statements.

## CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT 30 JUNE 2016

		30 June 2016 HK\$'000	31 December 2015 HK\$'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	3,268	1,954
Goodwill	14	15,871	15,871
Other intangible assets		500	500
Investments in associates	15	122,458	–
Rental and other deposits		1,368	1,048
Financial assets designated at fair value through profit or loss	16	268,399	–
Available-for-sale financial assets	17	195	199
<b>Total non-current assets</b>		<b>412,059</b>	<b>19,572</b>
<b>Current assets</b>			
Trade and other receivables		6,503	2,504
Margin client receivables		2,627	–
Available-for-sale financial assets	17	678,137	–
Loan receivables	18	1,080,000	–
Deposits with brokers		910,657	–
Pledged deposits		293	299
Cash and bank balances		2,254,115	5,062,465
<b>Total current assets</b>		<b>4,932,332</b>	<b>5,065,268</b>
<b>Total assets</b>		<b>5,344,391</b>	<b>5,084,840</b>

		30 June 2016 HK\$'000	31 December 2015 HK\$'000
	Note		
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	19	5,666,290	5,666,290
Other reserves		778,644	774,728
Accumulated losses		(1,135,539)	(1,147,827)
		5,309,395	5,293,191
Non-controlling interests		(251,796)	(253,542)
<b>Total equity</b>		<b>5,057,599</b>	<b>5,039,649</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	20	1,603	–
<b>Current liabilities</b>			
Trade payables		18,310	18,966
Payables to brokers		217,526	–
Accruals and other payables		44,073	26,110
Derivative financial instruments	21	2,655	–
Current tax liabilities		2,625	115
<b>Total current liabilities</b>		<b>285,189</b>	<b>45,191</b>
<b>Total liabilities</b>		<b>286,792</b>	<b>45,191</b>
<b>Total equity and liabilities</b>		<b>5,344,391</b>	<b>5,084,840</b>

The notes on pages 27 to 48 form an integral part of these condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company									
	Share capital	Share-based payments reserve	Special capital reserve	Foreign currency translation reserve	Statutory surplus reserve	Investment revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2016</b>	5,666,290	556	726,699	41,611	5,862	-	(1,147,827)	5,293,191	(253,542)	5,039,649
<b>Comprehensive income</b>										
Profit for the period	-	-	-	-	-	-	12,288	12,288	(3,400)	8,888
<b>Other comprehensive income</b>										
Available-for-sale financial assets (net of tax):										
— Change in fair value	-	-	-	-	-	11,396	-	11,396	-	11,396
— Transferred to profit or loss upon disposal	-	-	-	-	-	(3,283)	-	(3,283)	-	(3,283)
Currency translation differences	-	-	-	(5,408)	-	-	-	(5,408)	5,146	(262)
<b>Total comprehensive income for the period ended 30 June 2016</b>	-	-	-	(5,408)	-	8,113	12,288	14,993	1,746	16,739
<b>Total transactions with owners, recognised directly in equity</b>										
Recognition of share-based payments	-	1,211	-	-	-	-	-	1,211	-	1,211
<b>Balance at 30 June 2016</b>	5,666,290	1,767	726,699	36,203	5,862	8,113	(1,135,539)	5,309,395	(251,796)	5,057,599



FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Attributable to owners of the Company										
	Note	Share-based payments		Special capital	Foreign currency translation	Statutory surplus	Investment revaluation	Accumulated losses	Total	Non-controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	reserve	reserve	reserve	reserve	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 January 2015</b>		574,117	13,253	726,699	52,081	5,862	-	(1,119,361)	252,651	(248,823)	3,828
<b>Total comprehensive income for the period ended 30 June 2015</b>		-	-	-	7	-	-	(8,671)	(8,664)	(3,566)	(12,230)
<b>Total transactions with owners, recognised directly in equity</b>											
Transfers		-	(114)	-	-	-	-	114	-	-	-
Issue of shares	19	52,440	-	-	-	-	-	-	52,440	-	52,440
Issue of shares under share option scheme (Note 25)		1,258	(1,258)	-	-	-	-	-	-	-	-
<b>Total transactions with owners, recognised directly in equity</b>		53,698	(1,372)	-	-	-	-	114	52,440	-	52,440
<b>Balance at 30 June 2015, restated (Note 26)</b>		627,815	11,881	726,699	52,088	5,862	-	(1,127,918)	296,427	(252,389)	44,038

The notes on pages 27 to 48 form an integral part of these condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
<b>Cash flows used in operating activities</b>	(953,875)	(9,634)
Interest received from loans	32,888	–
Loan to borrowers	(1,247,000)	–
Loan arrangement fee received	4,150	–
Cash received from repayment of loans	167,000	–
Margin loans to borrowers	(2,627)	–
Purchases of available-for-sale financial assets	(618,112)	–
Purchases of financial assets at fair value to profit or loss	(240,000)	–
Proceeds from disposals of available-for-sale financial assets	169,013	–
Proceeds from disposals of derivative financial instruments	5,753	–
<b>Net cash flows used in operating activities</b>	<b>(2,682,810)</b>	<b>(9,634)</b>
<b>Cash flows (used in)/from investing activities</b>		
Consideration paid on acquisition of an associate	(122,960)	–
Purchases of property, plant and equipment	(1,794)	(38)
Proceeds on disposal of property, plant and equipment	77	99
Other investing cash flows	–	147
<b>Net cash flows (used in)/from investing activities</b>	<b>(124,677)</b>	<b>208</b>
<b>Cash flows from financing activity</b>		
Proceeds from issue of shares	–	52,440
<b>Net cash flows from financing activity</b>	<b>–</b>	<b>52,440</b>

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
<b>Net (decrease)/increase in cash and cash equivalents</b>	(2,807,487)	43,014
Cash and cash equivalents at the beginning of the period	5,062,465	29,567
Exchange loss	(863)	(1)
<b>Cash and cash equivalents at end of the period</b>	<b>2,254,115</b>	<b>72,580</b>
<b>Representing:</b>		
<b>Cash and bank balances</b>	<b>2,254,115</b>	<b>72,580</b>

The notes on pages 27 to 48 form an integral part of these condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### 1 General information

China Minsheng Financial Holding Corporation Limited (the "Company") and its subsidiaries (together, 'the Group') was incorporated in Hong Kong with limited liability. The address of its registered and business office is Unit A02, 11/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. The condensed consolidated financial statements were authorised for issue on 22 August 2016.

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

The Company is an investment holding company. The principal activities of its principal subsidiaries include investment holding, provision of asset management services, consultancy services, financing services, insurance agency services, securities advisory, securities brokerage services. The Group has been inactive in the trading of chemical materials during the period.

This condensed consolidated financial statements is presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

The financial information relating to the year ended 31 December 2015 that is included in the condensed consolidated financial statements for the six months ended 30 June 2016 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 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

During the six months ended 30 June 2016, the Group partially utilised the proceeds from the subscription of new shares of the Company by CMI Financial Holding Corporation during 2015, details of which are disclosed in the Other Information session.

## 2 Basis of preparation

This condensed consolidated financial statements for the six months ended 30 June 2016 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with HKFRSs.

## 3 Accounting policies

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2015, as described in those annual consolidated financial statements except for the accounting policies adopted by the Group (note 3.1) with effective 1 January 2016 due to new businesses commenced during the period and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2016 (Note 3.2).

During the period, management performed a review of the nature of the Group's principal activities and their presentation in the Group's condensed consolidated financial statements. As a result of the review, management considered that the Group has started to develop new businesses in relation to financial services and other products. Management considered that a presentation of revenue, other income and expenses by nature would enhance the relevance and usefulness for the users of the Group's condensed consolidated financial statements. Accordingly, presentation of turnover, income, cost of sales and services and expenses for prior period's are changed to conform with the current period's presentation. Management also considered that the revised presentation manner is more consistent with the current market practice. There is no impact on the profit or loss, basic and diluted earnings or loss per share for the prior period.

### 3.1 New accounting policies effective from 1 January 2016

#### 3.1.1 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) Interest income includes interest income from money lending business, bank deposits and margin lending. Interest income for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within "interest income" in the income statement using the effective interest method.

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

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

### **3 Accounting policies (Continued)**

#### **3.1 New accounting policies effective from 1 January 2016 (Continued)**

##### *3.1.1 Revenue recognition (Continued)*

- (ii) Commission and fee income includes brokerage commission income, loan arrangement fee income and insurance agency income.

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

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

Insurance agency income are recognised as revenue when the corresponding services are rendered.

##### *3.1.2 Investment and other financial assets*

###### *Initial recognition and measurement*

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

The Group's financial assets include trade and other receivables, available-for-sale financial assets, financial assets at fair value through profit or loss, loan receivables, deposits with brokers, pledged deposits and cash and cash equivalents.

### 3 Accounting policies (Continued)

#### 3.1 New accounting policies effective from 1 January 2016 (Continued)

##### 3.1.2 Investment and other financial assets (Continued)

###### Subsequent measurement

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

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

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

- ii. Loans and receivables  
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment on loans and receivables is recognised in profit or loss.

### 3 Accounting policies (Continued)

#### 3.1 New accounting policies with effective from 1 January 2016 (Continued)

##### 3.1.2 Investment and other financial assets (Continued)

Subsequent measurement (Continued)

##### iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

##### 3.1.3 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.



### 3 Accounting policies (Continued)

#### 3.1 New accounting policies with effective from 1 January 2016 (Continued)

##### 3.1.3 Impairment of financial assets (Continued)

###### Financial assets carried at amortised cost (Continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

###### Available-for-sale financial assets

A significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

##### 3.1.4 Derivative financial instruments

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

### 3 Accounting policies (Continued)

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

(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. The Directors of the Group are yet to assess HKFRS 9's full impact.

(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 Directors of the Group are assessing the impact of HKFRS 15.

### 3 Accounting policies (Continued)

#### 3.2 Impact of standards issued but not yet applied by the entity (Continued)

##### (iii) HKFRS 16 Leases

IFRS/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 IFRS/HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS/HKAS 17 'Leases', and related interpretations. The Directors of the Group are assessing the impact of HKFRS 16.

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 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 2015; with the exception of changes in estimates that are required in determining the follows:

##### *Impairment allowances on loans receivables*

The Group reviews its loan receivables from money lending business to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a loan receivable before the decrease can be identified with an individual loan receivable. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group. Management uses estimates based on historical loss experience as far as practicable for assets with credit risk characteristics and objective evidence of impairment similar to those in the loan receivables when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly.

##### *Income tax provision*

Income tax provision is provided when it is probable that the profit generated in operations is subject to the income or profit tax in accordance to the tax laws which the Company and its subsidiaries operate. Significant management estimate is required to determine the chargeability of the profits generated according to the Inland Revenue Ordinance of Hong Kong. Management of the Group considers all relevant facts including composition of the Board of Directors, central management and controls, and domicile of the Group's entities based on the circumstances of the Group's operations.

## 5 Financial risk management and financial instruments

### 5.1 Fair value of financial assets and liabilities

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2016.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Available-for-sale financial assets				
— Listed equity securities in Hong Kong	482,746	—	—	482,746
— Unlisted equity securities	—	195,586	—	195,586
Financial assets designated at fair value to profit or loss				
— Unlisted investment fund	—	268,399	—	268,399
<b>Total assets</b>	<b>482,746</b>	<b>463,985</b>	<b>—</b>	<b>946,731</b>
<b>Liabilities</b>				
Derivative financial instruments				
— Unlisted options in Hong Kong	—	2,655	—	2,655
<b>Total liabilities</b>	<b>—</b>	<b>2,655</b>	<b>—</b>	<b>2,655</b>

## 5 Financial risk management and financial instruments (Continued)

### 5.1 Fair value of financial assets and liabilities (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2015.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
Available-for-sale financial assets				
— Unlisted equity securities	—	199	—	199

There were no transfers between fair value levels during the period.

There were no other changes in valuation techniques during the period.

### 5.2 Valuation techniques used to derive Level 2 fair values

Level 2 unlisted equity securities comprise unlisted shares in a private company undergoing an initial public offering through a reputable underwriter. These unlisted equity securities have been measured at value using observable market prices.

Level 2 unlisted investment fund comprise shares in an investment fund that are stated with reference to the net asset value provided by the respective administrator of the investment fund as determined by the Directors. If the net asset value of the investment funds is not available or the Directors consider that such net asset value is not reflective of fair value, the Directors may exercise their judgement and discretion to determine the fair value of the investment funds. The Directors consider that the above valuation approach is the best estimate of fair value of the investment funds.

## 5 Financial risk management and financial instruments (Continued)

### 5.3 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:

- Trade and other receivables
- Margin client receivables
- Loan receivables
- Deposits with brokers
- Cash and bank balances
- Trade and other payables
- Payables to brokers
- Pledged deposits

## 6 Segment information

The Group is principally engaged in the investment holding, provision of asset management services, consultancy services, financing services, insurance agency services, securities advisory, securities brokerage services. The Group has been inactive in the trading of chemical materials during the period.

The 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”), financing services (“Money lending”), securities brokerage services (“Securities brokerage”), insurance agency services (“Insurance agency”), investment holding (“Investment holding”), trading of chemical materials (“Trading of chemical materials”) and other corporate and business activities (“Others”).

Each of the Group’s operating segments represents a strategic business unit that is managed by different business unit leaders. Information provided to the CODM is measured in a manner consistent with that in the condensed consolidated financial statements.

## 6 Segment information (Continued)

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2016 and 2015 is as follows:

### 30 June 2016

	Asset Management HK\$'000	Money lending HK\$'000	Securities brokerage HK\$'000	Investment holding HK\$'000	Insurance agency HK\$'000	Trading of chemical materials HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from external customers	-	16,658	5,427	33,293	379	-	3,091	58,848
Segment profit/(loss)	(3,571)	12,717	850	29,767	(173)	-	(27,673)	11,917

### 30 June 2015

	Asset Management HK\$'000	Money lending HK\$'000	Securities brokerage HK\$'000	Investment holding HK\$'000	Insurance agency HK\$'000	Trading of chemical materials HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from external customers	-	-	-	-	3,998	135,038	-	139,036
Segment profit/(loss)	-	-	-	-	(291)	1,233	(13,167)	(12,225)

The segment information provided to the CODM for the reportable segments as at 30 June 2016 and 31 December 2015 is as follows:

	Asset Management HK\$'000	Money lending HK\$'000	Securities brokerage HK\$'000	Insurance agency HK\$'000	Investment holding HK\$'000	Trading of chemical materials HK\$'000	Others HK\$'000	Total HK\$'000
<b>Total assets</b>								
At 30 June 2016	2,705	1,094,468	560,317	316	1,129,850	1,292	2,555,443	5,344,391
<b>Total assets</b>								
At 31 December 2015	-	-	10,247	1,607	-	5,233	5,067,753	5,084,840

## 7 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

The PRC Enterprise Income Tax rate is 25% (2015: 25%). The Group's PRC subsidiaries do not have any assessable profits during the period (2015: Nil).

No provision for deferred taxation has been made for both periods ended 30 June 2016 and 2015 as the tax effect of all temporary differences is not material.

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Current income tax		
— Hong Kong profits tax	2,527	—

## 8 Interest income

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interest income from money lending business	12,508	—
Interest income from bank deposits	3,091	—
Interest income from margin lending business	5	—
	15,604	—

## 9 Commission and fee income

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Commission income from securities brokerage	5,422	—
Loan arrangement fee income	4,150	—
Insurance agency service income	379	3,998
	9,951	3,998



## 10 Net investment income

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Net gain on financial assets designated at fair value through profit or loss	30,010	–
Gain on disposal of available-for-sale financial assets	3,283	–
	<u>33,293</u>	<u>–</u>

## 11 Dividends

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## 12 Earnings/(loss) per share

### *Basic earnings/(loss) per share*

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2016	2015
<b>Earnings/(loss)</b>		
Profit/(loss) for the period attributable to owners of the Company (HK\$'000)	12,288	(8,671)
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue (in thousands)	28,927,291	2,340,619
Basic earnings/(loss) per share (HK cents per share)	0.04	(0.37)

## 12 Earnings/(loss) per share (Continued)

### *Diluted earnings/(loss) per share*

The effect of all potential ordinary shares are dilutive for the six months ended 30 June 2016. Diluted profit/(loss) per share is presented as the Company as follows:

	Six months ended 30 June	
	2016	2015
<b>Earnings/(loss)</b>		
Profit/(loss) for the period attributable to owners of the Company (HK\$'000)	12,288	(8,671)
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue (in thousands)	28,927,291	2,340,619
Effect of dilutive potential ordinary shares (in thousands):		
— Share options (Note a) (in thousands)	1,428	—
	28,928,719	2,340,619
Diluted earnings/(loss) per share (HK cents per share)	0.04	(0.37)

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

## 13 Property, plant and equipment

During the period, the Group incurred approximately HK\$1,794,000 (six months ended 30 June 2015: HK\$38,000) on additions to and HK\$77,000 (six months ended 30 June 2015: HK\$99,000) on disposals from fixed assets.

## 14 Goodwill

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

	As at	
	30 June 2016 HK\$'000	31 December 2015 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
	<b>15,871</b>	<b>15,871</b>

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, growth rates and budgeted gross margin and turnover 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. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3.25% and discount rate of approximately 20%. This rate does not exceed the average long-term growth rate for the relevant markets.

There were no changes in valuation techniques during the period.

## 15 Investment in associates

On 28 April 2016, the Company invested in 30% equity interest of Grand Flight Holding Company Limited and 30% limited partnership interest of Grand Flight Hooyoung Investment L.P. respectively.

The total cash consideration for the investment was US\$15,846,794 (approximately HK\$122,960,000) for Grand Flight Holding Company Limited and Grand Flight Hooyoung Investment L.P.

	Six months ended 30 June 2016 HK\$'000
Beginning of the period	–
Addition	122,960
Share of post-tax loss of associates	(502)
	<hr/>
	122,458
	<hr/>

The Group's share of the results in Grand Flight Holding Company Limited and Grand Flight Hooyoung Investment L.P. and their aggregated assets and liabilities are shown below:

	Six months ended 30 June 2016 HK\$'000
Assets	417,467
Liabilities	(5,474)
Revenues	3,801
Share of loss	(502)
	<hr/>
Percentage held	30%
	<hr/>

	As at	
	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Unfunded capital commitments to investment in associates	109,801	–
	<hr/>	<hr/>

## 16 Financial assets at fair value through profit or loss

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

	As at	
	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Unlisted investment fund	268,399	–
	268,399	–

## 17 Available-for-sale financial assets

Available-for-sale financial assets include the following:

	As at	
	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Listed equity securities — Hong Kong	482,746	–
Unlisted equity securities — Hong Kong	195,391	–
Unlisted equity securities — PRC	195	199
	678,332	199
Classified under:		
Non-current assets	195	199
Current assets	678,137	–
	678,332	199

## 18 Loan receivables

As at 30 June 2016, these loans receivable bear interest at fixed rate ranged from 8.5% to 30% per annum (31 December 2015: Nil). Interest income derived from loan receivables was recognised and presented under "Interest income from money lending business" (Note 8). The carrying value of the loan receivables approximate to their fair values. As at 30 June 2016, the loan receivables are neither past due nor impaired.

## 19 Share capital

*Ordinary shares, issued and fully paid:*

	Number of shares '000	Share capital HK\$'000
<b>At 1 January 2015</b>	2,308,331	574,117
Issue of shares on placement and subscription (Note (a))	26,399,360	5,042,258
Proceeds from shares issued — employee share option scheme (Note (b))	219,600	49,915
<b>At 31 December 2015, 1 January 2016 and 30 June 2016</b>	28,927,291	5,666,290

- (a) On 22 April 2015, the Company, Group First Limited (“Group First” i.e. a former shareholder of the Company) and a placing agent entered into a placing and subscription agreement, pursuant to which Group First agreed to place and the placing agent agreed to procure not less than six placees to purchase 83,360,000 shares at a placing price of HK\$0.6 per share from Group First, and Group First agreed to subscribe new shares equivalent to the number of placing shares of 83,360,000 shares at a subscription price equivalent to the placing price of HK\$0.6 per share from the Company. The placing and subscription was completed on 5 May 2015, and net proceeds of approximately HK\$48,706,000 were credited to the Company’s share capital.

On 18 June 2015, the Company entered into share subscription agreement with CMI Financial Holding Corporation (“CMI”) and other investors, pursuant to which the Company has conditionally agreed to allot and issue 26,316,000,000 shares to CMI and other investors at a subscription price of HK\$0.19 per share. On 11 December 2015, 26,316,000,000 shares were allotted and issued upon completion of share subscription, and net proceeds of approximately HK\$4,993,552,000 were credited to the Company’s share capital.

## 19 Share capital (Continued)

- (b) During the year ended 31 December 2015, 219,600,000 shares of the Company were issued under share option scheme as follows:

Issue date	Exercise price	Number of shares '000	Net proceeds HK\$'000
	HK\$		
12 May 2015	0.17	21,960	3,733
7 July 2015	0.17	43,920	7,467
7 August 2015	0.17	21,960	3,733
31 August 2015	0.17	21,960	3,733
24 September 2015	0.17	21,960	3,733
5 November 2015	0.17	65,880	11,200
31 December 2015	0.17	21,960	3,733
		219,600	37,332

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 first half year of 2015, approximately HK\$1,258,000 was credited to the Company's share capital and approximately HK\$11,325,000 was credited to the Company's share capital during the second half year of 2015. Total amount of approximately HK\$12,583,000 was credited to the Company's share capital for the year ended 31 December 2015.

## 20 Deferred tax liabilities

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

	As at	
	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Opening balance at 1 January	–	–
Charged to other comprehensive income	1,603	–
Closing balance at 30 June	1,603	–

## 21 Derivative financial instruments

Derivative financial instruments include the following:

	As at 30 June 2016		As at 31 December 2015	
	Notional amount HK\$'000	Fair value HK\$'000	Notional amount HK\$'000	Fair value HK\$'000
Written put options	61,836	2,655	–	–

## 22 Related party transactions

The following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related companies.

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Rental income from related companies (Note)	–	29
Commission income from the immediate holding company	5,410	–

Note: Mr. Ni Xinguang, a non-executive director of the Company, has beneficial interests in these related parties

Key management compensation amounted to approximately HK\$8,737,000 for the six month ended 30 June 2016 (30 June 2015: HK\$940,000). See below

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Salaries and other short-term benefits	7,526	940
Share-based payments	1,211	–
	8,737	940



### **23 Litigation**

During the year ended 31 December 2015, five suppliers (the “Plaintiffs”) filed petitions to the courts in Shanghai against a subsidiary of the Company for settlement of trade debts of approximately RMB8,431,000 (equivalent to approximately HK\$10,016,000) in aggregate. All hearings (including appeals) had been held and the verdicts were in favor of the Plaintiffs.

As the claims of RMB8,431,000 have been fully recognised in these condensed consolidated financial statements, the directors do not expect further material commitment on these litigations.

### **24 Contingent liabilities**

There are no contingent liabilities relating to the Group as at 30 June 2016 (at 31 December 2015: Nil).

### **25 Comparative figures**

The exercise of 21,960,000 share options on 12 May 2015 resulted in transfer of share based payment reserve of HK\$1,258,000 to share capital which was not presented in the unaudited condensed consolidated financial statements for the six months ended 30 June 2015. As a result, the share capital and the share based payment reserve as at 30 June 2015 were restated in the condensed consolidated statement of changes in equity.

### **26 Events after the reporting period**

On 11 August 2016, the Company has entered into a subscription agreement with PACM Investment Funds SPC (“PACM”), pursuant to which the Company agreed to subscribe for 58,200 participating shares at a total consideration of US\$75 million in a segregated portfolio of PACM.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



羅兵咸永道

## TO THE BOARD OF DIRECTORS OF CHINA MINSHENG FINANCIAL HOLDING CORPORATION LIMITED

*(incorporated in Hong Kong with limited liability)*

### INTRODUCTION

We have reviewed the condensed consolidated financial statements set out on pages 18 to 48, which comprises the condensed consolidated balance sheet of China Minsheng Financial Holding Corporation Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2016 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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## **SCOPE OF REVIEW**

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

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 22 August 2016