

# 中民金融

CMFinancial

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

(Incorporated in Hong Kong with limited liability)

Stock Code: 245

# 2018

INTERIM REPORT

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## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

Wang Dongzhi (*Chairman*) (*Promoted as Chairman on 17 August 2018*)

Ni Xinguang (*Vice Chairman*)

Zheng Li (*Acting Chief Executive Officer*)  
(*Appointed as Executive Director on 30 July 2018 and appointed as Acting Chief Executive Officer on 17 August 2018*)

Li Wei (*Executive Vice President*)  
(*Appointed as Executive Director on 30 July 2018 and appointed as Executive Vice President on 17 August 2018*)

Chen Guogang (*Resigned as Chairman and Executive Director on 17 August 2018*)

Feng Xiaoying (*Resigned as Deputy Chief Executive Officer and Executive Director on 9 February 2018*)

#### Non-executive Directors

Ma Jianting

#### Independent Non-executive Directors

Chen Johnny

Lyu Wei

Ling Yu Zhang

Guan Tao

#### Audit Committee

Chen Johnny (*Chairman*)

Lyu Wei

Ling Yu Zhang

Guan Tao

#### Nomination Committee

Lyu Wei (*Chairman*)

Chen Johnny

Ling Yu Zhang

Guan Tao

#### Remuneration Committee

Chen Johnny (*Chairman*)

Lyu Wei

Ling Yu Zhang

Guan Tao

#### Strategy Execution Committee

(Formerly known as Strategy Committee)

Wang Dongzhi (*Chairman*) (*Promoted as chairman on 17 August 2018*)

Ni Xinguang

Zheng Li (*Appointed on 17 August 2018*)

Li Wei (*Appointed on 17 August 2018*)

Chen Guogang (*Resigned as Chairman on 17 August 2018*)

Feng Xiaoying (*Resigned on 9 February 2018*)

#### Company Secretary

Wong Choi Chak

Pak Chung Yin (*Resigned on 16 February 2018*)

### **Principal Bankers**

Bank of China (Hong Kong) Limited  
China Construction Bank Corporation  
China Merchants Bank, Hong Kong Branch  
China Merchants Bank, Off-shore Banking  
Department  
DBS Bank (Hong Kong) Limited  
Industrial Bank Co., Ltd.  
Ping An Bank

### **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

### 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 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 follows:

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 a 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 HK\$'000	31 December 2017 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).

On behalf of the Board

**China Minsheng Financial Holding Corporation Limited**

**Wang Dongzhi**

*Chairman and executive director*

Hong Kong, 31 August 2018

## DIRECTORS' INTEREST IN SHARES

As at 30 June 2018, 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 28,928,719,250 ordinary shares of the Company in issue as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, 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 2018, 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 2018 and assume that no further share options are to be granted in the six months to 31 December 2018, no further share option cost will be charged to the statement of profit or loss as share option expense.

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

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2018, 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 Group Corporation Ltd. (formerly known as China Minsheng Investment Corporation Ltd.)	Interests of a controlled corporation (Note (a))	14,464,590,000	50%
CMI Financial Holding Company Limited	Beneficial owner (Note (a))	14,464,590,000	50%
China Minsheng Asia Asset Management Co, Ltd (formerly known as Minsheng (Shanghai) Assets Management Company Limited)	Interests of a controlled corporation (Note (a))	14,464,590,000	50%
VMS Investment Group Limited	Investment Manager (Note (b))	2,389,910,000	8.26%
New Jargon Limited	Interests of a controlled corporation (Note (b))	2,389,910,000	8.26%
Gold Legend Global Limited	Beneficial owner (Note (b))	2,389,910,000	8.26%
Mak Siu Hang Viola	Interests of a controlled corporation (Note (b))	2,389,910,000	8.26%
Wanzaixingjun Investment Center (Limited Partnership)	Beneficial owner (Note (c))	1,993,600,000	6.89%
Yan Mengxiang	Investment Manager (Note (c))	1,993,600,000	6.89%

Notes:

- (a) The shares of the Company are held by CMI Financial Holding Company Limited, which is wholly owned by China Minsheng Asia Asset Management Co, Ltd. China Minsheng Asia Asset Management Co, Ltd is wholly owned by China Minsheng Investment Group Corporation Limited.
- (b) The interests in shares represent the shares acquired by Gold Legend Global Limited, which is wholly owned by New Jargon Limited, which is wholly owned by VMS Investment Group Limited, and which in turn is wholly-owned by Ms. Mak Siu Hang Viola. All these companies and Ms. Mak Siu Hang Viola are deemed under the SFO to be interested in such shares.
- (c) Yan Mengxiang is deemed to be interested in the 1,993,600,000 shares as he holds 75% of the issued share capital of Wanzaixingjun Investment Centre (Limited Partnership).
- (d) The percentage has been calculated based on the total number of 28,928,719,250 ordinary shares of the Company in issue as at 30 June 2018.

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 2018, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.





## RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the sections headed "Directors' Interest in Shares" and "Share Options" 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 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 reelection. 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 reelection 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 2018.

The Company's external auditor, PricewaterhouseCoopers Hong Kong has reviewed the interim financial information 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 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 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.

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

	Note	Six months ended 30 June	
		2018 HK\$'000	2017 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
<b>Total revenue</b>	6	<b>307,519</b>	242,940
Commission expenses		(23)	(109)
		<b>307,496</b>	242,831
Other income		20,935	6
		<b>328,431</b>	242,837
<b>Expenses</b>			
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	19	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)
<b>Total operating expenses</b>		<b>(113,037)</b>	(90,491)

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

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
<b>Profit for the period</b>	<b>175,529</b>	112,310
<b>Other comprehensive income</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	–	126,336
Currency translation differences	(1,737)	6,014
<i>Items that will not be reclassified to profit or loss</i>		
Change in fair value of financial assets at fair value through other comprehensive income	(41,008)	–
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>(42,745)</b>	132,350
<b>Total comprehensive income for the period</b>	<b>132,784</b>	244,660
<b>Total comprehensive income for the period attributable to:</b>		
— Owners of the Company	131,383	253,066
— Non-controlling interests	1,401	(8,406)
	<b>132,784</b>	244,660

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 30 JUNE 2018

		<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
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	16	486,770	1,659,513
Financial assets at fair value through other comprehensive income	17	240,434	–
Available-for-sale financial assets	18	–	623,844
<b>Total non-current assets</b>		<b>933,816</b>	2,480,200
<b>Current assets</b>			
Margin receivables and other trade receivables		395,814	445,365
Available-for-sale financial assets	18	–	407,509
Financial assets at fair value through profit or loss	16	2,519,177	33,900
Loan and interest receivables	19	990,160	1,323,926
Deferred tax assets	21	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
<b>Total current assets</b>		<b>5,055,154</b>	3,678,303
<b>Total assets</b>		<b>5,988,970</b>	6,158,503

		<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	20	5,667,546	5,667,546
Other reserves		745,858	784,797
Accumulated losses		(756,202)	(918,861)
		<b>5,657,202</b>	5,533,482
Non-controlling interests		(256,946)	(258,347)
<b>Total equity</b>		<b>5,400,256</b>	5,275,135
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Note payable	23	–	349,200
Derivative financial instruments	22	–	7,690
<b>Total non-current liabilities</b>		–	356,890
<b>Current liabilities</b>			
Note payable	23	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	22	8,280	383
Current tax liabilities		37,598	30,835
Deferred tax liabilities	21	99	–
<b>Total current liabilities</b>		<b>588,714</b>	526,478
<b>Total liabilities</b>		<b>588,714</b>	883,368
<b>Total equity and liabilities</b>		<b>5,988,970</b>	6,158,503

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



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

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to owners of the Company									
	Share-based payments		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>At 31 December 2017</b>	5,667,546	9,023	726,699	49,412	5,862	(6,199)	(918,861)	5,533,482	(258,347)	5,275,135
Impact on transition to HKFRS 9 (Note 3.2)	-	-	-	-	-	6,199	(12,964)	(6,765)	-	(6,765)
<b>At 1 January 2018</b>	5,667,546	9,023	726,699	49,412	5,862	-	(931,825)	5,526,717	(258,347)	5,268,370
<b>Comprehensive income</b>										
Profit for the period	-	-	-	-	-	-	176,361	176,361	(832)	175,529
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	(41,008)	-	(41,008)	-	(41,008)
Appropriation of surplus reserves	-	-	-	-	738	-	(738)	-	-	-
<b>Other comprehensive income</b>										
Currency translation difference	-	-	-	(3,970)	-	-	-	(3,970)	2,233	(1,737)
<b>Total comprehensive income for period ended 30 June 2018</b>	-	-	-	(3,970)	738	(41,008)	175,623	131,383	1,401	132,784
<b>Total transactions with owners, recognised directly in equity</b>										
Recognition of share-based payments	-	(898)	-	-	-	-	-	(898)	-	(898)
<b>At 30 June 2018</b>	5,667,546	8,125	726,699	45,442	6,600	(41,008)	(756,202)	5,657,202	(256,946)	5,400,256

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the Company											
	Share-based payments		Special capital reserve	Foreign currency translation		Statutory surplus reserve	Investment revaluation		Accumulated losses	Total	Non-controlling interests	Total equity
	Share capital	reserve		reserve	reserve		reserve	reserve				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>At 1 January 2017</b>	5,667,546	6,389	726,699	20,075	5,862	(54,422)	(1,110,894)	5,261,255	(244,511)	5,016,744		
<b>Comprehensive income</b>												
Profit for the period	-	-	-	-	-	-	115,026	115,026	(2,716)	112,310		
<b>Other comprehensive income</b>												
Available-for-sale financial assets (net of tax):												
— Change in fair value	-	-	-	-	-	196,395	-	196,395	-	196,395		
— Transferred to profit or loss upon disposal	-	-	-	-	-	(76,709)	-	(76,709)	-	(76,709)		
— Impairment losses	-	-	-	-	-	6,650	-	6,650	-	6,650		
Currency translation difference	-	-	-	11,704	-	-	-	11,704	(5,690)	6,014		
<b>Total comprehensive income for period ended 30 June 2017</b>	-	-	-	11,704	-	126,336	115,026	253,066	(8,406)	244,660		
<b>Total transactions with owners, recognised directly in equity</b>												
Recognition of share-based payments	-	6,061	-	-	-	-	-	6,061	-	6,061		
<b>At 30 June 2017</b>	5,667,546	12,450	726,699	31,779	5,862	71,914	(995,868)	5,520,382	(252,917)	5,267,465		

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
<b>Cash flows used in operating activities</b>	<b>564,938</b>	337,406
Purchases of available-for-sale financial assets	–	(939,513)
Purchases of financial assets at fair value through profit or loss	(602,919)	(1,138,500)
Proceeds from disposals of available-for-sale financial assets	–	1,088,347
Proceeds from disposals of financial assets at fair value through profit or loss	196,408	101,468
Proceeds from disposals of derivative financial instruments	107	4,141
Dividend received	54,964	4,256
Bank and other interest received	75,463	86,699
Interest paid	(17,099)	(19,213)
Income tax paid	(17,836)	(1,475)
<b>Net cash flows from/(used in) operating activities</b>	<b>254,026</b>	(476,384)
<b>Cash flows used in investing activities</b>		
Increase in investment in associates	–	(42,000)
Purchases of property, plant and equipment	(1,284)	(222)
<b>Net cash flows used in investing activities</b>	<b>(1,284)</b>	(42,222)
<b>Cash flows from financing activities</b>		
Proceeds from loan payables	–	89,861
Proceeds from bank borrowing	150,000	200,000
Repayment of bank borrowing	(444,888)	–
<b>Net cash flows (used in)/from financing activities</b>	<b>(294,888)</b>	289,861

	Six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
<b>Net decrease in cash and cash equivalents</b>	<b>(42,146)</b>	(228,745)
Cash and cash equivalents at the beginning of the period	1,137,535	1,428,308
Exchange gains/(losses) on cash and cash equivalents	(11,718)	8,332
<b>Cash and cash equivalents at end of the period</b>	<b>1,083,671</b>	1,207,895
<b>Analysis of the balances of cash and cash equivalents:</b>		
<b>Cash and bank balances</b>	<b>1,083,671</b>	1,207,895

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

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

### 1 General information

China 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 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 were 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”).

## **2 Basis of preparation (Continued)**

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. PwC's independent review report to the Board of Directors is included on page 47.

## **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.

### 3 Accounting policies (Continued)

#### 3.1 New accounting policy adopted by the Group during the six months ended 30 June 2018 (Continued)

Standards applied during the half-year to 30 June 2018 (Continued)

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 HKK\$'000	New carrying amount under HKFRS 9 HKK\$'000
<b>Non-current assets</b>				
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
<b>Current assets</b>				
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



### 3 Accounting policies (Continued)

#### 3.1 New accounting policy adopted by the Group during the six months ended 30 June 2018 (Continued)

Standards applied during the half-year to 30 June 2018 (Continued)

- (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.

### 3 Accounting policies (Continued)

#### 3.1 New accounting policy adopted by the Group during the six months ended 30 June 2018 (Continued)

##### *Summary of significant accounting policies (Continued)*

(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”.

### 3 Accounting policies (Continued)

#### 3.1 New accounting policy adopted by the Group during the six months ended 30 June 2018 (Continued)

##### *Summary of significant accounting policies (Continued)*

(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 Accounting policies (Continued)**

#### **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 result 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 Financial risk management and financial instruments (Continued)

### 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
	<b>551,017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>551,017</b>

#### 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
	<b>441,700</b>	<b>34,949</b>	<b>401,104</b>	<b>-</b>	<b>877,753</b>

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

### 5.3 Fair value of financial assets and liabilities

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

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

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
— 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
<b>Financial assets at fair value through other comprehensive income</b>				
— Unlisted investment fund	—	240,434	—	240,434
<b>Total</b>	<b>260,487</b>	<b>469,699</b>	<b>2,516,195</b>	<b>3,246,381</b>
<b>Liabilities</b>				
<b>Derivative financial instruments</b>				
— Equity swap	—	(590)	—	(590)
— Total return swap	—	(7,690)	—	(7,690)
<b>Total</b>	<b>—</b>	<b>(8,280)</b>	<b>—</b>	<b>(8,280)</b>

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

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

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
— 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
<b>Available-for-sale financial assets</b>				
— 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
<b>Total</b>	<b>266,907</b>	<b>525,725</b>	<b>1,932,134</b>	<b>2,724,766</b>
<b>Liabilities</b>				
<b>Derivative financial instruments</b>				
— Equity swap	—	(383)	—	(383)
— Total return swap	—	(7,690)	—	(7,690)
<b>Total</b>	<b>—</b>	<b>(8,073)</b>	<b>—</b>	<b>(8,073)</b>

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.

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

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

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:

	June 2018 HK\$'000	December 2017 HK\$'000
<b>Opening balance as at beginning of the period/year</b>	<b>1,932,134</b>	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
<b>Closing balance as at period/year end</b>	<b>2,571,129</b>	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 Financial risk management and financial instruments (Continued)

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

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

- Margin receivables and other trade receivables
- 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	20,643	58,403	-	3,299	82,353
Depreciation and amortisation	(24)	(150)	-	-	(2,100)	(2,274)

## 6 Segment information (Continued)

### 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	2017
	HK\$'000	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
	<b>82,353</b>	<b>77,673</b>

## 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
	<b>10,010</b>	<b>27,074</b>

## 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)
	<b>215,156</b>	<b>138,193</b>

## 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	–	–
	<b>15,871</b>	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.

#### 14 Goodwill (Continued)

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

## 15 Investments in associates (Continued)

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
<b>At 30 June:</b>		
Current assets	11,115	559,784
Current liabilities	(4,766)	–
Net current assets	6,349	559,784
<b>Period ended 30 June:</b>		
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

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

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

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Financial assets at fair value through profit or loss		
Unlisted investment funds	<b>2,099,819</b>	1,502,666
Unlisted equity investment	<b>486,770</b>	–
Convertible bonds	<b>158,871</b>	156,847
Listed equity investments	<b>260,487</b>	33,900
	<b>3,005,947</b>	1,693,413
Classified as:		
Non current assets	<b>486,770</b>	1,659,513
Current assets	<b>2,519,177</b>	33,900
	<b>3,005,947</b>	1,693,413

## 17 Financial assets at fair value through other comprehensive income

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

	<b>30 June 2018 HK\$'000</b>	31 December 2017 HK\$'000
Financial assets at fair value through other comprehensive income		
Unlisted investment fund	<b>240,434</b>	–
	<b>240,434</b>	–

Under adoption of HKFRS 9, one of the financial assets that was classified as financial assets at fair value through profit or loss under HKAS 39 has been reclassified to financial assets at fair value through other comprehensive income. Please refer to Note 3.1 for more details.

## 18 Available-for-sale financial assets

Available-for-sale financial assets include the following:

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
Unlisted equity investments	–	199
Listed equity investments	–	233,007
Unlisted bond	–	15,722
Investment in unlisted funds	–	782,425
	–	1,031,353

Upon adoption of HKFRS 9, financial assets that were classified as available-for-sale financial assets under HKAS 39 have been reclassified to financial assets at fair value through profit or loss. Please refer to Note 3.1 for more details.

## 19 Loan and interest receivables

As at 30 June 2018, these loans receivable bear interest at fixed rate ranged from 8.5% to 12.20% per annum (31 December 2017: 8.5% to 10%). 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.

Expected credit losses as at 1 January 2018 to reflect the adoption of HKFRS 9 is HK\$6,765,000. Expected credit losses allowance (“ECL allowance”) as at 30 June 2018 amounted to HK\$2,312,000, the decrease in ECL allowance of HK\$4,453,000 was recognised in the condensed consolidated statement of profit or loss.

## 20 Share capital

*Ordinary shares, issued and fully paid:*

	Number of shares '000	Share capital HK\$'000
<b>At 31 December 2017, 1 January 2018 and 30 June 2018</b>	28,928,719	5,667,546



## 21 Deferred tax assets/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 end of the reporting period.

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

	30 June 2018 HK\$'000	31 December 2017 HK\$'000
<b>Deferred tax assets</b>		
— Net fair value losses	1,242	4,810
— Tax losses	14,662	6,950
	15,904	11,760
<b>Deferred tax liabilities</b>		
— Net fair value gain	99	—

## 22 Derivative financial instruments

Derivative financial instruments include the following:

	30 June 2018 Fair value HK\$'000	31 December 2017 Fair value HK\$'000
Equity swap	(590)	(383)
Total return swap	(7,690)	(7,690)
	(8,280)	(8,073)
<b>Classified as</b>		
Non-current liabilities	—	(7,690)
Current liabilities	(8,280)	(383)
	(8,280)	(8,073)

## 23 Note payable

As at 30 June 2018, the loan balances of HK\$349,200,000 (31 December 2017: HK\$349,200,000) represent the unsecured notes issued by the Company.

The note bear interest at variable interest rate of HIBOR plus 6.5% and are matured on 28 November 2021. However, management decides to settle it during the year. The loan balances have been reclassified from non-current portion to current portion. The fair value of note payable approximate to their carrying amount, as the impact of discounting is not significant.

## 24 Related party transactions

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Commission income (Note i)	373	1,281
Interest income (Note ii)	1,087	110

Note i: During the period ended 30 June 2018, the Group received commission fees income from immediately holding company and fellow subsidiaries. Commission fee income is determined with reference to the market rate offered to other third party clients.

Note ii: During the period ended 30 June 2018, the Group lent unsecured loans to a related party of the Company and received interest income at an interest rate of 11.50% p.a. (2017: 7.3%).

- (b) During the period ended 30 June 2017, the Group has shared an office space with zero consideration. The arrangement has been ended in late 2017.

## 25 Litigation

There is no material litigation expected to result in a significant adverse effect on the financial position of the Group, either collectively or individually.

Management believes that adequate provisions have been made in respect of such litigation.

## 26 Contingent liabilities

There are no contingent liabilities relating to the Group as at 30 June 2018 (as at 31 December 2017: Nil).

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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 interim financial information set out on pages 17 to 46, which comprises the condensed consolidated statement of financial position of China Minsheng Financial Holding Corporation Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim 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 this interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 31 August 2018