



信達國際控股有限公司

CINDA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 111



INTERIM REPORT 2011





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Management Discussion and Analysis

OVERALL PERFORMANCE

During the first half of 2011, the continuance of quantitative easing, the debt crisis in Greece which has spread to Europe, and the Japan earthquake have all created great uncertainty in the investment market. Investors have cast doubt on the economic growth of the world's major markets. The fear of credit default and an interest rate rebound have further hampered investment sentiment. In Hong Kong, the high property prices resulting in skyrocketing rental prices and political issues have caused disharmony in society, and the investment market cannot prosper. We have seen some initial public offerings ("IPO") withdrew, despite the offers already having begun. Thus a negative atmosphere has been created, especially from the second quarter. As a financial service provider, we have been affected by these adverse sentiments. The Group's turnover recorded a decrease from HK\$43.7 million to HK\$32.8 million.

Inflation in the first half of the year was astonishing and the most severe it has been since the beginning of this era. Consequently, the property rental and the cost in attracting high calibre personnel soared substantially. Thus, there was great pressure on the cost of operations. Excluding the commission expenses which were a rebate from the commission income, the cost of operations increased by 23% from HK\$33.8 million to HK\$41.6 million.

The associated company engaging in private equity investment was affected by the poor market too. It hardly contributed any profit to the Group for the first six months. All in all, the Group's loss increased to HK\$19.5 million (2010: loss HK\$3.4 million).

Corporate Finance

This segment was restructured in the second quarter by recruiting professionals in the market. The corporate finance team is now equipped with an equity capital market team to enhance its ability to handle larger projects. Efforts will be put into IPOs, with larger fund size to be raised compared to those in the past years. Apart from IPOs which will take a relatively long time to complete, the corporate finance division continues to act as compliance advisor, financial advisor and independent financial advisor in order to maintain a stable income. Turnover in this segment decreased, as income from underwriting slumped. Turnover for the period was HK\$6.5 million (2010: HK\$20.8 million). Certain non-recurring costs were incurred for the restructuring, which further worsened the results. Counting in the costs, the result turned into a loss of HK\$8.4 million (2010: profit HK\$5.9 million).

Securities Broking

Following the pattern of the corresponding period, the investment sentiment for the first quarter was stable, with daily market turnover of approximately HK\$76 billion. But the market turnover of the second quarter decreased. In addition, the cut-throat commission offered in the market continued and caused the income to decrease. As a result, turnover recorded a setback of 30 percent to HK\$11.8 million (2010: HK\$16.8 million). Loss has been widened to HK\$6.8 million (2010: loss HK\$1 million).

Commodities and Futures Broking

The business in this segment remained highly competitive with low commission offered by our peers in the market. Through the upgrade to the new system in the last quarter of last year, our business ability has been enhanced. Our business in the overseas market showed some improvement in the first half of the year as a result of the enhanced new system. Turnover was HK\$2 million (2010: HK\$1.7 million) and the segment loss that resulted was HK\$2 million (2010: loss HK\$1.4 million). This was mainly due to the increase in cost associated with the provision of products in overseas markets. The cost efficiency will be enhanced if more customers use the system.

Management Discussion and Analysis

Financial Planning and Insurance Broking

The wealth effect created by the soar in property prices stimulated the demand for wealth management products. In addition, as landed property was not recognised as eligible investment under the Capital Investment Entrant Scheme, potential investors turned to other investment linked products. We saw the turnover under this segment increased to HK\$4 million (2010: HK\$3.6 million). However, the business remained competitive as the commission earned was thin and the operation costs were increasing. As a result, the loss of HK\$1.1 million (2010: loss HK\$1.1 million) was the same as that incurred in the corresponding period.

Asset Management

The asset management business in fund management was restarted. We have formed an associated company engaging in fund management with a team of professionals who worked for a prominent financial conglomerate before joining us. An absolute return fund has been established. Apart from this, we have moved into the direct investment market on our own, leveraged on our parent company's network. We aimed for some short to medium investment with good returns. As it takes time for the funds to perform and the investment projects to mature, contributions to the Group may not have crystallised in the recent reporting periods. The segment did not record any turnover in the period under review, but rather a reportable segment loss of HK\$1.6 million was reported (2010: loss HK\$0.2 million). The loss was mainly incurred in the maintenance of the licence.

Looking Forward

The recent instability in the world's major financial markets resulted from the downgrading of the US credit rating, may remain for some time. Coupled with the European debt crisis and the tightening of credit in the PRC, the liquidity in the market is reducing. Bond yields have spiked to their highest in the decade, meaning that investor confidence is weakening. The fear of recession is obvious and investors are chasing safe havens such as the Swiss franc, gold and the Japanese Yen. We expect the volatility in the financial markets will continue. The Group's strategy for carrying on its business in the three main core areas will not change. We are confident to cope with the poor sentiment but a more prudent approach will be employed.

As the parent company of the Group, China Cinda Asset Management Co., Ltd is firmly committed to the financial business, the Group will leverage its relationship to explore more opportunities in the PRC. The Group believes that the PRC provides a firm investment environment despite the recent setbacks. The vast market in the PRC contains a lot of opportunities. The recent setbacks are expected to be temporary and good investments at more reasonable costs will emerge. The Group will endeavour to look for suitable investments to provide medium-term return.

Financial Resources

During the first half of 2011, the Group's financial situation remained healthy. The Group did not have any borrowings. All the Group companies licensed by the Securities and Futures Commission (SFC) met the financial resources requirement promulgated. In order to strengthen the capital base and provide funding to support the asset management business, the Company issued 106,867,600 new shares at a price of HK\$1.1 each, on the basis of allotting one new share for every five existing shares held. Net proceeds raised were approximately HK\$116.5 million.

Contingent Liabilities

Other than the corporate guarantees given to the banking facilities extended to our wholly owned subsidiaries, the Group has not entered into any guarantee or surety agreements. As the financial resources available have been sufficient to support the Group's business activities, such facilities have not been frequently utilised. At the end of the reporting period, the directors considered it is not probable that a possible claim will be made against the Company. Certain litigation cases were indemnified by the then substantial shareholder.

Management Discussion and Analysis

Exposure to Fluctuation in Foreign Exchange Rates

Subsequent to the cessation of the business of the leveraged foreign exchange business of the Group, all business was conducted in either HK dollars or US dollars. All assets and liabilities are also denominated in HK dollars or US dollars. Hence, the Group's exposure to fluctuation in foreign exchange rates is insignificant.

Remuneration and Human Resources Development

During the first half of 2011, the Group reshuffled its manpower to expand its business. New staff joined in corporate finance, asset management and securities broking. To cope with the competition for capable staff in the market, the Group raised the general salary level of its staff in the first quarter. Attractive packages, some of which are performance based and have other fringe benefits, are offered to the Group's staff at all levels.

Corporate Governance and Other Information

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2011 (2010: nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June 2011, the directors of the Company who held office and their respective associates did not hold any interest or short position in the shares and underlying shares or debentures of the Company, its holding company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register of directors’ interests and short positions required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

INFORMATION ON SHARE OPTION

The current share option scheme was adopted in the annual general meeting of the Company held on 29th May 2006. As at 30th June 2011, there was no outstanding share option granted under the scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE EQUITY OR DEBT SECURITIES

As at 30th June 2011, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as was known to the directors and the chief executives of the Company, the following are details of the persons (other than directors or chief executives of the Company) who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would need to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial shareholder	Capacity	Number of shares or underlying shares held	Appropriate percentage of the Company's issued share capital
Sinoday Limited	Beneficial owner	365,665,800 (Note 1)	57.03%
Well Kent International Holdings Company Limited (“WKIH”)	Beneficial owner	33,090,000 (Note 1)	5.16%
China Cinda (HK) Asset Management Co., Limited (“China Cinda (HK)”)	Beneficial owner	4,790,400 (Note 1)	0.75%
Well Kent International Investment Company Limited (“WKII”)	Interest through a controlled corporation	403,546,200 (Note 1)	62.94%
China Cinda Asset Management Co., Ltd (“China Cinda”)	Interest through a controlled corporation	403,546,200 (Note 1)	62.94%
Silver Grant International Securities Investment Limited (“Silver Grant”)	Beneficial owner	48,026,400 (Note 2)	7.49%
Silver Grant Securities Investment (BVI) Limited (“Silver Grant BVI”)	Interest through a controlled corporation	48,026,400 (Note 2)	7.49%
Silver Grant International Industries Limited (“Silver Grant International”)	Interest through a controlled corporation	48,026,400 (Note 2)	7.49%

Corporate Governance and Other Information

Name of substantial shareholder	Capacity	Number of shares or underlying shares held	Appropriate percentage of the Company's issued share capital
CCB International Asset Management Limited ("CCBIAM")	Investment manager	60,811,200 (Note 3)	9.48%
CCB International Assets Management (Cayman) Limited	Interest held by a controlled corporation	60,811,200 (Note 3)	9.48%
CCB International (Holdings) Limited	Beneficial owner	60,811,200 (Note 3)	9.48%
CCB Financial Holdings Limited	Interest held by a controlled corporation	60,811,200 (Note 3)	9.48%
CCB International Group Holdings Limited	Interest held by a controlled corporation	60,811,200 (Note 3)	9.48%
China Construction Bank Corporation	Interest held by a controlled corporation	60,811,200 (Note 3)	9.48%
Central Huijin Investment Ltd.	Interest held by a controlled corporation	60,811,200 (Note 3)	9.48%
Atlantis Investment Management (Hong Kong) Limited ("Atlantis")	Investment manager	49,200,000 (Note 4)	7.67%
Liu Yang	Investment manager	49,200,000 (Note 4)	7.67%

Notes:

- (1) These shares were held by Sinoday Limited, WKIH and China Cinda (HK) as to 365,665,800 shares, 33,090,000 shares and 4,790,400 shares respectively. The issued share capital of Sinoday Limited, WKIH and China Cinda (HK) were wholly owned by WKII, a wholly-owned subsidiary of China Cinda. By virtue of the provisions of the SFO, WKII and China Cinda were deemed to be interested in all the shares in which Sinoday Limited, WKIH and China Cinda (HK) were interested.
- (2) These shares were held by Silver Grant. The issued share capital of Silver Grant was wholly owned by Silver Grant BVI, which was a wholly-owned subsidiary of Silver Grant International. By virtue of the provisions of the SFO, Silver Grant BVI and Silver Grant International were deemed to be interested in all the shares in which Silver Grant was interested.
- (3) These shares were held by CCBIAM in the capacity of an investment manager for the beneficial owner, CCB International (Holdings) Limited. CCBIAM is a wholly-owned subsidiary of CCB International Assets Management (Cayman) Limited which in turn is a wholly-owned subsidiary of CCB International (Holdings) Limited. CCB International (Holdings) Limited is a wholly-owned subsidiary of CCB Financial Holdings Limited which in turn is wholly owned by CCB International Group Holdings Limited. CCB International Group Holdings Limited is a wholly-owned subsidiary of China Construction Bank Corporation which in turn 57.10% of its interest is owned by Central Huijin Investment Ltd. Accordingly, CCB International Assets Management (Cayman) Limited, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Ltd. were deemed to be interested in 60,811,200 ordinary shares in the Company by virtue of the provisions of the SFO.
- (4) These shares were held by Atlantis in the capacity of an investment manager. Liu Yang was interested in Atlantis as to 100% in the capacity of an investment manager. By virtue of the provisions of the SFO, Liu Yang is deemed to be interested in all the shares in which Atlantis was interested.

Corporate Governance and Other Information

RIGHTS ISSUE

The Company raised approximately HK\$116.5 million (net of related expenses) by way of a rights issue of 106,867,600 new ordinary shares of HK\$0.1 each in the capital of the Company at a price of HK\$1.10 per share for every five existing shares held on 15th April 2011. The rights issue was over-subscribed and 106,867,600 ordinary shares were issued on 16th May 2011.

PURCHASE, SALE OR REDEMPTION OF SHARES

Save as disclosed, the Company did not redeem any of its shares during the six months ended 30th June 2011. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30th June 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has always strived to enhance our corporate governance and transparency by adopting and implementing appropriate corporate governance practices. The Company has also complied with all the code provisions as set out in the Code on Corporate Governance Practices, Appendix 14 of the Listing Rules.

COMPLIANCE WITH 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 code of conduct for directors dealing in its shares. All directors confirmed that they had complied with the required standards at all times throughout the six months ended 30th June 2011.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group with the management, and discussed the internal controls and financial reporting matters with the directors, including a review of the unaudited interim financial statements for the six months ended 30th June 2011. The Group's external auditors have carried out a review of the unaudited interim financial statements 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.

On behalf of the Board

Chen Xiaozhou
Chairman

25th August 2011

Consolidated Income Statement

For the six months ended 30th June 2011 — Unaudited

		Six months ended 30th June	
	Note	2011 HK\$'000	2010 HK\$'000
Continuing operations			
Turnover	4	24,916	42,990
Other revenue	4	309	308
Other net income	4	7,543	434
		32,768	43,732
Staff costs	5(a)	23,025	19,884
Commission expenses		7,147	10,071
Operating leases for land and buildings		7,179	4,177
Other operating expenses		11,359	9,695
Total operating expenses		48,710	43,827
Operating loss		(15,942)	(95)
Finance costs	5(c)	(7)	(38)
		(15,949)	(133)
Share of (loss)/profit of associates	10	(3,409)	5,701
(Loss)/profit before taxation		(19,358)	5,568
Income tax	6	—	(753)
(Loss)/profit for the period from continuing operations		(19,358)	4,815
Discontinued operations			
Loss for the period from discontinued operations	3	(145)	(8,260)
Loss for the period		(19,503)	(3,445)
Attributable to:			
Equity holders of the Company		(19,503)	(3,445)
Loss per share			
Basic and diluted			
— From continuing and discontinued operations	8	(HK3.47 cents)	(HK0.64 cents)
— From continuing operations	8	(HK3.45 cents)	HK0.90 cents
— From discontinued operations	8	(HK0.02 cents)	(HK1.54 cents)

The notes on pages 13 to 29 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

For the six months ended 30th June 2011 — Unaudited

	<i>Note</i>	Six months ended 30th June	
		2011 HK\$'000	2010 HK\$'000
Loss for the period		(19,503)	(3,445)
Other comprehensive income for the period:			
Share of an associate's investment revaluation reserve relating to available-for-sale securities:			
— Change in fair value		8,478	(7,656)
— Transfer to profit or loss on disposal		—	(100)
Net movement in investment revaluation reserve		8,478	(7,756)
Exchange differences on translation of:			
— Share of an associate's exchange reserve		1,778	337
	10	10,256	(7,419)
Total comprehensive income for the period		(9,247)	(10,864)
Total comprehensive income attributable to:			
Equity holders of the Company		(9,247)	(10,864)

The notes on pages 13 to 29 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30th June 2011 — Unaudited

	<i>Note</i>	30th June 2011 HK\$'000	31st December 2010 HK\$'000
Non-current assets			
Intangible assets	9	1,439	1,439
Fixed assets	9	7,605	5,270
Interest in associates	10	157,005	152,158
Other assets		9,131	8,171
		175,180	167,038
Current assets			
Financial assets at fair value through profit or loss		24,970	23,935
Trade and other receivables	11	138,582	139,353
Bank balances and cash	12	287,540	223,311
		451,092	386,599
Current liabilities			
Trade and other payables	13	54,440	89,055
Taxation payable		533	533
		54,973	89,588
Net current assets		396,119	297,011
Total assets less current liabilities		571,299	464,049
NET ASSETS		571,299	464,049
Capital and reserves			
Share capital	14	64,121	53,434
Other reserves		488,332	372,266
Retained earnings		18,846	38,349
TOTAL EQUITY		571,299	464,049

The notes on pages 13 to 29 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30th June 2011 — Unaudited

		Share Capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
	<i>Note</i>							
At 1st January 2011		53,434	315,909	42,579	10,748	3,030	38,349	464,049
Total comprehensive income for the period		—	—	—	8,478	1,778	(19,503)	(9,247)
Shares issued	14	10,687	105,810	—	—	—	—	116,497
At 30th June 2011		64,121	421,719	42,579	19,226	4,808	18,846	571,299

		Share Capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 2010		53,434	315,909	42,579	(449)	21	29,926	441,420
Total comprehensive income for the period		—	—	—	(7,756)	337	(3,445)	(10,864)
At 30th June 2010		53,434	315,909	42,579	(8,205)	358	26,481	430,556

The notes on pages 13 to 29 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2011 — Unaudited

	<i>Note</i>	Six months ended 30th June	
		2011 HK\$'000	2010 HK\$'000
Net cash (outflow)/inflow from operating activities		(19,497)	103,400
Net cash outflow from investing activities		(32,774)	(7,394)
Net cash inflow/(outflow) from financing activities		116,497	(38)
Net increase in cash and cash equivalents		64,226	95,968
Cash and cash equivalents at 1st January		211,303	148,180
Cash and cash equivalents at 30th June	12	275,529	244,148
Analysis of balances of cash and cash equivalents:			
Bank balances — general accounts and cash in hand	12	275,529	244,148
		275,529	244,148

The notes on pages 13 to 29 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

1. BASIS OF PREPARATION

This unaudited interim financial report has 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, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited interim financial report has been approved for issue by the Board of Directors on 25th August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. KPMG’s review report to the Board of Directors is included on page 30.

2. CHANGES IN ACCOUNTING POLICIES

New accounting standards

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. HK(IFRIC) 19 has not yet had a material impact on the Group’s financial statements as these changes will first be effective as and when the Group enters a relevant transaction. The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group’s financial statements. These developments have no material impact on the contents of this interim financial report.

Notes to the Unaudited Interim Financial Report

3. DISCONTINUED OPERATIONS

On 5th March 2010, the Board of Directors of the Company decided to cease providing leveraged foreign exchange trading services to its clients. The directors consider that the Group can utilize the resources saved from provision of leveraged foreign exchange trading business to develop the remaining businesses of the Group which the directors are of the view have higher business potential.

The results of the discontinued operations during the period are set out below.

		Six months ended 30th June	
	Note	2011 HK\$'000	2010 HK\$'000
Turnover	4	1	2,848
Other revenue	4	—	3
Other net income/(loss)	4	15	(20)
		16	2,831
Staff costs	5(a)	—	1,710
Commission expenses		—	1,187
Operating leases for land and buildings		—	1,840
Other operating expenses		161	6,354
Total operating expenses		161	11,091
Loss before taxation		(145)	(8,260)
Income tax	6	—	—
Loss for the period		(145)	(8,260)

4. TURNOVER, OTHER REVENUE, OTHER NET INCOME AND SEGMENT INFORMATION

The Company is an investment holding company. The Group is principally engaged in the provision of corporate financial advisory services, securities broking, commodities and futures broking, financial planning and insurance broking, investment and assets management.

Notes to the Unaudited Interim Financial Report

4. TURNOVER, OTHER REVENUE, OTHER NET INCOME AND SEGMENT INFORMATION (CONTINUED)

As disclosed in note 3, the provision of leveraged foreign exchange trading and broking services constituted discontinued operations under HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”.

Total revenue recognised during the period is as follows:

	Six months ended 30th June	
	2011 HK\$'000	2010 HK\$'000
From continuing operations		
Turnover		
Fees and commission	20,936	24,784
Net premium income from insurance broking	184	172
Swap interest and foreign exchange trading revenue	—	46
Interest income	3,265	2,866
Underwriting commission	531	15,122
	24,916	42,990
Other revenue		
Dividend income from listed securities	—	33
Other income	309	275
	309	308
Other net income		
Net exchange losses	(14)	(104)
Net gain on financial assets at fair value through profit or loss	7,557	538
	7,543	434
	32,768	43,732
From discontinued operations		
Turnover		
Fees and commission	—	681
Net revenue from foreign currency option trading	—	163
Swap interest and foreign exchange trading revenue	—	1,993
Interest income	1	11
	1	2,848
Other revenue	—	3
Other net income/(loss)	15	(20)
	16	2,831

Notes to the Unaudited Interim Financial Report

4. TURNOVER, OTHER REVENUE, OTHER NET INCOME AND SEGMENT INFORMATION (CONTINUED)

Segment information

The Group manages its businesses by divisions. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Continuing operations:

1. Corporate finance — provision of corporate finance and advisory services to companies listed in Hong Kong.
2. Securities broking — provision of broking services in securities, equity linked products, unit trusts and stock options traded in Hong Kong and selected overseas markets and margin financing services to those broking clients.
3. Commodities and futures broking — provision of broking services in commodities and futures contracts traded in Hong Kong and selected overseas markets.
4. Financial planning and insurance broking in Hong Kong — acting as an agent for the sale of savings plans, general and life insurance and providing advisory services on those products.
5. Asset management — managing private funds.

Discontinued operations:

1. Leveraged foreign exchange trading/broking in Hong Kong — provision of dealing and broking in leveraged forex trading services on the world's major currencies.

In accordance with HKFRS 8, segment information has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interest in associates and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the operating activities of the individual segments.

The measure used for reporting segment results is earnings before finance costs and taxes ("EBIT"). To arrive at EBIT the Group's earnings are further adjusted for finance costs and items not specifically attributed to individual segments, such as share of profits less losses of associates and other head office or corporate administration costs.

Notes to the Unaudited Interim Financial Report

4. TURNOVER, OTHER REVENUE, OTHER NET INCOME AND SEGMENT INFORMATION (CONTINUED)

Six months ended 30th June 2011

	Continuing operations						Discontinued operations	Total HK\$'000
	Corporate finance HK\$'000	Securities broking HK\$'000	Commodities and futures broking HK\$'000	Financial planning/ insurance broking in Hong Kong HK\$'000	Asset management HK\$'000	Sub-total HK\$'000	Leveraged foreign exchange trading/ broking in Hong Kong HK\$'000	
Turnover from external customers	6,193	11,816	2,027	4,009	—	24,045	1	24,046
Inter-segment turnover	300	25	—	—	—	325	—	325
Reportable segment turnover	6,493	11,841	2,027	4,009	—	24,370	1	24,371
Reportable segment results (EBIT)	(8,415)	(6,821)	(2,001)	(1,123)	(1,570)	(19,930)	(145)	(20,075)
Reportable segment assets	38,428	286,416	22,104	3,300	4,776	355,024	1,589	356,613
Reportable segment liabilities	15,630	42,646	7,925	2,779	68	69,048	60	69,108

Six months ended 30th June 2010

	Continuing operations						Discontinued operations	Total HK\$'000
	Corporate finance HK\$'000	Securities broking HK\$'000	Commodities and futures broking HK\$'000	Financial planning/ insurance broking in Hong Kong HK\$'000	Asset management HK\$'000	Sub-total HK\$'000	Leveraged foreign exchange trading/ broking in Hong Kong HK\$'000	
Turnover from external customers	20,824	16,833	1,680	3,605	—	42,942	2,848	45,790
Inter-segment turnover	—	26	—	—	—	26	1	27
Reportable segment turnover	20,824	16,859	1,680	3,605	—	42,968	2,849	45,817
Reportable segment results (EBIT)	5,885	(995)	(1,429)	(1,117)	(187)	2,157	(7,355)	(5,198)
Reportable segment assets	35,570	189,790	23,567	10,688	7,235	266,850	24,692	291,542
Reportable segment liabilities	3,261	47,517	5,668	3,093	13	59,552	4,888	64,440

Notes to the Unaudited Interim Financial Report

4. TURNOVER, OTHER REVENUE, OTHER NET INCOME AND SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable turnover

	Six months ended 30th June	
	2011 HK\$'000	2010 HK\$'000
Turnover		
From continuing operations		
Reportable segment turnover	24,370	42,968
Elimination of inter-segment turnover	(325)	(26)
Unallocated head office and corporate turnover	871	48
	24,916	42,990
From discontinued operations		
Reportable segment turnover	1	2,849
Elimination of inter-segment turnover	—	(1)
	1	2,848
Consolidated turnover	24,917	45,838

Reconciliations of reportable results

	Six months ended 30th June	
	2011 HK\$'000	2010 HK\$'000
Results		
From continuing operations		
Reportable segment (loss)/profit derived from external customers	(19,930)	2,157
Elimination of inter-segment profits	(300)	—
Share of (loss)/profit of associates	(3,409)	5,701
Finance costs	(7)	(38)
Unallocated head office and corporate other income/(expenses)	4,288	(2,252)
	(19,358)	5,568
From discontinued operations		
Reportable segment loss	(145)	(7,355)
Elimination of inter-segment losses	—	(905)
Reportable segment loss derived from external customers	(145)	(8,260)
Consolidated loss before taxation	(19,503)	(2,692)

Notes to the Unaudited Interim Financial Report

4. TURNOVER, OTHER REVENUE, OTHER NET INCOME AND SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable assets and liabilities

	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
Assets		
Reportable segment assets	356,613	331,020
Elimination of inter-segment receivables	(12,060)	(13,840)
	344,553	317,180
Interest in associates	157,005	152,158
Unallocated head office and corporate assets	124,714	84,299
Consolidated total assets	626,272	553,637
Liabilities		
Reportable segment liabilities	69,108	106,216
Elimination of inter-segment payables	(16,099)	(18,042)
	53,009	88,174
Unallocated head office and corporate liabilities	1,964	1,414
Consolidated total liabilities	54,973	89,588

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived after charging:

(a) Staff costs

	Continuing operations Six months ended 30th June		Discontinued operations Six months ended 30th June		Total Six months ended 30th June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Salaries and allowances	22,511	19,379	—	1,657	22,511	21,036
Defined contribution plans	514	505	—	53	514	558
	23,025	19,884	—	1,710	23,025	21,594

Notes to the Unaudited Interim Financial Report

5. (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

(b) Other operating expenses

	Six months ended 30th June	
	2011 HK\$'000	2010 HK\$'000
From continuing operations		
Auditors' remuneration	1,321	1,003
Depreciation of fixed assets	1,522	1,232
From discontinued operations		
Auditors' remuneration	—	245
Depreciation of fixed assets	—	566

(c) Finance costs

	Six months ended 30th June	
	2011 HK\$'000	2010 HK\$'000
From continuing operations		
Interest on bank loans	7	38

6. INCOME TAX

The amount of taxation charged to the consolidated income statement:

	Continuing operations Six months ended 30th June		Discontinued operations Six months ended 30th June		Total Six months ended 30th June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Current taxation:						
— Hong Kong profits tax for the period	—	753	—	—	—	753

No Hong Kong profits tax has been made for the current period as the Group companies either sustained a loss for taxation purposes or their tax losses brought forward exceeded their assessable profits for the current period. Hong Kong profits tax had been provided at the rate of 16.5% in prior period on the estimated assessable profits.

Notes to the Unaudited Interim Financial Report

6. INCOME TAX (CONTINUED)

Reconciliation between tax expense and accounting loss at applicable tax rates:

	Continuing operations		Discontinued operations		Total	
	Six months ended 30th June		Six months ended 30th June		Six months ended 30th June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Loss before taxation (excluding share of loss/ profit of associates)	(15,949)	(133)	(145)	(8,260)	(16,094)	(8,393)
Notional tax on loss before taxation, calculated at the rate applicable to Hong Kong profits tax of 16.5%	(2,632)	(22)	(24)	(1,363)	(2,656)	(1,385)
Tax effect of income not subject to taxation	(135)	(58)	—	(2)	(135)	(60)
Tax effect of expenses not deductible for taxation purposes	26	11	—	701	26	712
Utilisation of previously unrecognised tax losses	(935)	(234)	—	—	(935)	(234)
Tax effect of tax losses not recognised	3,814	1,043	30	511	3,844	1,554
Others	(138)	13	(6)	153	(144)	166
Taxation expense	—	753	—	—	—	753

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2011 (2010: nil).

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$19,503,000 (2010: loss of \$3,445,000) and the weighted average of 561,497,722 ordinary shares (2010: 534,338,000 ordinary shares) in issue during the period, calculated as follows:

(i) Loss attributed to ordinary equity shareholders of the Company

	Six months ended 30th June	
	2011 HK\$000	2010 HK\$000
(Loss)/profit for the period from continuing operations	(19,358)	4,815
Loss for the period from discontinued operations	(145)	(8,260)
Loss for the period attributable to equity holders of the Company	(19,503)	(3,445)

Notes to the Unaudited Interim Financial Report

8. LOSS PER SHARE (CONTINUED)

(a) Basic loss per share (Continued)

(ii) Weighted average number of ordinary shares

	Six months ended 30th June	
	2011	2010
Issued ordinary shares at 1 January	534,338,000	534,338,000
Effect of new shares issued during the period	27,159,722	—
Weighted average number of ordinary shares at 30 June	561,497,722	534,338,000

(b) Diluted loss per share

Diluted loss per share are the same as basic loss per share because there were no potential dilutive ordinary shares during both the current and prior periods.

9. INTANGIBLE AND FIXED ASSETS

	Club Membership HK\$'000	Stock Exchange trading rights HK\$'000	Futures Exchange trading rights HK\$'000	Total intangible assets HK\$'000	Fixed assets HK\$'000
Six months ended 30th June 2011					
Net book value at 1st January 2011	120	913	406	1,439	5,270
Additions	—	—	—	—	3,857
Depreciation charge	—	—	—	—	(1,522)
Net book value at 30th June 2011	120	913	406	1,439	7,605
Six months ended 30th June 2010					
Net book value at 1st January 2010	—	913	406	1,319	5,610
Additions	120	—	—	120	1,965
Disposals	—	—	—	—	(126)
Depreciation charge	—	—	—	—	(1,798)
Net book value at 30th June 2010	120	913	406	1,439	5,651

Notes to the Unaudited Interim Financial Report

10. INTEREST IN ASSOCIATES

	Unaudited 30th June 2011 HK\$'000	31st December 2010 HK\$'000
Share of net assets at 1st January	152,158	125,874
Share of associates' results for the period/year	(3,409)	15,070
Share of associates' other comprehensive income for the period/year	10,256	14,206
Transfer of available-for-sale investments by the Group's associate to the Social Security Fund (<i>Note (a)</i>)	—	(2,992)
Dividend income from an associate	(6,000)	—
	847	26,284
Cost of investment of an associate established during the period	4,000	—
Share of net assets at 30th June/31st December	157,005	152,158

Details of the Group's interest in unlisted associates are as follows:

Name	Particulars of issued shares held	Country of incorporation	Effective equity interest to the Group
Sino-Rock Investment Management Company Limited ("Sino-Rock")	18,000,000 ordinary shares of HK\$1 each	Hong Kong	40%
Cinda Plunkett International Holdings Limited ("CPHL")	4,000,000 ordinary shares of HK\$1 each	Cayman Islands	40%

Note (a): Transfer of available-for-sale investments by Group's associate to the Social Security Fund

In the prior year, pursuant to regulations of the People's Republic of China ("PRC"), certain available-for-sale investments held by the Group's associate were transferred to National Council for Social Security Fund, a government agency of the PRC at no consideration as the Group's ultimate holding company is controlled by the Ministry of Finance, a government agency of the PRC. The transfer of share was regarded as transactions with shareholders and accordingly the Group's share of the total costs of such investments transferred amounting to \$2,992,000 has been charged directly to equity. There is no such transfer during the current period.

Notes to the Unaudited Interim Financial Report

11. TRADE AND OTHER RECEIVABLES

	Unaudited 30th June 2011 HK\$'000	31st December 2010 HK\$'000
Trade receivable from clients	61,741	93,031
Margin and other trade related deposits with brokers and financial institutions	6,970	8,119
Margin finance loans	18,534	32,257
Trade receivable from clearing houses	10,094	1,657
Total trade receivables	97,339	135,064
Loan receivable	37,500	—
Deposits	681	2,109
Prepayments and other receivables	3,144	2,262
Less: impairment allowance on other receivables	(82)	(82)
Total trade and other receivables	138,582	139,353

The carrying amounts of trade and other receivables approximate their fair values.

The Group maintains designated accounts with The SEHK Options Clearing House Limited (“SEOCH”) and HKFE Clearing Corporation Limited (“HKFECC”) as a result of its normal business transactions. At 30th June 2011, the designated accounts with SEOCH and HKFECC not otherwise dealt with in these accounts amounted to HK\$4,831,356 (31st December 2010: HK\$7,080,605) and HK\$26,663,908 (31st December 2010: HK\$14,443,527) respectively.

As at 30th June 2011, the aging analysis of the trade receivables is as follows:

	Unaudited 30th June 2011 HK\$'000	31st December 2010 HK\$'000
Current	74,177	125,346
30–60 days	1,748	2,493
Over 60 days	21,414	7,225
	97,339	135,064

Notes to the Unaudited Interim Financial Report

12. BANK BALANCES AND CASH

	Unaudited 30th June 2011 HK\$'000	31st December 2010 HK\$'000
Cash in hand	15	15
Bank balances		
— pledged	12,011	12,008
— general accounts	275,514	211,288
	287,525	223,296
	287,540	223,311
By maturity		
Bank balances		
— Current and savings accounts	175,508	211,288
— Fixed deposits (maturing within three months)	112,017	12,008
	287,525	223,296

As at 30th June 2011, bank deposits amounting to HK\$12,010,547 (31st December 2010: HK\$12,007,616) have been pledged to a bank as security for the provision of a HK\$50 million (31st December 2010: HK\$50 million) securities broking facility.

Certain subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. As at 30th June 2011, segregated trust accounts not otherwise dealt with in these accounts amounted to HK\$140,167,827 (31st December 2010: HK\$271,601,647).

Cash and cash equivalents

	Unaudited 30th June 2011 HK\$'000	31st December 2010 HK\$'000
Cash in hand	15	15
Bank balances		
— pledged	12,011	12,008
— general accounts	275,514	211,288
Cash and cash equivalents in the consolidated statement of financial position	287,540	223,311
Bank balances		
— pledged	(12,011)	(12,008)
Cash and cash equivalents in the condensed consolidated statement of cash flows	275,529	211,303

Notes to the Unaudited Interim Financial Report

13. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2011 HK\$'000	31st December 2010 HK\$'000
Trade payable to securities trading clients	36,211	55,309
Margin and other deposits payable to clients	6,969	7,863
Trade payable to brokers and clearing houses	4,206	13,938
Total trade payable	47,386	77,110
Accruals and other payables	7,054	11,945
Total trade and other payables	54,440	89,055

The carrying amounts of trade and other payables approximate their fair values.

The settlement terms of payable to clearing houses and securities trading clients from the ordinary course of business of broking in securities range from two to three days after the trade date of those transactions. Margin deposits received from clients for their trading of commodities and futures contracts were repayable on demand.

14. SHARE CAPITAL

	Authorised Ordinary shares of HK\$0.10 each	
	No. of shares '000	Nominal value HK\$'000
At 30th June 2011 and 31st December 2010	1,000,000	100,000
	Issued and fully paid Ordinary shares of HK\$0.10 each	
	No. of shares '000	Nominal value HK\$'000
At 31st December 2010	534,338	53,434
New shares issued during the period	106,868	10,687
At 30th June 2011	641,206	64,121

On 16th May 2011, the Company completed a rights issue to raise HK\$117,554,000 by issuance of 106,867,600 Rights Shares at a price of HK\$1.10 per share. After deducting the expenses in connection with the rights issue amounting to HK\$1,057,000, the net proceeds from issue of ordinary shares is HK\$116,497,000.

Notes to the Unaudited Interim Financial Report

15. CONTINGENT LIABILITIES

15.1 Outstanding litigation cases

The following litigation cases are outstanding up to the date of this report. Based on the merits of each case, the directors considered that it was unlikely that any material claim against the Company will crystallize and hence no provision has been made.

- 15.1.1 (a) A company named Hantec Investment Limited which is unrelated to the Group filed a writ to the Company on 28th July 2000 seeking for injunction to restrain the Company from using the plaintiff's alleged trade name and damages. The plaintiff has not taken further action after the Company filed a defence.
- (b) An indirect wholly owned subsidiary of the Company received a writ of summons dated 25th March 2006 from two clients jointly as plaintiffs claiming for damages against it and two of its licensed representatives for an amount of HK\$20,600,000 together with cost as a result of a number of leverage exchange trading transactions. Defence action has been commenced and no further development has been made up to the date of this report.
- (c) A writ of summons dated 11th July 2006 was served to two indirect wholly owned subsidiaries and one then subsidiary of the Company as defendant by a former account executive claiming (being the plaintiff) against the above three companies for a total of HK\$700,000 as his rightful overriding commissions together with interest and/or alternatively, damages to be assessed. The plaintiff took out a case management summons and a sanctioned offer after the period under review. The Company was of the opinion that it was not in its interest to accept the offer. As the legal advisors are of the view that the Company has a reasonably good defense in this case, the Company will proceed with the defense.

Under the share sale agreement dated 13 August 2008 (the "Agreement"), Hantec Holdings Investment Limited ("HHIL", formerly known as Hantec Holdings Limited) and the then chairman of the Company, Mr. Tang Yu Lap ("Mr. Tang"), have undertaken to indemnify and keep indemnified the Company on a fully indemnified basis of any loss or liability suffered by the Group as a result of or in connection with the outstanding litigation cases set out in 15.1.1(a) to (c) above.

- 15.1.2 On 10th August 2010, the Company received a High Court writ of summons (the "Writ") issued by Mr. Tang and HHIL (the "plaintiffs"). The plaintiffs alleged that, in breach of the Agreement, the Company settled with the Securities and Futures Commission ("SFC") regarding the compliance issues of HIL (Hantec International Limited, currently known as Cinda International FX Limited). The plaintiffs further alleged that the release of the Company's announcement dated 2nd August 2010 caused damage to their reputation. In the Writ, Mr. Tang claimed against, inter alia, the Company for HK\$700,000 being his remuneration of being a responsible officer for the Group's asset management company since 28th May 2009, service charge of HK\$50,000 per month from the date of issue of the Writ and further damages in reputation. HHIL also claimed for damages of losing the chance of challenging the allegations of the SFC against two former responsible officers of HIL and HIL and damages in goodwill. However, no specific amount of damages was stated in the Writ. The Board together with other defendants of the Writ has filed a defense and a counter claim for the penalty levied by the SFC together with all associated cost. A mediation session was held among the plaintiffs and defendants, but the parties failed to reach any settlement in mediation. Pursuant to an order of the High Court, a case management conference hearing of the case will be held to determine the outstanding issues of the case before the substantial hearing.

Notes to the Unaudited Interim Financial Report

15. CONTINGENT LIABILITIES (CONTINUED)

15.2 Financial guarantees issued

- (a) As at the end of the reporting period, a subsidiary of the Company engaging in securities broking and providing securities margin financing has secured banking facilities from certain authorised institutions for a total amount of HK\$208 million (31st December 2010: HK\$208 million). The Company has issued corporate guarantees for a total principal amount of HK\$156 million (31st December 2010: HK\$156 million) for these facilities. As at 30th June 2011, none of these banking facilities was utilised (31 December 2010: HK\$ nil).
- (b) As at the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured and the transaction price was nil.

16. LEASE AND CAPITAL COMMITMENTS

(a) Lease commitments

At 30th June 2011, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	Unaudited 30th June 2011 HK\$'000	31st December 2010 HK\$'000
Within one year	11,298	10,703
After one year but within five years	10,939	15,792
	22,237	26,495

(b) Capital commitments

Capital commitments outstanding and not provided for in the interim financial report are as follows:

	At 30th June 2011 HK\$'000	At 31st December 2010 HK\$'000
Contracted but not provided for	241	1,639

Notes to the Unaudited Interim Financial Report

17. MATERIAL RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions which were carried out in the normal course of the Group's business:

	Six months ended 30th June	
	2011 HK\$'000	2010 HK\$'000
Placing commission income (<i>note (a)</i>)	—	157
Broking commission for securities dealing (<i>note (b)</i>)	15	160
Underwriting commission expense (<i>note (c)</i>)	(222)	—

- (a) In prior period, the Group charged placing commission to its related company and its associate for corporate finance services provided.
- (b) During the period, the Group received commission income from its related company for providing securities broking services. In prior period, the Group received commission income from a related company and its associate for providing securities broking services.
- (c) An immediate holding company charged an underwriting commission to the Group for the rights issue of shares.

Review Report



REVIEW REPORT TO THE BOARD OF DIRECTORS OF CINDA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 8 to 29 which comprises the consolidated statement of financial position of Cinda International Holdings Limited (the “Company”) as of 30th June 2011 and the related consolidated income statement, consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report 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 are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the interim financial report consists of making enquiries, 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 interim financial report as at 30th June 2011 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

25th August 2011