信達國際控股有限公司

CINDA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 111

2012

ANNUAL REPORT

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Corporate Information

Registered office	Clarendon House 2 Church Street Hamilton, HM 11 Bermuda
Head office and principal place of business	45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
Authorised representatives	Gong Zhijian Lau Mun Chung
Company secretary	Lau Mun Chung
Legal advisers to the company	*On Hong Kong Law* Tung & Co. 19th Floor 8 Wyndham Street Central Hong Kong *On Bermuda Law* Conyers Dill & Pearman Suite 2901 One Exchange Square 8 Connaught Place Central Hong Kong
Bermuda principal share registrar and transfer office	Butterfield Fulcrum Group (Bermuda) Limited 26 Burnaby Street Hamilton HM 11 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited 26/F., Tesbury Centre 28 Queen's Road East Hong Kong
Auditors	KPMG *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong

Management Discussion and Analysis

OVERALL PERFORMANCE

In 2012, the major world economies remained unstable, and the sovereign debt crisis in Europe further dampened the economic environment. The high unemployment rate, slow economic growth and perceived inflation continued to affect the confidence of consumers and entrepreneurs, and overall the financial system became more vulnerable. China's exports which rely to a great degree on the United States and European economies recorded single-digit growth of 7.9 percent, which is well below the target of 10 percent. In addition, 2012 was an election year, with changes in both the United States' presidency and China's leadership. Economic policies could therefore not be implemented until these changes were complete. The interest rate and deposit reserve ratio have only been slightly reduced, resulted the money supply remained tight. China's investment market clearly reflected this phenomenon. The Shanghai A-Share Composite Index fell below the psychological threshold of 2,000 points, reaching its lowest point for the year in December at 1,949.

The Hong Kong stock market has also been heavily impacted by the stock market in China. There were 64 newly listed companies which raised HK$89.8 billion in 2012, compared with 101 newly listed companies which raised HK$259.8 billion in 2011, a decrease of 37 percent and 65 percent in the number of companies listed and the amounts raised respectively. This slack also caused the daily turnover in the Hong Kong stock market to plummet. The lowest market turnover was in July, with an average of only HK$43.5 billion transacted daily. The average daily turnover hovered between HK$50 billion and HK$60 billion per day thereafter until December when the figure just crossed the HK$60 billion mark. Hence, our business was much affected. In addition Hong Kong also experienced a change in government and continuous high inflationary pressure. With both rental and human resources costs at a high level, the business environment worsened even further.

During 2012, we stuck to our three core business areas — corporate finance, broking and asset management and exercised robust risk management. Our Asset Management team further assisted the Group to enhance the return on its owned funding by exploring alternative investment and financing opportunities. As a result, we were able to increase our turnover to HK$100.2 million (2011: HK$75.8 million), representing a 32 percent increase. Other revenue and other net income totalled HK$14.8 million (2011: HK$8.8 million), which was mainly contributions from other investments and financing. On the expenses side, staff costs represented the most significant increase of 13 percent because of the competition for capable manpower in the market. The result was an operating profit of HK$2 million (2011: loss HK$18.4 million), and taking into account the share of profits from associates and jointly controlled entity, the profit attributable to shareholders was HK$10.5 million (2011: loss HK$31.1 million).

CORPORATE FINANCE

The initial public offering market lacked dynamism for most of the year. The market only started recovering at the end of the year when The People's Insurance Company (Group) of China Limited successfully listed H shares on the Hong Kong Stock Exchange ("HKSE"). Despite the poor market sentiment, we were able to successfully sponsor a company to list its shares on the Main Board of the HKSE in July. With contribution from the advisory team, we managed to maintain a slight increase in turnover in this segment with turnover of HK$34.8 million (2011: HK$33.9 million), making a profit of HK$0.9 million (2011: loss HK$3.6 million) mainly because of the slight reduction in costs.

SECURITIES BROKING

The average daily market turnover hit its lowest point for 2012 at HK$43.5 billion in July, then stayed around HK$50 billion to HK$60 billion a day from September until the year end. The average daily turnover for the year was only HK$53.8 billion, a decrease of 23 percent compared with HK$69.7 billion in 2011. Despite the poor market volume, new stockbrokers continued to establish their business in Hong Kong, making competition even fiercer. Even though the operational costs soared, because of the competition from the newcomers for human resources, premises and technology, commission became even thinner. Hence, we resorted to increase our income from the enlarged loan portfolio and commission on primary market dealings. Turnover in this segment reported important growth to HK$41.4 million (2011: HK$23.3 million), turning it around to record a profit of HK$1.4 million (2011: loss HK$10 million).

Management Discussion and Analysis

COMMODITIES AND FUTURES BROKING

Competition in commission on locally traded futures contracts remained very intense and in the market commission charged on round-trip Hang Seng Index futures contracts was often below HK$10. Business opportunities in the commodities futures market decreased as the role of brokers continued to fade out. Overseas futures and commodities exchanges were lowering their admission criteria and making it more convenient for potential clients to participate in the market. Consequently, although turnover in this segment improved to HK$7.4 million (2011: HK$4.6 million), a segment loss of HK$2.8 million was recorded (2011: HK$3.9 million), representing a moderate decrease.

FINANCIAL PLANNING AND INSURANCE BROKING

The business volume further decreased as a result of the consolidation of business in this segment, and there was no improvement in the sale of investment-linked products. In addition, certain staff members in this segment asked to be transferred to other business segments in the Group to seek for other opportunities. Turnover therefore reduced further to HK$4.4 million (2011: HK$5.6 million), resulting in a loss of HK$2 million (2011: HK$2 million).

ASSET MANAGEMENT

In the second half of the year, the associated company that was engaged in fund management enlarged the assets under management. However, the financial effect could not be reflected at the end of the year. The jointly controlled entity company in Xiamen completed its registration and raised the first tranche of funds; however, as it is involved in private equity investment the contribution will only crystallise when the investments have matured, which may take several years. Another associated company, Sino Rock Investment Management Company Limited ("Sino-Rock") remained the main contributor of all the associated companies because it held good quality investments which are matured. In addition, we established a mineral fund during the year, acting as fund manager and general partner. Other than managing fund from third parties, the asset management team also devoted its efforts to exploring alternative investments and financing opportunities for the Group. Hence the Group could enhance the return on its financial resources as a whole and such revenue was recorded as other income and revenue of the Group. This segment recorded reportable turnover of HK$11.4 million (2011: HK$8.1 million), which was mainly derived from the advisory fee received from the associated company engaged in managing private funds, and a loss of HK$1.9 million was incurred (2011: HK$2 million).

FINANCIAL RESOURCES

The Group's financial ability remained strong throughout the year and all the subsidiaries licensed by Securities and Futures Commission (the "SFC") maintained more than the liquid capital required. In order to expand its business scale, the Group leveraged its bank borrowings to finance its working capital, and a banking facility was secured under the corporate guarantee of our holding company. At the end of the year, a total of HK$60 million had been utilised and the Group was able to maintain a healthy financial situation. Adjusted net debt-to-capital ratio as at the reporting date was 26.4 percent (2011: N/A).

FLUCTUATION IN FOREIGN EXCHANGE

The Group's assets were mainly denominated in Hong Kong dollars ("HKD"), Renminbi ("RMB") and the United States dollars ("USD"), whilst its liabilities of accrual and accounts payable were denominated in HKD. In light of the continuous, mild appreciation of the RMB against the HKD and the pegging of HKD against the USD remains, the Group is of the opinion that the exposure to foreign exchange will not have a material impact on its financial position.

Management Discussion and Analysis

REMUNERATION AND HUMAN RESOURCES DEVELOPMENT

The Group employed approximately 110 employees as at 31st December 2012. The employees are remunerated on a fixed salary basis, with a discretionary bonus calculated with reference to both the performance of the business they engage in and their own performance. The Group also provides its staff with on-the-job training and organises regulatory seminars for the staff and account executives as part of their continuing professional training. An education allowance is available to all staff members to attend courses approved by the Group. The Group recognises that the business it operates depends on the strength of its human resources and ensures that it provides appropriate remuneration packages to retain high-calibre individuals.

The Staff Remuneration Committee, consisting of the top management and the head of Human Resources, regularly reviews the Group's remuneration policy and decides on the remuneration package for each employee. The remuneration packages for the executive directors are decided by the Group's Remuneration Committee, which comprises a majority of independent non-executive directors.

CONTINGENT LIABILITIES

The Group only provides corporate guarantees to its subsidiaries to secure banking facilities for them. At the end of the year, it is unlikely that any material claims would arise. The outstanding litigation with the then controlling shareholder has been totally resolved and the claims has been withdrawn with the action discontinued. Other outstanding litigation cases are considered on a case-by-case basis. Should any case involve economic outflow, provision will be made.

LOOKING FORWARD

The economy in the United States (the "US") is recovering slowly, but there are more views on the possible withdrawal of Quantitative Easing ("QE") which could cause interest rate on the USD to rebound. The current strong USD could lead to a contraction in the money supply, while the issue of the fiscal cliff is yet to be resolved. Concerning the European economies, focus has been on the negative growth in 2013 due to the unresolved debt crisis; China's export growth is estimated to be 8–9 percent in 2013, only slightly faster than in 2012. China's GDP growth for 2013 was targeted at 7.5 percent which is the same as that of 2012. The Hong Kong economy has long been influenced by both the US and China economies, making it difficult to have significant growth. In addition, the Hong Kong Government's determination to lower the property market with strong measures coupled with expectations of an interest rate hike, may further hinder the growth. It is expected that 2013 will be rife with uncertainty and the investment market will be very volatile.

Our parent company, China Cinda Asset Management Co., Ltd. ("China Cinda"), has completed the introduction of certain strategic investors in 2012 both to strengthen its capital base and enhance business opportunities. China Cinda is currently consolidating its business and one of its themes is to internationalise. Leveraging on our international experience and relationships, we should be able to provide a wide range of services to China Cinda, mainly including financial advisory and investment management. We believe there is strong synergy with the China Cinda group which will bring enormous benefit to the Group.

As a financial group, we are dependent on the performance of the investment market. The local investment atmosphere in the first two months of 2013 has been promising, with significant increases in turnover in the equity market. Capturing this window, we have successfully sponsored two companies to list their shares on the Main Board of the HKSE. However, it is doubtful whether this market sentiment will continue throughout the year. The tightening rules and regulations, the extended trading hours and the further enhancement of the HKSE's trading system mean an increase in the cost of operation. We will continue to expand our three core business segments, corporate finance, broking and asset management and in addition, will explore more short to medium term investment and financing opportunities by collaborating with our controlling shareholder to enhance the return on our assets. Although 2013 will probably not be easy, we hope to deliver a satisfactory performance to our shareholders.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chen Xiaozhou, aged 50, was appointed as an executive director and the Chairman of the Company on 2nd December 2008. Mr. Chen is the chairman and an executive director of Well Kent International Investment Company Limited (a substantial shareholder of the Company within the meaning of Part XV of the SFO), the Chairman and a non-executive director of Silver Grant International Industries Limited (stock code: 171) (a substantial shareholder of the Company within the meaning of Part XV of the SFO) which shares are listed on The Stock Exchange of Hong Kong (the "Stock Exchange"), and the chairman and an executive director of Sino-Rock Investment Management Company Limited (an associated company of the Company).

Mr. Chen obtained a Master Degree in Economics from the Research Institute of the People's Bank of China in 1988 and obtained a Master Degree in Commerce from the University of New South Wales, Australia in 2003. Mr. Chen has over 20 years of experience in the banking and finance industry.

Mr. Gao Guanjiang, aged 60, was appointed as an executive director and the Deputy Chairman of the Company on 2nd December 2008 and 18th January 2009 respectively. He is also a member of the Nomination Committee of the Company. Mr. Gao is currently the Chairman of Cinda Securities Co., Ltd., a company controlled by China Cinda Asset Management Co., Ltd. (a substantial shareholder of the Company within the meaning of Part XV of the SFO).

Mr. Gao graduated from Wuhan University with a Ph. D in Economics. Mr. Gao has over 20 years of experience in commercial banking, investment banking, business administration and securities and finance.

Mr. Zhao Hongwei, aged 46, was appointed as an executive director and the Managing Director of the Company on 2nd December 2008 and 18th January 2009 respectively. He is also a director of certain subsidiaries of the Company and a director of Cinda Plunkett International Holdings Limited (an associated company of the Company).

Mr. Zhao obtained a Bachelor Degree in Science from Beijing Normal University, a Master Degree in Economics from Renmin University of China, a Ph. D Degree in Economics from the Chinese Academy of Social Sciences in 1989, 1993 and 1996 respectively. He has over 16 years of experience in investment banking, business administration and securities and finance.

Mr. Gong Zhijian, aged 46, was appointed as an executive director of the Company on 2nd December 2008. He is the Deputy General Manager of the Group and a director of certain subsidiaries of the Company. Mr. Gong has worked and held management positions in China Construction Bank Corporation (Xiamen Branch), the Accounts Department of China Construction Bank Corporation (Head Office), China Construction Bank Corporation (Shenzhen Branch) and Well Kent International Holdings Company Limited.

Mr. Gong graduated from Lujiang University and Zhongnan University of Economics and Law in 1987 and 2004 respectively. He has over 20 years of experience in commercial banking, investment banking, corporate finance and accounting management.

Mr. Lau Mun Chung, aged 48, was appointed as an executive director of the Company on 3rd March 2007. He is the Deputy General Manager of the Group, a director and/or a secretary of certain subsidiaries or associated companies of the Company and the Company Secretary of the Company. Mr. Lau graduated from the University of Hong Kong with a Bachelor Degree in Social Science. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and a graduate of The Hong Kong Institute of Chartered Secretaries. Prior to joining the Group in 1999, Mr. Lau had already gained extensive experience in accounting, finance and taxation.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Chow Kwok Wai, aged 46, was appointed as a non-executive director of the Company on 2nd December 2008. He is a member of the Remuneration Committee of the Company. Mr. Chow is currently a Deputy General Manager and the Company Secretary of Silver Grant International Industries Limited ("Silver Grant") (stock code: 171) (a substantial shareholder of the Company within the meaning of Part XV of the SFO) which shares are listed on the Stock Exchange. Mr. Chow has worked in Price Waterhouse, which is now known as PricewaterhouseCoopers, and accumulated valuable audit experience there. Mr. Chow received his Bachelor Degree in Social Sciences from the University of Hong Kong in 1990. He is a fellow member of the Association of Chartered Certified Accountants, a fellow CPA of the Hong Kong Institute of Certified Public Accountants and a fellow member and a registered Certified Tax Adviser of The Taxation Institute of Hong Kong. Mr. Chow has over 20 years of experience in accounting, financial management and corporate finance. He is also an independent non-executive director of Lijun International Pharmaceutical (Holding) Co., Ltd. (stock code: 2005) which shares are listed on the Stock Exchange, and an independent non-executive director of Youyuan International Holdings Limited (stock code: 2268) which shares are also listed on the Stock Exchange. Mr. Chow was an executive director of Silver Grant from 20th April 2004 to 28th December 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Tongsan, aged 64, was appointed as an independent non-executive director of the Company on 2nd December 2008. He is the Chairman of the Nomination Committee and a member of the Audit Committee of the Company. Mr. Wang is currently a member of the Chinese Academy of Social Sciences. Mr. Wang obtained his Master degree and Doctorate degree in Economics from the Chinese Academy of Social Sciences in 1985 and 1990 respectively. Mr. Wang has involved in the drafting of the State's reports and documents, and was the ex Dean at the Institute of Quantitative and Technical Economics, Chinese Academy of Social Sciences, and also the ex Chairman of the Chinese Association of Quantitative Economics.

Mr. Chen Gongmeng, aged 48, was appointed as an independent non-executive director of the Company on 2nd December 2008. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Chen is currently the President of China Equity Investment Research Institute and Professor of Finance at the School of Economics and Management of the Shanghai Jiaotong University. He received his MBA degree and Ph D. in Finance from the University of Texas at Dallas in the USA in 1991 and 1995 respectively. Mr. Chen has over 15 years of teaching experience as a professor teaching various subjects including Financial Management, International Finance, Advanced Financial Management, Chinese Communication and Corporate Finance as well as supervising research students. During his teaching career, he developed and implemented numerous academic and professional programs.

Mr. Hung Muk Ming, aged 48, was appointed as an independent non-executive director of the Company on 2nd December 2008. He is the Chairman of the Audit Committee and the Remuneration Committee of the Company. Mr. Hung is a Certified Public Accountant (Practising) and is a fellow CPA of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Directors, an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is a Certified Tax Adviser and a member of The Taxation Institute of Hong Kong. Mr. Hung received his Bachelor Degree in Social Sciences from the University of Hong Kong in 1990, and a Master Degree in Corporate Governance from the Hong Kong Polytechnic University in 2008. From 23rd December 2004 till now, Mr. Hung is an independent non-executive director of Silver Grant International Industries Limited (stock code: 171) (a substantial shareholder of the Company within the meaning of Part XV of the SFO) which shares are listed on the Stock Exchange. He has over 20 years of experience in the accounting and audit sector.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Ms. Lau Yuk Ping, aged 47, is the Deputy General Manager of the Group responsible for overseeing the divisions of compliance and internal audit function, human resources and administration of the Group. Prior to joining the Group in August 1999, Ms. Lau worked in the compliance division of the Stock Exchange. Ms. Lau holds a Bachelor Degree in Business from Monash University, Australia and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. She has over 20 years of experience in regulatory and compliance matters.

Mr. Liu Jialin, aged 50, is the Managing Director of the Group's asset management department responsible for overseeing the operation of various funds. He is also a shareholder and a director of Cinda Plunkett International Holdings Limited, an associated company of the Company and an independent non-executive director of Far East Horizon Limited (stock code: 3360) which shares are listed on the Stock Exchange. Prior to joining the Group in February 2011, Mr. Liu worked for Morgan Stanley group of companies and once served as a member of the Management Committee and Asia Executive Committee as well as a Managing Director in the Fixed Income Division in Hong Kong between 1992 to 2007. In 2008, Mr. Liu established Shelter Cove Capital Limited. Mr. Liu has over 20 years of experience in finance and securities industry.

Mr. Liu obtained a bachelor's degree in science from Peking University and master of science in Physics from Massachusetts Institute of Technology.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and code provisions set out from time to time in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange" and "Listing Rules", respectively) under Appendix 14 (the Code on Corporate Governance Practices ("Former CG Code") which was amended as the Corporate Governance Code ("CG Code") with most of the amended provisions becoming effective on 1st April 2012).

Throughout the financial year 2012, the Group has complied with all the code provisions respectively set out in (a) the Former CG Code for the period from 1st January 2012 to 31st March 2012 and (b) the CG Code for the period from 1st April 2012 to 31st December 2012 save for the deviations from code provisions specified below.

Provision A.1.1 of the Former CG Code and CG Code, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year, a total of three regular meetings of the board of directors of the Company (the "Board") were held in the first quarter, third quarter and the fourth quarter respectively. The Board considers that the three meetings were sufficient to deal with matters of the Company. Apart from Board meetings, consent of directors on issues was also sought through circulating written resolutions.

In the three regular Board meetings held during the year, all the directors of the Company (the "Director(s)") at the relevant time were present at the meetings.

Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. However, Mr. Wang Tongsan and Mr. Chen Gongmeng, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 18th May 2012 as they have other engagement.

The Board would continue to monitor and review the Group's corporate governance practices to ensure compliance.

The key corporate governance principles and practices of the Company are summarized as follows:

BOARD OF DIRECTORS

The Board assumed overall responsibility for leading and supervising the Group. The Board laid down the direction of business for the Group and decided on important issues. The implementation of policies lay down by the Board rests with the Executive Management Committee ("EMC"), which at the time comprised certain executive directors and members from the senior management.

Composition

Currently, the Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors and is in compliance with the minimum number of independent non-executive directors ("INEDs") required under Rule 3.10(1) and the proportion of INEDs in the Board required by Rule 3.10A of the Listing Rules.

Corporate Governance Report

The Board comprises the following Directors:

Executive Directors
Chen Xiaozhou *(Chairman)*
Gao Guanjiang *(Deputy Chairman)*
Gu Jianguo (resigned effective from 31st December 2012)
Zhao Hongwei *(Managing Director)*
Gong Zhijian
Lau Mun Chung

Non-executive Director
Chow Kwok Wai

Independent Non-executive Directors
Wang Tongsan
Chen Gongmeng
Hung Muk Ming

The biographical particulars of all the current Directors are disclosed in the section "Biographical Details of Directors and Senior Management". None of the Directors has any financial, business, family or other material/relevant relationship with one another. The list of Directors is also available on the websites of the Company and the Stock Exchange from time to time.

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separate and performed by different individuals.

Mr. Chen Xiaozhou serves as the Chairman of the Board. The Chairman is primarily responsible for leading the Board and ensuring that it functions effectively and smoothly. Directors are encouraged to participate actively in all Board and committee meetings.

Mr. Zhao Hongwei is the Managing Director of the Company who is responsible for the overall operation of the Group and performs the role of Chief Executive Officer.

Non-Executive Directors

Non-executive Directors provide the Group with diversified expertise and experience. Their views and participation in Board and committee meetings bring independent judgement and advice on issues relating to the Group's strategies, performance, conflicts of interest and management process, to ensure that the interests of all shareholders are taken into account.

The current non-executive Director and the three independent non-executive Directors of the Company are appointed for a term of two years and are subject to rotation in accordance with the provisions set out in the bye-laws of the Company. The Board has received annual written confirmation from all the independent non-executive Directors for the year 2012 and is satisfied that all independent non-executive Directors were acting independently throughout the year. No independent non-executive Director has served the Company for more than nine years.

Independent non-executive Directors are identified as such in all corporate communications containing the names of the Directors.

Board Meetings

The Board meets regularly and at other times as necessary. All Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have access to the advice and services of the Company Secretary, who is responsible for providing Directors with board papers and related materials, and ensuring that board procedures are followed. Where queries are raised by Directors, steps would be taken to respond as promptly and as fully as possible.

The attendance of the Directors at the Board meetings and general meeting held during the financial year 2012 was set out below:

Name of Director	**Number of Board meetings attended**	**Number of general meeting attended**
Executive Directors		
Mr. Chen Xiaozhou *(Chairman)*	3/3	1/1
Mr. Gao Guanjiang *(Deputy Chairman)*	3/3	0/1
Mr. Gu Jianguo (resigned effective from 31st December 2012)	3/3	0/1
Mr. Zhao Hongwei *(Managing Director)*	3/3	0/1
Mr. Gong Zhijian	3/3	1/1
Mr. Lau Mun Chung	3/3	1/1
Non-executive Director		
Mr. Chow Kwok Wai	3/3	1/1
Independent Non-executive Directors		
Mr. Wang Tongsan	3/3	0/1
Mr. Chen Gongmeng	3/3	0/1
Mr. Hung Muk Ming	3/3	1/1

In case Directors are unable to meet together, issues are resolved through written resolutions in the manner prescribed under the bye-laws of the Company. Materials are circulated and commented mainly through electronic mail.

Notice of at least 14 days is given of a regular Board meeting to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice will be given. Minutes of the Board meetings are prepared and circulated to all the Directors in reasonable time.

During the year, the Chairman of the Board held a meeting with the non-executive Director and the independent non-executive Directors without the presence of the executive Directors.

Corporate Governance Report

Board papers are sent to all Directors to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions in accordance with the code provisions as stipulated in the CG Code. The Board and each Director also have separate and independent access to the senior management whenever necessary.

Commencing from 1st April 2012, the management provides each Director with updates and financial information of the Group on a monthly basis giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties.

Rotation of Directors

The bye-laws of the Company provide that every Director, including the Chairman and/or the Managing Director of the Company, shall retire by rotation at least once every three years. Directors appointed by the Board during the year shall hold office only until the following annual general meeting, at which time they shall retire and be eligible for re-election by the shareholders.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in directors' biographical details since the date of the Annual Report 2011 of the Company which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. Chow Kwok Wai ~ cessation of appointment as a director

- Silver Grant International Industries Limited (stock code: 171) whose shares are listed on the Stock Exchange of Hong Kong with effect from 28th December 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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 financial year 2012.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members including two independent non-executive Directors, Mr. Chen Gongmeng and Mr. Hung Muk Ming, and one non-executive Director, Mr. Chow Kwok Wai. Mr. Chow Kwok Wai was the chairman of the Remuneration Committee up to 31st March 2012 and Mr. Hung Muk Ming was the chairman thereafter.

A written terms of reference was adopted by the Remuneration Committee at its inception and is updated when necessary. The Remuneration Committee is responsible for devising the remuneration policy for the Group and determining the specific package of executive Directors. The Remuneration Committee also approves the terms of all executive Directors' service contracts. Recommendations on the remuneration of non-executive Directors (including independent non-executive Directors) are submitted to the Board for consideration. Full minutes and related materials of the meetings are kept by a designated secretary.

The Remuneration Committee had not held any meeting in the financial year 2012.

Directors' Remuneration

Each executive Director is entitled to a director's fee determined by the Remuneration Committee. Some executive Directors have entered into service contracts whilst the other executive Directors signed letters of appointment with the Company. The director's service contracts provide the executive Director with a fixed monthly salary determined in accordance with the Director's qualification, experience and the prevailing market conditions together with a discretionary bonus decided with reference to the Group's financial performance, the individual's performance during the year and the market conditions. Non-executive Directors are entitled to a director's fee decided by the Board. The Board confirms that no Directors or their associates (as defined in the Listing Rules) are involved in determining their own remuneration.

NOMINATION COMMITTEE

The Nomination Committee comprises three members including two independent non-executive Directors, Mr. Wang Tongsan and Mr. Chen Gongmeng, and one executive Director, Mr. Gao Guanjiang. Mr. Gao Guanjiang was the chairman of the Nomination Committee up to 31st March 2012 and Mr. Wang Tongsan was the chairman thereafter.

A written terms of reference was adopted by the Nomination Committee at its inception and is updated when necessary. The main duties of the Nomination Committee are as follows:

1. review the structure, size and composition of the Board at least annually and make recommendations to the Board regarding any proposed changes;

2. identify suitable individuals qualified to become Board members and make recommendations to the Board on suitable candidates to be nominated for directorships;

3. assess the independence of independent non-executive Directors on its appointment or when their independence is called into question; and

4. make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee held one meeting in the financial year 2012. The following is the attendance record:

Name of Committee Members	Number of meeting attended	Attendance rate
Mr. Wang Tongsan	1/1	100%
Mr. Gao Guanjiang	1/1	100%
Mr. Chen Gongmeng	1/1	100%

TRAINING FOR DIRECTORS

The Company will provide a comprehensive, formal and tailored induction to each newly appointed Director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided technical updates, including the amendments on the Listing Rules and the news release published by the Stock Exchange to the Directors. A training was provided for all the Directors during the year.

Corporate Governance Report

INSURANCE COVER FOR DIRECTORS

The Company has arranged appropriate insurance cover in respect of legal action against its Directors to comply with the requirement of the code provision.

AUDITORS' REMUNERATION

The Group has appointed KPMG as the Group's external auditors who offer both audit and non-audit services to the Group. In the financial year 2012, the audit fees paid to KPMG and other external auditors totalled HK$1.9 million. For non-audit services, fees amounted to HK$0.8 million was for a review of the interim financial report and review work carried out on associated companies.

AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are independent non-executive Directors. The Committee is chaired by Mr. Hung Muk Ming who possesses appropriate professional qualifications and experience in accounting and financial management. The other members are Mr. Wang Tongsan and Mr. Chen Gongmeng.

The major roles and functions of the Audit Committee include:

1. evaluating the effectiveness of the Group's internal control system;

2. reviewing the financial reporting process;

3. reviewing the interim and annual financial statements before they are approved by the Board;

4. endorsing the annual audit plans proposed by the auditors;

5. reviewing and approving connected transactions; and

6. monitoring the appointment and remuneration of the auditors.

The Audit Committee held two meetings during 2012. Representatives from the executive Directors and the head of compliance and internal audit ("CAIA") are answerable in the Audit Committee meetings. After each Audit Committee meeting, a private session between the auditors and the independent non-executive Directors was held immediately. The following is the attendance record of the meetings held by the Audit Committee during the year:

Name of Committee Members	Number of meetings attended	Attendance rate
Mr. Hung Muk Ming	2/2	100%
Mr. Wang Tongsan	2/2	100%
Mr. Chen Gongmeng	2/2	100%

A summary of the work performed by the Audit Committee during the financial year 2012 is listed below:

(1) reviewed and approved the remuneration and the terms of engagement of the external auditor;

(2) reviewed and commented on each of the half-year and annual financial statements of the Group and the independent auditors' report before their submission to the Board;

(3) reviewed the Group's financial control, internal control and risk management systems;

(4) reviewed the results of the audit on continuing connected transactions; and

(5) reviewed the findings and the recommendations of the Group's internal auditor on the Group's operations and the regulatory review carried out by the regulators.

The work and findings of the Audit Committee have been reported to the Board. During the year, no issue brought to the attention of the Board was of sufficiently important to require disclosure in the annual report.

ACCOUNTABILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for the preparation of financial statements for the Company which gives a true and fair view of the state of affairs of the Company as at 31st December 2012, and its profit and the cash flows for the year ended. The financial statements are prepared on the assumption of going concern and are in accordance with the statutory requirements and applicable accounting and financial reporting standards. The Directors also ensure that the publication of the financial statements of the Group is done in a timely manner.

The statements of the Directors and the auditor of the Company regarding their respective responsibilities on the financial statements of the Company are set out in the Independent Auditor's Report on pages 26 to 27 of this annual report.

INTERNAL CONTROL

The Group strives to maintain a sound and effective internal control system to safeguard the assets of the Group and its clients. To achieve this end, a proper segregation of duties and responsibilities is in place. The Directors have assessed the effectiveness of the internal control system during the year with the assistance of the head of the CAIA. The CAIA assesses the internal control procedures to validate its effectiveness and regularly reports its findings to the Audit Committee. In addition, to ensure full compliance with related rules and regulations promulgated by the Securities and Futures Commission, the CAIA performs regular compliance and internal control testing. Exceptional results are brought to the management's attention. Disciplinary actions are in place to deal with identified non-compliance cases.

The Group acknowledges that the strengthening of the internal control system is an ongoing process and will continue to design and implement appropriate measures to meet the changing business environment of the Group.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out below:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

2. to review and monitor the training and continuous professional development of directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

5. to review the Company's compliance with the corporate governance code and disclosure in the corporate governance report.

Corporate Governance Report

OTHER CORPORATE GOVERNANCE PRACTICE

There are three management committees, each charged with specific duties of leading and controlling the daily operation and management of the Group. Chaired by the Managing Director of the Group, the Executive Management Committee (the "EMC") is responsible for setting up and implementing Group policy, exercising control over operational activities, reviewing and approving budgets, and making decisions on all major issues. Other members of the EMC include certain executive Directors and members from the senior management of the Group.

The Risk Management Committee (the "RMC") and the Marketing Management Committee (the "MMC") are accountable to the EMC. The RMC is responsible for dealing with all risk management issues of the Group and reviewing clients' complaints, whilst the MMC is responsible for formulating marketing policies.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensuring that the Group complies with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company. Information regularly provided to the shareholders includes annual and interim reports, circulars and announcements in accordance with the Listing Rules.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend the general meetings in order to have personal communication with shareholders. The external auditors are also required to be present to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

For both institutional and retail investors, the Company's website, www.cinda.com.hk, provides up-to-date information about the Group. All key information such as announcements, circulars, annual and interim reports can be downloaded from this website.

SHAREHOLDERS' RIGHT

(1) Procedures for shareholders to convene an Extraordinary General Meeting ("EGM") and putting forward proposals at shareholders' meeting

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a EGM.

The written requisition must state the proposed resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all the shareholders concerned and be deposited at the Company's office in Hong Kong at 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong, for the attention of the Company Secretary.

If within twenty-one days of such deposit the Board fails to proceed to convene the EGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a EGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the proposed resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

As regards proposing a person for election as a director, please refer to the procedures as set out in the "Procedure for shareholders to propose a person for election as a director" on the website of the Company at www.cinda.com.hk.

(2) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's office in Hong Kong at 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year.

COMPANY SECRETARY

The Company Secretary is responsible for advising the Board on governance matters and also facilitates induction and professional development of Directors. The Company Secretary reports to the Chairman of the Board. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, all applicable laws, rules and regulations are followed.

Mr. Lau Mun Chung who is a certified public accountant (as defined in the Professional Accountants Ordinance) was appointed Company Secretary of the Company since 25th May 2000.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to actively contributing to the community and fostering a caring culture. To achieve this end, the Group has organised various social services activities and encourages staff to participate in voluntary works. In addition, the Company has become a Silver Member of WWF-Hong Kong since October 2011 in order to support environmental conservation and education works. The Company has been awarded the Caring Company award for more than 5 consecutive years in recognition of its contribution to community service. Furthermore, the Company was awarded the Hong Kong Awards for Environmental Excellence under the sector of Financial, Legal and Business Consulting Services (Merit) for five consecutive years. As a corporate citizen, the Group will continue to uphold its corporate social responsibility.

Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited financial statements of the Company and the Group for the year ended 31st December 2012.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATION

The principal activity of the Company is investment holdings. The activities of the subsidiaries are set out in Note 16 to the financial statements. An analysis of the Group's performance for the year by business segments is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 28.

No interim dividend has been declared for the year (2011: Nil). The Directors do not recommend the payment of a final dividend in respect of the year ended 31st December 2012 (2011: Nil).

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in Note 24 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 32 and in Note 25 to the financial statements respectively.

Distributable reserves of the Company as at 31st December 2012 calculated under the Company Act 1981 of Bermuda (as amended) amounted to HK$45,609,000 (2011: HK$47,694,000). Details are set out in Note 25 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$35,000 (2011: HK$25,000).

FIXED ASSETS

Movements in fixed assets of the Group during the year are set out in Note 15 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on page 88.

Report of the Directors

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Chairman

Mr. Chen Xiaozhou

Deputy Chairman

Mr. Gao Guanjiang

Executive Directors

Mr. Gu Jianguo (resigned effective from 31st December 2012)
Mr. Zhao Hongwei *(Managing Director)*
Mr. Gong Zhijian
Mr. Lau Mun Chung

Non-executive Directors

Mr. Chow Kwok Wai

Independent Non-executive Directors

Mr. Wang Tongsan
Mr. Chen Gongmeng
Mr. Hung Muk Ming

In accordance with bye-law 87 of the Company, Mr. Gao Guanjiang, Mr. Lau Mun Chung, Mr. Chow Kwok Wai and Mr. Hung Muk Ming shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACT

None of the Directors proposed for re-election has entered into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, or in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Report of the Directors

CONTINUING CONNECTED TRANSACTION

Pursuant to an agreement dated 9th July 2009 entered into between the Company, Well Kent International Investment Company Limited ("WKII") and Well Kent International Holdings Company Limited ("WKIH") (the "Master Agreement") in relation to the provision by the Group of certain financial services to WKII or WKIH or the companies under the control of WKII or WKIH (the "Connected Clients") and vice versa, the Group has agreed to (i) provide brokerage services for securities, futures and option trading, placing and underwriting and sub-underwriting services and asset management services to the Connected Clients; (ii) provide corporate financial advisory services to the Connected Clients; and (iii) pay commission and a fee to the Connected Clients for their acting as sub-underwriters for the securities underwritten by the Group. The Master Agreement expired on 31st December 2011.

In view of the expiry of the Master Agreement and the intention of the Company to continue its business transactions with the Connected Clients in future, on 25th June 2012, a new master agreement has been entered into between the Company and WKII (the "New Master Agreement"). Pursuant to the New Master Agreement, the Group has agreed to (i) provide brokering services for securities, futures and options trading; placing and underwriting and sub-underwriting services and asset management services to the Connected Clients; (ii) provide corporate financial advisory services to the Connected Clients; (iii) pay commission and a fee to the Connected Clients for their acting as sub-underwriters for the securities underwritten by the Group, for the period commencing from the date of the New Master Agreement to 31st December 2014.

These above-mentioned continuing connected transactions were determined after arm's length negotiations between the parties thereto and will be no less favourable to the Group than terms offered to or by other independent third parties. The Directors, including the independent non-executive Directors, are of the view that the terms of the New Master Agreement are fair and reasonable so far as the shareholders are concerned and that the New Master Agreement was entered into on normal commercial terms and in the interest of the Company and its shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Directors have received a letter from the auditors containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.38 of the Listing Rules.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

On 26th June 2012, the Company as borrower, entered into a facility agreement ("Facility Agreement") with a bank in relation to a HK$70,000,000 revolving term loan facility ("Loan Facility"). Pursuant to the Facility Agreement, application by the Company to use the Loan Facility is conditional upon the undertakings rendered by the controlling shareholder, Well Kent International Investment Company Limited ("WKll") who being a continuing guarantor of the Loan Facility, that (i) WKII remains the largest single shareholder of the Company throughout the availability of the Loan Facility which has a beneficial ownership (directly or indirectly) of not less than 51 per cent in the issued share capital of the Company; and (ii) the minimum consolidated tangible net worth and the consolidated net gearing ratio of WKll is over HK$3 billion and not exceeding 0.6X respectively. Failure to comply with the undertakings will trigger an event of default. If an event of default under the Facility Agreement occurs, the bank may declare the Facility Agreement be cancelled and/or demand repayment in full all outstanding advances together with the interest accrued thereon and all other sums payable by the Company under the Facility Agreement. The final maturity date of the Loan Facility is 31st August 2013.

As at 31st December 2012, HK$60,000,000 has been drawn under the Loan Facility.

ADVANCE TO AN ENTITY

On 9th November 2012, the Company as lender entered into a loan facility agreement (the "Loan Facility Agreement") with America Champion Property Ltd. ("America Champion") as borrower, pursuant to which the Company has agreed to provide a loan in the amount of HK$70,000,000 (the "Loan") to America Champion for a term of 30 months commencing from the drawdown date at the interest rate of 14% per annum. America Champion and its beneficial owner are third parties independent of the Company and its connected persons. Interest shall be payable to the Company every six months where the first interest period shall end on 20th June 2013 and subsequent interest periods shall end on 20th December and 20th June each year. The final interest period shall end on the maturity date. The principal amount of the Loan together with interest accrued on the final interest period shall be repaid to the Company in one lump sum on the maturity date.

The Loan has been drawn on 13th December 2012 and as at 31st December 2012, the total outstanding balance of the Loan together with the interest accrued amounted to HK$70,510,137.

The Loan is secured by:

1. the first share charge executed by Mr. Qiu Aimin (the sole shareholder of America Champion), America Champion and the Company, pursuant to which Mr. Qiu Aimin agreed to charge by way of first share charge his interest in the entire issued share capital of America Champion in favour of the Company; and

2. the personal guarantee executed by Mr. Qiu Aimin and Mr. Qiu Hanhui, son of Mr. Qiu Aimin (collectively, the "Guarantors") in favour of the Company, pursuant to which the Guarantors, on a joint and several basis, shall irrevocably and unconditionally guarantees the due and punctual performance of America Champion of all its obligations under the Loan Facility Agreement.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st December 2012, 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 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Report of the Directors

INFORMATION ON SHARE OPTIONS

The share option scheme currently in force was adopted in the 2006 annual general meeting of the Company held on 29th May 2006. No option has been granted in the year ended 31st December 2012 and as at 31st December 2012, there were no outstanding share options granted under the scheme.

The following is a summary of the purpose and terms of the share option scheme:

1	Purpose of the Scheme	(a) Provide incentives or rewards to participants for their contribution to the Group. (b) Recruit and retain high-calibre employees and attract human resources that are valuable to the Group.
2	Participants of the Scheme	(a) Employees including executive Directors of the Group and its invested entities (b) Other persons who have made contributions to the Group as determined by the Board.
3	Total number of shares available for issue under the Scheme and percentage of issued share capital that it represents as at 31st December 2012	41,413,000 shares, equivalent to approximately 6.46% of the issued share capital of the Company as at 31st December 2012.
4	Maximum entitlement of each participant under the Scheme	No options may be granted to any participant, which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the options already granted or to be granted to such participant under the Scheme or any other schemes of the Company (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital as at the date of such new grant. Any grant of further options above this limit shall be subject to the approval of the shareholders of the Company in a general meeting.
5	Period within which the securities must be taken up under an option	The Directors may determine the period but this shall not end on a date later than ten years from the date of grant.
6	Minimum period for which an option must be held before it can be exercised	There is no such requirement, but the Directors can determine the period of holding.
7	Amount payable on application or acceptance of the option and the periods within which payments or calls must be made or loans made for such purposes must be repaid	Within 28 days from the date of the offer letter, the grantee must accept the offer in writing and remit in favour of the Company HK$10 per option, irrespective of the number of shares covered by the option.
8	Basis of determining the exercise price	The exercise price is determined by the Directors and it must be no less than the highest of: (a) the closing price of the Company's shares in the Stock Exchange's daily quotations sheet on the date of the grant of the relevant options (b) an amount equivalent to the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant options (c) the nominal value of the Company's shares.
9	Remaining life of the scheme	The Scheme shall end on 29th May 2016.

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

As at 31st December 2012, so far as was known by 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 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:

Long position

Name of substantial shareholder	Capacity	Number of shares or underlying shares held	Approximate percentage of the Company's issued share capital
Sinoday Limited	Beneficial owner	409,546,200 *(Note 1)*	63.87%
Well Kent International Investment Company Limited ("WKII")	Interest through a controlled corporation	409,546,200 *(Note 1)*	63.87%
China Cinda Asset Management Co., Ltd. ("China Cinda")	Interest through a controlled corporation	409,546,200 *(Note 1)*	63.87%
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")	Beneficial owner and interest through a controlled corporation	50,441,200 *(Note 2)*	7.87%
CCB International Asset Management Limited ("CCBIAM")	Investment manager	59,621,200 *(Note 3)*	9.30%
CCB International (Holdings) Limited	Beneficial owner	59,621,200 *(Note 3)*	9.30%
CCB Financial Holdings Limited	Interest held by a controlled corporation	59,621,200 *(Note 3)*	9.30%
CCB International Group Holdings Limited	Interest held by a controlled corporation	59,621,200 *(Note 3)*	9.30%
China Construction Bank Corporation	Interest held by a controlled corporation	59,621,200 *(Note 3)*	9.30%
Central Huijin Investment Ltd.	Interest held by a controlled corporation	59,621,200 *(Note 3)*	9.30%
Atlantis Capital Holdings Limited ("Atlantis Capital")	Interest held through controlled corporations	38,306,000 *(Note 4)*	5.97%
Liu Yang	Interest held through a controlled corporation	38,306,000 *(Note 4)*	5.97%

Report of the Directors

Notes:

(1) These shares were held by Sinoday Limited. The issued share capital of Sinoday Limited was wholly owned by WKII which was 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 was interested.

(2) These shares were held by Silver Grant and Silver Grant International as to 48,026,400 shares and 2,414,800 shares respectively. 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. 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 57.15% of its interest is owned by Central Huijin Investment Ltd. Accordingly, CCB Financial Holdings Limited, CCB International Group Holdings Limited, China Construction Bank Corporation and Central Huijin Investment Ltd. were deemed to be interested in 59,621,200 ordinary shares in the Company by virtue of the provisions of the SFO.

(4) These shares were controlled by Atlantis Capital through the controlled corporations namely Atlantis Investment Management (Ireland) Limited, Atlantis Investment Management Limited and Atlantis Investment Management (Hong Kong) Limited. Atlantis Capital is 100% owned by Liu Yang. By virtue of the provisions of the SFO, Liu Yang is deemed to be interested in all the shares in which Atlantis Capital was interested. Since 18th January 2013, Atlantis Capital ceased to be a substantial shareholder of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of turnover for the year attributable to the Group's major customers are as follows:

— the largest customer	13.3%
— the five largest customers combined	39.31%

Except that an intermediate holding company of the Company through a controlled corporation and an associated company of the Company, each of which is one of the top five customers (not the largest customer), at no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers.

As the Group is engaged in the provision of financial services, the Directors are of the opinion that giving information on counterparties would be of limited or no value.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year ended 31st December 2012. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31st December 2012.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that was publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITORS

The financial statements have been audited by KPMG who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Chen Xiaozhou
Chairman

Hong Kong, 27th March 2013

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CINDA INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Cinda International Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 28 to 87, which comprise the consolidated and Company statements of financial position as at 31st December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

27th March 2013

Consolidated Income Statement

For the year ended 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
Continuing operations			
Turnover	*5*	**100,214**	75,776
Other revenue	*5*	**14,611**	5,362
Other net (loss)/income	*5*	**(3,788)**	3,395
		111,037	84,533
Staff costs	*6*	**58,049**	51,565
Commission expenses		**13,149**	12,434
Operating leases for land and buildings		**14,680**	13,797
Other operating expenses	*7*	**27,162**	24,939
Total operating expenses		**113,040**	102,735
Operating loss		**(2,003)**	(18,202)
Finance costs	*8*	**(312)**	(7)
		(2,315)	(18,209)
Share of profits/(losses) of associates	*17(a)*	**8,764**	(12,775)
Share of profit of a jointly controlled entity	*17(b)*	**56**	—
Profit/(loss) before taxation		**6,505**	(30,984)
Income tax credit	*9*	**—**	45
Profit/(loss) for the year from continuing operations		**6,505**	(30,939)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	*10*	**3,997**	(168)
Profit/(loss) for the year		**10,502**	(31,107)
Attributable to:			
Equity holders of the Company		**10,502**	(31,107)
Earnings/(loss) per share			
Basic and diluted			
— From continuing and discontinued operations	*13*	**HK1.64 cents**	(HK5.17 cents)
— From continuing operations	*13*	**HK1.02 cents**	(HK5.14 cents)
— From discontinued operations	*13*	**HK0.62 cents**	(HK0.03 cents)

The notes on pages 34 to 87 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2012

	Note	**2012 HK$'000**	2011 HK$'000
Profit/(loss) for the year		**10,502**	(31,107)
Other comprehensive income for the year:			
Share of an associate's investment revaluation reserve relating to available-for-sales securities:			
— Change in fair value		**4,758**	1,869
— Transfer to profit or loss on disposal		**(7,504)**	(6,844)
Net movement in investment revaluation reserve		**(2,746)**	(4,975)
Share of an associate's exchange reserve movement		**2,438**	2,290
Exchange differences on translation of:			
— financial statements of a jointly controlled entity	*17(b)*	**(218)**	—
— financial statements of an overseas subsidiary		**(11)**	—
		(229)	—
		(537)	(2,685)
Total comprehensive income for the year		**9,965**	(33,792)
Total comprehensive income attributable to:			
Equity holders of the Company		**9,965**	(33,792)

The notes on pages 34 to 87 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Intangible assets	*14*	**1,439**	1,439
Fixed assets	*15*	**5,552**	7,637
Interests in associates	*17(a)*	**221,154**	212,698
Interest in a jointly controlled entity	*17(b)*	**21,604**	—
Other assets	*18*	**4,579**	7,428
Note receivable	*19*	**45,000**	—
Loan receivable	*19*	**70,000**	—
		369,328	229,202
Current assets			
Financial assets at fair value through profit or loss	*21*	**7,040**	—
Trade and other receivables	*22*	**312,075**	93,189
Bank balances and cash	*23*	**94,046**	261,718
		413,161	354,907
Current liabilities			
Trade and other payables	*26*	**165,770**	37,355
Bank loan	*27*	**60,000**	—
Taxation payable	*20*	**—**	—
		225,770	37,355
Net current assets		**187,391**	317,552
Total assets less current liabilities		**556,719**	546,754
NET ASSETS		**556,719**	546,754
Capital and reserves			
Share capital	*24*	**64,121**	64,121
Other reserves	*25*	**474,854**	475,391
Retained earnings	*25*	**17,744**	7,242
TOTAL EQUITY		**556,719**	546,754

Approved and authorised for issue by the Board of Directors on 27th March 2013.

Zhao Hongwei	**Lau Mun Chung**
Director	*Director*

The notes on pages 34 to 87 form part of these financial statements.

Statement of Financial Position

As at 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Intangible assets	*14*	**120**	120
Investment in subsidiaries	*16*	**265,184**	272,102
Investment in an associate	*17(a)*	**78,000**	78,000
Note receivable	*19*	**45,000**	—
Loan receivable	*19*	**70,000**	—
		458,304	350,222
Current assets			
Financial assets at fair value through profit or loss	*21*	**7,040**	—
Other receivables	*22*	**46,808**	32,107
Amounts due from subsidiaries	*16(a)*	**222,086**	199,675
Bank balances and cash	*23*	**5,763**	78,899
		281,697	310,681
Current liabilities			
Other payables	*26*	**3,375**	625
Bank loan	*27*	**60,000**	—
Amounts due to subsidiaries	*16(a)*	**145,477**	127,044
		208,852	127,669
Net current assets		**72,845**	183,012
Total assets less current liabilities		**531,149**	533,234
NET ASSETS		**531,149**	533,234
Capital and reserves			
Share capital	*24*	**64,121**	64,121
Other reserves	*25*	**496,910**	496,910
Accumulated loss	*25*	**(29,882)**	(27,797)
TOTAL EQUITY		**531,149**	533,234

Approved and authorised for issue by the Board of Directors on 27th March 2013.

Zhao Hongwei	**Lau Mun Chung**
Director	*Director*

The notes on pages 34 to 87 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2012

		Attributable to equity holders of the Company						
	Note	Share capital	Share premium	Capital reserve 25(a)	Investment revaluation reserve 25(c)	Exchange reserve 25(d)	Retained earnings	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1st January 2011		53,434	315,909	42,579	10,748	3,030	38,349	464,049
Loss for the year		—	—	—	—	—	(31,107)	(31,107)
Other comprehensive income		—	—	—	(4,975)	2,290	—	(2,685)
Total comprehensive income for the year		—	—	—	(4,975)	2,290	(31,107)	(33,792)
New shares issued	*24, 25*	10,687	105,510	300	—	—	—	116,497
Balance at 31st December 2011		64,121	421,419	42,879	5,773	5,320	7,242	546,754
Balance at 1st January 2012		64,121	421,419	42,879	5,773	5,320	7,242	546,754
Profit for the year		—	—	—	—	—	10,502	10,502
Other comprehensive income		—	—	—	(2,746)	2,209	—	(537)
Total comprehensive income for the year		—	—	—	(2,746)	2,209	10,502	9,965
Balance at 31st December 2012		64,121	421,419	42,879	3,027	7,529	17,744	556,719

The notes on pages 34 to 87 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2012

	Note	**2012 HK$'000**	2011 HK$'000
Net cash outflow from operating activities	*31*	**(194,209)**	(26,109)
Investing activities			
Purchase of fixed assets	*15*	**(841)**	(5,516)
Sale of financial assets at fair value through profit or loss		**142**	28,349
Dividends received from listed securities	*5*	**533**	—
Dividends received from an associate	*17(a)*	**—**	6,000
Purchase of financial assets at fair value through profit or loss		**(11,232)**	(1,817)
Investment in associates		**—**	(82,000)
Investment in a jointly controlled entity	*17(b)*	**(21,766)**	—
Net cash outflow from investing activities		**(33,164)**	(54,984)
Financing activities			
Interest paid	*8*	**(312)**	(7)
Proceeds from new bank loan	*27*	**60,000**	—
Proceeds from new shares issued		**—**	116,497
Net cash inflow from financing activities		**59,688**	116,490
(Decrease)/increase in cash and cash equivalents		**(167,685)**	35,397
Cash and cash equivalents at 1st January		**246,700**	211,303
Effect of foreign exchange rate changes		**(11)**	—
Cash and cash equivalents at 31st December	*23*	**79,004**	246,700
Analysis of balances of cash and cash equivalents			
Bank balances — general accounts and cash	*23*	**79,004**	246,700

The notes on pages 34 to 87 form part of these financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 16 to the financial statements.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27th March 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs, that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2.2 Basis of preparation

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

— financial instruments classified as available-for-sale or as financial assets at fair value through profit or loss (see note 2.9).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Consolidation

The consolidated financial statements for the year ended 31st December 2012 comprise the Company and all its subsidiaries (together referred to as the "Group") and the Group's interest in associates and a jointly controlled entity.

(a) Subsidiaries and non-controlling interests

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and noncontrolling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Consolidation *(continued)*

(a) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

(b) Associates and jointly controlled entity

Associates are all entities over which the Group has significant influence but not control, or joint control, over its management, including participation in the financial and operating policy decision, generally accompanying a shareholding of between 20% and 50% of the voting rights.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2.7(a) and 2.8). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated income statement, whereas the Group's share of the post-acquisition post tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity. Accounting policies of the associates and jointly controlled entity have been changed where necessary to ensure consistency with the policies adopted by the Group.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entity are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Consolidation *(continued)*

(b) Associates and jointly controlled entity (continued)

When the Group ceases to have significant influence over an associate or jointly control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

In the company's statement of financial position, investments in associates are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2.4 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK Dollars"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.6 Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of fixed assets is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold improvements	over the lease periods
Furniture and fixtures	20%
Office and computer equipment	20%
Motor vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2.8).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase. Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2.8). On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(b) Trading rights

Trading rights held in The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited (the "Stock Exchange trading rights" and "Futures Exchange trading right" respectively) are classified as intangible assets. Trading rights have an indefinite useful life and are carried at cost less accumulated impairment losses (see note 2.8).

2.8 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial instruments

The Group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the financial instruments are acquired. Management determines the classification of the financial instruments at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represents financial assets held for trading and designated at fair value through profit or loss.

A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets held for trading are classified as current assets.

Financial assets are designated at fair value through profit or loss upon initial recognition when:

— the assets are managed, evaluated and reported internally on fair value basis;

— the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;

— the asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

— the separation of the embedded derivatives from the financial asset is not prohibited.

Financial assets under this category are carried at fair value. Changes in the fair value are included in the income statement in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in the income statement.

(b) Note receivables and loans receivables

Note receivables and loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities more than 12 months after the end of the reporting period which are classified as non-current assets. Note receivables and loans receivable are carried at amortised cost using the effective interest method, less impairment losses, if any (see note 2.10(b)).

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial instruments *(continued)*

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months after the end of the reporting period.

Purchases and sales of financial instruments are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial instruments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial instruments are derecognized when the rights to receive cash flows from the financial instruments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement — is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.10 Trade and other receivables

(a) Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, except where the receivables are interest-free loans made to group companies without any fixed repayment terms or the effect of discounting would be immaterial.

(b) A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.12 Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2.17, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.14 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Income tax *(continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Employee benefits

(a) Employee leave entitlements

Employee entitlement to annual leave is recognised when it accrues to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to the mandatory provident fund ("MPF Scheme"), a defined contribution plan in Hong Kong, which is available to all employees. The assets of the MPF Scheme are held separately from the Group in an independently administered fund.

The Group's contribution to the MPF Scheme is based on 5% of the monthly relevant income of each employee up to a maximum monthly relevant income of HK$25,000 in accordance with the Mandatory Provident Fund Schemes Ordinance. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

2.16 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2.16 if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Brokerage commission income arising from securities broking and commodities and futures broking are recognised and accounted for on a trade date basis.

Brokerage commission income arising from the brokerage insurance products is recognised when services are rendered. An amount, based on a certain percentage of the commission income and expenses and based on the historical statistics on the occurrence of the clawback of the brokerage commission income, has been provided for the possible clawback that may be claimed against the Group.

Underwriting commissions are recognised when the relevant work or service has been rendered.

Revenue from corporate finance and investment advisory services is recognised in accordance with the terms of agreement for the underlying transactions.

Interest income is recognised as it accrues using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

2.19 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Leases *(continued)*

(a) Operating lease
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are expensed in the income statement on a straight-line basis over the period of the lease.

(b) Finance lease
Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Related parties *(continued)*

(b) *(continued)*

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.22 Finance costs

Finance costs are charged to the income statement in the year in which they are incurred.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.24 Financial instruments not recognized in the statement of financial position

Financial instruments arising from the leveraged foreign exchange trading and option transactions are marked to market and the gain or loss thereof is recognised in the income statement as foreign exchange trading revenue or net premium income from foreign currency option.

2.25 Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.26 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or if the operation is abandoned. Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Comparative information in the income statement and the statement of cash flows is re-presented to conform to current year's presentation.

Notes to the Financial Statements

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs 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:

- Amendments to HKFRS 7, *Financial instruments: Disclosures — Transfers of financial assets*
- Amendments to HKAS 12, *Income taxes — Deferred tax: Recovery of underlying assets*

These amendments do not have significant impact on the Group's and the Company's results of operations and financial position. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4.2 Litigation

The Group considers each case involving litigation individually to assess the probability of any outflow of resources. If in the opinion of the directors, an outflow of resources embodying economic benefits will be required to settle the litigation, a provision will be made to the extent of the probable outflow. In other cases, unless the possibility of an outflow of resources embodying economic benefits is remote, a contingent liability will be disclosed.

4.3 Estimation of fair values

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. For unlisted investments held by the Group and the Group's associate, where direct market prices are not available, the fair value of such instruments is calculated on the basis of valuation techniques using current market parameters. These techniques involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experiences and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values. In particular, the fair value is a theoretical value applicable at a given reporting date, and hence cannot be used as an indicator of value realisable in a future sale.

5 TURNOVER, OTHER REVENUE, OTHER NET (LOSS)/INCOME AND SEGMENT INFORMATION

	2012 HK$'000	2011 HK$'000
From continuing operations		
Turnover		
Fees and commission	**82,594**	68,319
Underwriting commission	**9,694**	2,710
Interest income	**7,523**	4,346
Net premium income from insurance broking	**403**	401
	100,214	75,776
Other revenue		
Loan interest income	**11,835**	4,436
Dividend income from listed securities	**533**	—
Other income	**2,243**	926
	14,611	5,362
Other net (loss)/income		
Net exchange gains	**262**	813
Net (losses)/gains on financial assets at fair value through profit or loss	**(4,050)**	2,582
	(3,788)	3,395
	111,037	84,533

Notes to the Financial Statements

5 TURNOVER, OTHER REVENUE, OTHER NET (LOSS)/INCOME AND SEGMENT INFORMATION *(continued)*

	2012 **HK$'000**	2011 HK$'000
From discontinued operations		
Turnover	**—**	—
Other revenue		
Other income (note 32.2)	**4,000**	—
Other net income		
Interest income	**—**	1
Net gains on financial assets at fair value through profit or loss	**—**	15
	—	16
	4,000	16

Segment information

The Group manages its businesses by divisions. Under HKFRS 8, Operating segments, and 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 or seeking listing in Hong Kong and other unlisted corporates.

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 other investment linked insurance products.

5. Asset management — managing private funds.

5 TURNOVER, OTHER REVENUE, OTHER NET (LOSS)/INCOME AND SEGMENT INFORMATION *(continued)*

Segment information *(continued)*

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.

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 current and deferred tax assets 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.

Year ended 31st December 2012

	Continuing operations						Discontinued operations	
	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$'000	Total HK$'000
Turnover from external customers	34,820	41,408	7,430	4,358	1	88,017	—	88,017
Turnover from associates	—	—	—	—	11,371	11,371	—	11,371
Reportable segment turnover	34,820	41,408	7,430	4,358	11,372	99,388	—	99,388
Reportable segment results (EBIT)	861	1,431	(2,828)	(2,044)	(1,886)	(4,466)	3,997	(469)
Interest income from bank deposits	18	64	—	—	1	83	—	83
Interest expense	—	(77)	(2)	—	—	(79)	—	(79)
Depreciation for the year	(123)	(732)	(177)	(4)	(3)	(1,039)	—	(1,039)
Reportable segment assets	22,154	259,920	58,823	3,738	5,573	350,208	69	350,277
Additions to non-current segment assets during the year	—	202	503	—	—	705	—	705
Reportable segment liabilities	3,638	112,956	49,371	2,250	1,146	169,361	60	169,421

Notes to the Financial Statements

5 TURNOVER, OTHER REVENUE, OTHER NET (LOSS)/INCOME AND SEGMENT INFORMATION *(continued)*

Segment information *(continued)*

Year ended 31st December 2011

	Continuing operations						Discontinued operations	
	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$'000	Total HK$'000
Turnover from external customers	33,931	23,309	4,638	5,615	—	67,493	—	67,493
Turnover from an associate	—	—	—	—	8,116	8,116	—	8,116
Inter-segment turnover	300	28	—	—	—	328	—	328
Reportable segment turnover	34,231	23,337	4,638	5,615	8,116	75,937	—	75,937
Reportable segment results (EBIT)	(3,604)	(9,982)	(3,900)	(1,992)	(1,965)	(21,443)	(168)	(21,611)
Interest income from bank deposits	13	31	—	—	—	44	1	45
Interest expense	—	(7)	—	—	—	(7)	—	(7)
Depreciation for the year	(136)	(822)	(215)	(8)	(12)	(1,193)	—	(1,193)
Reportable segment assets	47,753	160,483	25,270	3,070	6,632	243,208	72	243,280
Additions to non-current segment assets during the year	3	678	339	—	—	1,020	—	1,020
Reportable segment liabilities	10,099	19,874	12,990	1,418	319	44,700	60	44,760

5 TURNOVER, OTHER REVENUE, OTHER NET (LOSS)/INCOME AND SEGMENT INFORMATION *(continued)*

Reconciliation of reportable turnover

	2012 HK$'000	2011 HK$'000
Turnover		
From continuing operations		
Reportable segment turnover	**99,388**	75,937
Elimination of inter-segment turnover	**—**	(328)
Unallocated head office and corporate turnover	**826**	167
	100,214	75,776
From discontinued operations		
Reportable segment turnover	**—**	—
	—	—
Consolidated turnover	**100,214**	75,776

Notes to the Financial Statements

5 TURNOVER, OTHER REVENUE, OTHER NET (LOSS)/INCOME AND SEGMENT INFORMATION *(continued)*

Reconciliation of reportable results

	2012 HK$'000	2011 HK$'000
Results		
From continuing operations		
Reportable segment loss	**(4,466)**	(21,443)
Elimination of inter-segment profits	**—**	(300)
Reportable segment loss derived from Group's external customers	**(4,466)**	(21,743)
Share of profits/(losses) of associates	**8,764**	(12,775)
Share of profits of a jointly controlled entity	**56**	—
Finance costs	**(312)**	(7)
Unallocated head office and corporate income	**2,463**	3,541
	6,505	(30,984)
From discontinued operations		
Reportable segment profit/(loss)	**3,997**	(168)
Finance costs	**—**	—
	3,997	(168)
Consolidated profit/(loss) before taxation	**10,502**	(31,152)

5 TURNOVER, OTHER REVENUE, OTHER NET (LOSS)/INCOME AND SEGMENT INFORMATION *(continued)*

Reconciliation of reportable assets and liabilities

	2012 HK$'000	2011 HK$'000
Assets		
Reportable segment assets	**350,277**	243,280
Elimination of inter-segment receivables	**(3,737)**	(5,057)
	346,540	238,223
Interests in associates	**221,154**	212,698
Interest in a jointly controlled entity	**21,604**	—
Unallocated head office and corporate assets	**193,191**	133,188
Consolidated total assets	**782,489**	584,109
Liabilities		
Reportable segment liabilities	**169,421**	44,760
Elimination of inter-segment payables	**(7,792)**	(9,213)
	161,629	35,547
Unallocated head office and corporate liabilities	**64,141**	1,808
Consolidated total liabilities	**225,770**	37,355

Geographic information

The following table sets out information about the geographical location of (i) the Group's turnover from external customers and (ii) the Group's fixed assets, intangible assets and interests in associates and jointly controlled entity ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets; and the location of the core operations in the case of other specified non-current assets.

	Turnover from external customers		Specified non-current assets	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Hong Kong	**99,216**	75,776	**83,486**	86,286
Mainland China	**998**	—	**166,263**	135,488
	100,214	75,776	**249,749**	221,774

Notes to the Financial Statements

6 STAFF COSTS

	2012 HK$'000	2011 HK$'000
From continuing operations:		
Salaries and allowances	**56,803**	50,537
Defined contribution plans *(note 28)*	**1,246**	1,028
	58,049	51,565

Staff costs include directors' emoluments as set out in note 29.

7 OTHER OPERATING EXPENSES

	2012 HK$'000	2011 HK$'000
From continuing operations:		
Auditors' remuneration		
— Audit service	**1,900**	1,750
— Non-audit services	**831**	826
Bad debts written off	**—**	1,193
Impairment loss recognised	**1,679**	327
Depreciation	**2,921**	3,149
Equipment rental expenses	**4,795**	4,242
Loss on disposal of fixed assets	**5**	—

8 FINANCE COSTS

	2012 HK$'000	2011 HK$'000
From continuing operations:		
Interest on bank loans	**312**	7

9 INCOME TAX

No provision for Hong Kong Profits Tax has been made for both the current and prior years as the Group's companies either sustained a loss for taxation purposes or their tax losses brought forward exceeded their estimated assessable profits for both years. Prior year's taxation represented over-provision of Hong Kong Profits Tax in respect of prior years.

The amount of taxation charged to the consolidated income statement:

	Continuing operations		**Discontinued operations**		**Total**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Current taxation — Hong Kong Profits Tax						
— Provision for the year	**—**	—	**—**	—	**—**	—
— Over-provision in respect of prior years	**—**	(45)	**—**	—	**—**	(45)
	—	(45)	**—**	—	**—**	(45)

Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	Continuing operations		**Discontinued operations**		**Total**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Profit/(loss) before taxation	**6,505**	(30,984)	**3,997**	(168)	**10,502**	(31,152)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the countries concerned	**974**	(5,113)	**660**	(28)	**1,634**	(5,141)
Tax effect of income not subject to taxation purposes	**(2,320)**	(297)	**(660)**	—	**(2,980)**	(297)
Tax effect of expenses not deductible for taxation purposes	**1,373**	2,621	**—**	—	**1,373**	2,621
Utilisation of previously unrecognised tax losses and other temporary differences	**(1,207)**	(590)	**—**	—	**(1,207)**	(590)
Tax losses for which no deferred income tax assets were recognised	**1,180**	3,379	**—**	28	**1,180**	3,407
Over-provision in respect of prior years	**—**	(45)	**—**	—	**—**	(45)
Taxation credit	**—**	(45)	**—**	—	**—**	(45)

Notes to the Financial Statements

10 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 year are set out below:

	Note	**2012 HK$'000**	2011 HK$'000
Other revenue	*5, 32.2*	**4,000**	—
Other net income	*5*	**—**	16
		4,000	16
Operating expenses		**3**	184
Operating profit/(loss)		**3,997**	(168)
Finance costs		**—**	—
		3,997	(168)
Profit/(loss) before taxation		**3,997**	(168)
Income tax	*9*	**—**	—
Profit/(loss) for the year		**3,997**	(168)

The net cash flows from the discontinued operations are as follows:

	2012 HK$'000	2011 HK$'000
Operating activities	**(3)**	(18,879)
Investing activities	**—**	1
Financing activities	**—**	—
Net cash outflow	**(3)**	(18,878)

11 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK$2,085,000 (2011: HK$16,782,000).

12 DIVIDENDS

The directors do not recommend the payment of the final dividend for the year ended 31st December 2012 (2011: Nil).

13 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company of HK$10,502,000 (2011: loss of HK$31,107,000) and the weighted average of ordinary shares 641,205,600 (2011: 601,679,000 ordinary shares) in issue during the year, calculated as follows:

(i) Earnings/(loss) attributed to ordinary equity shareholders of the Company

	2012 **HK$'000**	2011 HK$'000
Earnings/(loss) for the year from continuing operations	**6,505**	(30,939)
Earnings/(loss) for the year from discontinued operations	**3,997**	(168)
Earnings/(loss) for the year attributable to equity shareholders of the Company	**10,502**	(31,107)

(ii) Weighted average number of ordinary shares

	2012	2011
Issued ordinary shares at 1st January	**641,205,600**	534,338,000
Effect of new shares issued during the year	**—**	67,341,000
Weighted average number of ordinary shares at 31st December	**641,205,600**	601,679,000

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share are the same as basic earnings/(loss) per share because there were no potential dilutive ordinary shares during both the current and prior years.

Notes to the Financial Statements

14 INTANGIBLE ASSETS

	Group			
	Stock Exchange trading rights HK$'000	**Futures Exchange trading right** HK$'000	**Club membership** HK$'000	**Total** HK$'000
Cost				
At 1st January 2012 and 31st December 2012	913	406	120	1,439
Carrying amount				
At 31st December 2012 and 31st December 2011	913	406	120	1,439

	Company	
	Club membership HK$'000	**Total** HK$'000
Cost		
At 1st January 2012 and 31st December 2012	120	120

15 FIXED ASSETS

	Group				
	Leasehold improvements HK$'000	Furniture & fixtures HK$'000	Office & computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1st January 2011	2,218	1,915	11,848	1,849	17,830
Additions	1,511	130	3,875	—	5,516
Disposals	—	(10)	(289)	—	(299)
At 31st December 2011 and 1st January 2012	3,729	2,035	15,434	1,849	23,047
Additions	312	119	410	—	841
Disposals	—	(4)	(186)	—	(190)
At 31st December 2012	4,041	2,150	15,658	1,849	23,698
Accumulated depreciation					
At 1st January 2011	1,709	1,290	7,712	1,849	12,560
Charge for the year	741	356	2,052	—	3,149
Disposals	—	(10)	(289)	—	(299)
At 31st December 2011 and 1st January 2012	2,450	1,636	9,475	1,849	15,410
Charge for the year	963	227	1,731	—	2,921
Disposals	—	(4)	(181)	—	(185)
At 31st December 2012	3,413	1,859	11,025	1,849	18,146
Net book value					
At 31st December 2012	628	291	4,633	—	5,552
At 31st December 2011	1,279	399	5,959	—	7,637

16 INVESTMENT IN SUBSIDIARIES

	Company	
	2012 HK$'000	2011 HK$'000
Investment at cost, unlisted shares	**345,160**	345,160
Less: impairment loss	**(79,976)**	(73,058)
	265,184	272,102

(a) The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

Notes to the Financial Statements

16 INVESTMENT IN SUBSIDIARIES *(continued)*

(b) The following is the list of subsidiaries at 31st December 2012:

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/share capital held	Interest held directly	Interest held indirectly
Cinda International Capital Limited ("CICL")	Hong Kong	Corporate finance services	14,000,100 ordinary shares of HK$1 each, and 21,000,000 non-voting deferred shares of HK$1 each	—	100%
Cinda International Securities Limited ("CISL")	Hong Kong	Securities broking and margin financing services	100,000,100 ordinary shares of HK$1 each, and 50,000,000 non-voting deferred shares of HK$1 each	—	100%
Cinda International Futures Limited ("CIFL")	Hong Kong	Commodities and futures broking	40,000,100 ordinary shares of HK$1 each, and 10,000,000 non-voting deferred shares of HK$1 each	—	100%
Cinda International Asset Management Limited ("CIAM")	Hong Kong	Asset management	12,000,100 ordinary shares of HK$1 each, and 2,000,000 non-voting deferred shares of HK$1 each	—	100%
Cinda Asset Management (Cayman) Limited ("CAMCL")	Cayman Islands	Fund management	1 ordinary share of US$1 each	—	100%
Cinda International Wealth Management Advisor Limited ("CIWM")	Hong Kong	Financial planning and insurance broking	4,500,000 ordinary shares of HK$1 each	—	100%
Chinacorp Nominees Limited ("CNL")	Hong Kong	Provision of administrative support services	100 ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each	—	100%
Cinda Strategic (BVI) Limited ("CSBVIL")	British Virgin Islands	Investment holding	50,000 ordinary shares of US$1 each	100%	—
Cinda (BVI) Limited ("CBVIL")	British Virgin Islands/ Hong Kong	Investment holding	7 ordinary shares of US$1 each	100%	—
Cinda International Direct Investment Limited ("CIDI")	British Virgin Islands	Investment holding	1,000 ordinary shares of US$1 each	100%	—
Cinda International Research Limited ("CIRL")	Hong Kong	Provision of research services	1,000,000 ordinary shares of HK$1 each	—	100%
Cinda International Nominees Limited ("CINL")	Hong Kong	Provision of administrative support services	100,000 ordinary shares of HK$1 each	—	100%
Cinda International Consultant Limited ("CICON")	Hong Kong	Investment holding	120,000 ordinary shares of HK$1 each	—	100%
Cinda International Capital Management Limited ("CICM")	British Virgin Islands	Investment holding	1 ordinary shares of US$1 each	—	100%
信達國際(上海)投資管理有限公司 (now known as "信達國際(上海)投資諮詢有限公司")	China	Provision of consultancy services	HK$5,000,000	—	100%
Cinda Resources Investment Limited	Cayman Islands	Investment holding	1 ordinary share of US$1 each	—	100%
Cinda International Strategic Limited	Hong Kong	Investment holding	100,000 ordinary shares of HK$1 each	—	100%
Cinda International FX Limited ("CIFX")	Hong Kong	Inactive	100 ordinary shares of HK$1 each, and 100,000,000 non-voting deferred shares of HK$1 each	—	100%

17 INTERESTS IN ASSOCIATES AND A JOINTLY CONTROLLED ENTITY

(a) Interest in associates

	Group		Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Unlisted shares, at cost			**78,000**	78,000
Share of net assets at 1st January	**212,698**	152,158		
Investment in associates	**—**	82,000		
Share of associates' results for the year	**8,764**	(12,775)		
Share of associates' other comprehensive income for the year	**(308)**	(2,685)		
Dividend income from an associate	**—**	(6,000)		
	8,456	(21,460)		
Share of net assets at 31st December	**221,154**	212,698		

The Group's interests in its principal associates, all of which are unlisted, 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%
Cinda Plunkett International Asia Absolute Return Fund ("CPIAAR Fund")	100,000 units of US$100 each	Cayman Islands	33%

Notes to the Financial Statements

17 INTERESTS IN ASSOCIATES AND A JOINTLY CONTROLLED ENTITY *(continued)*

(a) Interest in associates *(continued)*

Summary financial information on associates	As at 31st December 2012 Assets HK$'000	Liabilities HK$'000	Year ended 31st December 2012 Revenue HK$'000	Profit/(loss) after tax HK$'000
Sino-Rock				
100 per cent	**1,027,990**	**667,238**	**87,968**	**39,072**
Group's effective interest	**411,195**	**266,895**	**35,187**	**9,120**
CPHL				
100 per cent	**7,342**	**10,290**	**7,488**	**(5,015)**
Group's effective interest	**2,937**	**2,937**	**2,995**	**(1,121)**
CPIAAR Fund				
100 per cent	**1,281,646**	**1,047,946**	**4,539**	**2,983**
Group's effective interest	**422,943**	**346,089**	**1,498**	**765**
Total				
100 per cent	**2,316,978**	**1,725,474**	**99,995**	**37,040**
Group's effective interest	**837,075**	**615,921**	**39,680**	**8,764**

	As at 31st December 2011 HK$'000	HK$'000	Year ended 31st December 2011 HK$'000	HK$'000
Sino-Rock				
100 per cent	473,237	134,514	152,778	65,362
Group's effective interest	189,294	53,806	48,423	(7,985)
CPHL				
100 per cent	7,802	5,000	1,253	(7,198)
Group's effective interest	3,121	2,000	501	(2,879)
CPIAAR Fund				
100 per cent	277,036	46,711	984	(3,675)
Group's effective interest	91,758	15,669	328	(1,911)
Total				
100 per cent	758,075	186,225	155,015	54,489
Group's effective interest	284,173	71,475	49,252	(12,775)

The Group has discontinued recognition of its share of loss of CPHL during the year as the Group's cumulative share of loss of CPHL has exceeded its interest in CPHL. The unrecognised share of loss during 2012 amounted to HK$885,000.

17 INTERESTS IN ASSOCIATES AND A JOINTLY CONTROLLED ENTITY *(continued)*

(b) Interest in a jointly controlled entity

	2012 **HK$'000**	2011 HK$'000
Investment in a jointly controlled entity	**21,766**	—
Share of jointly controlled entity's results for the year	**56**	—
Exchange difference on translation of financial statements of a jointly controlled entity	**(218)**	—
Share of net assets at 31st December	**21,604**	—

Details of the Group's interest in unlisted jointly controlled entity is as follows:

Name	**Particulars of share capital held**	**Country of incorporation**	**Effective equity interest to the Group**
JianXinJinYuan (Xiamen) Equity Investment Management Limited	RMB17,500,000	People's Republic of China	35%

Summary financial information on a jointly controlled entity-group's effective interest:	**2012** **HK$'000**	2011 HK$'000
Non-current assets	**8,622**	—
Current assets	**13,995**	—
Non-current liabilities	**—**	—
Current liabilities	**(1,013)**	—
Net assets	**21,604**	—
Turnover	**1,421**	—
Expenses	**(1,365)**	—
Profit for the year	**56**	—

Notes to the Financial Statements

18 OTHER ASSETS

	Group	
	2012	2011
	HK$'000	HK$'000
Stock Exchange stamp duty deposit	**150**	75
Stock Exchange Fidelity Fund deposit	**100**	100
Stock Exchange Compensation Fund deposit	**100**	100
Guarantee Fund deposits with the Hong Kong Securities Clearing Company Limited	**100**	100
Statutory deposits and deposits with the Hong Kong Futures Exchange Limited ("HKFE")	**1,978**	1,500
Reserve fund deposit with the SEHK Options Clearing House Limited ("SEOCH")	**1,750**	1,867
Rental deposits	**301**	3,586
Others	**100**	100
	4,579	7,428

19 NOTE RECEIVABLE AND LOAN RECEIVABLE

The note receivable and loan receivable from independent third parties are secured, interest bearing and not repayable within the next twelve months.

The note receivable is secured by shares of a listed company and the loan receivable is secured by shares of an unlisted company. The Group considers that the credit risk arising from these receivables is mitigated by the shares held as collateral, with reference to the estimated fair value of the shares as at 31st December 2012.

20 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Provision for Hong Kong Profits Tax for the year	**—**	—	**—**	—

20 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred income tax

The movements in deferred tax assets and liabilities during the year are as follows:

	Group		
	Accelerated tax depreciation HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1st January 2011	650	(650)	—
Charged/(credited) to income statement	213	(213)	—
At 31st December 2011	863	(863)	—
(Credited)/charged to income statement	(330)	330	—
At 31st December 2012	533	(533)	—

Unrecognised tax losses and temporary differences arising from depreciation of fixed assets in excess of related depreciation allowances as at 31st December 2012 are HK$71,943,974 (2011: HK$72,032,418) and HK$302,086 (2011: HK$374,343) respectively. The tax losses do not expire under current tax legislation.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Equity securities listed in Hong Kong, at market value	**7,040**	—	**7,040**	—

Notes to the Financial Statements

22 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables from clients *(note (c))*	**71,095**	21,161	**—**	—
Margin and other trade related deposits with brokers and financial institutions *(note (d))*	**49,289**	12,414	**—**	—
Margin loans *(note (e))*	**74,681**	21,568	**—**	—
Trade receivables from clearing houses	**60,473**	1,196	**—**	—
Less: impairment allowance for trade receivable *(note(b))*	**(827)**	(327)	**—**	—
Total trade receivables *(note(a))*	**254,711**	56,012	**—**	—
Loan receivable *(note(f))*	**38,293**	27,999	**38,293**	27,999
Deposits	**3,798**	429	**—**	—
Prepayments and other receivables *(note(g))*	**16,534**	8,831	**8,515**	4,108
Less: impairment allowance for other receivables *(note (b))*	**(1,261)**	(82)	**—**	—
Total trade and other receivables	**312,075**	93,189	**46,808**	32,107

The carrying amounts of trade and other receivables approximate their fair value. All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) As at 31st December 2012, the aging analysis of trade receivables is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Current	**253,233**	52,127
30–60 days	**315**	1,414
Over 60 days	**1,163**	2,471
	254,711	56,012

22 TRADE AND OTHER RECEIVABLES *(continued)*

(b) The movements in the impairment allowance for trade and other receivables during the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
At 1st January	**409**	82
Impairment loss recognised	**1,679**	327
At 31st December	**2,088**	409

(c) For those cash securities trading clients, it normally takes two to three days to settle after trade execution. These outstanding unsettled trades due from clients are reported as trade receivables.

(d) The Group executes client trades on overseas commodities and futures contracts with local or overseas brokers as appropriate. Trade receivables at 31st December 2012 and 2011 comprise commodities and futures trading with brokers and are considered current.

(e) The margin clients of the securities broking business are required to pledge their shares to the Group for credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of shares acceptable by the Group after making reference to industry practices. The fair value of shares accepted as collateral amounted to HK$227,448,555 (2011: HK$72,791,373). No securities held as collateral have been repledged to secure the Group's bank facilities (2011: Nil).

(f) During the year, the Group granted a fixed interest bearing loan to an independent third party, which matured before the reporting date. This loan, together with the loan as at 31st December 2011 were subsequently repaid in 2013.

(g) Other receivables for the Group and the Company included loan interest receivables from two independent third parties and a shareholder loan advanced to an associate.

(h) Credits are extended to other clients on a case-by-case basis in accordance with the financial status of clients such as their financial conditions, trading records, business profile and collateral available to the Group. Clients trading in commodities and futures contracts and obtaining securities margin financing from the Group are required to observe the Group's margin policies. For commodities and futures contracts, initial margins are normally required before trading and thereafter clients are normally required to keep the equity position at a prescribed maintenance margin level.

(i) The Group maintains designated accounts with the SEOCH and HKFE Clearing Corporation Limited ("HKFECC") as a result of its normal business transactions. At 31st December 2012, the designated accounts with SEOCH and HKFECC not otherwise dealt with in these accounts amounted to HK$ 1,624,270 (2011: HK$1,098,267) and HK$24,365,893 (2011: HK$16,023,067) respectively.

(j) The Group has no concentration of credit risk with respect to trade receivables and margin loans, as the Group has a large number of customers, widely dispersed. In addition, margin and trade related deposits are deposited with high-credit-quality financial institutions.

(k) The general effective interest rate charged on trade receivables from clients and margin loans as at the end of the reporting period ranged from 8% to 13% per annum (2011: 8% to 13%). The effective interest rate for margins and other trade related deposits is 0.01% per annum (2011: 0.01%).

Notes to the Financial Statements

23 BANK BALANCES AND CASH

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash in hand	**35**	15	**—**	—
Bank balances				
— pledged	**15,042**	15,018	**—**	—
— general accounts	**78,969**	246,685	**5,763**	78,899
	94,011	261,703	**5,763**	78,899
	94,046	261,718	**5,763**	78,899
By maturity:				
Bank balances				
— current and savings accounts	**78,969**	221,469	**5,763**	68,899
— fixed deposits (maturing within three months)	**15,042**	40,234	**—**	10,000
	94,011	261,703	**5,763**	78,899

As at 31st December 2012, bank deposits amounting to HK$15,041,565 (2011: HK$15,017,546) have been pledged to banks as security for the provision of HK$70 million (2011: HK$70 million) bank facility to a subsidiary engaging in securities broking. The Group and the Company have not drawn any amount from this facility as at 31st December 2012 and 31st December 2011 (see note 32.3(a)).

Certain subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. As at 31st December 2012, segregated trust accounts not otherwise dealt with in these financial statements amounted to HK$552,039,418 (2011: HK$181,531,877).

Cash and cash equivalents

	Group	
	2012	2011
	HK$'000	HK$'000
Cash in hand	**35**	15
Bank balances		
— pledged	**15,042**	15,018
— general accounts	**78,969**	246,685
Cash and cash equivalents in the consolidated statement of financial position	**94,046**	261,718
Bank balances		
— pledged	**(15,042)**	(15,018)
Cash and cash equivalents in the consolidated statement of cash flow	**79,004**	246,700

24 SHARE CAPITAL

	2012		2011	
	No. of shares	**Nominal value**	No. of shares	Nominal value
	'000	**HK$'000**	'000	HK$'000
Authorised				
Ordinary shares of HK$0.10 each	**1,000,000**	**100,000**	1,000,000	100,000
Issued and fully paid				
Ordinary shares of HK$0.10 each				
At 1st January	**641,206**	**64,121**	534,338	53,434
New shares issued during the year	**—**	**—**	106,868	10,687
At 31st December	**641,206**	**64,121**	641,206	64,121

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

On 16th May 2011, the Company completed a rights issue to raise HK$117,554,000 by issuance of 106,867,600 shares at a price of HK$1.10 per share. After deducting the incremental costs directly attributable to the rights issue amounting to HK$1,057,000, the net proceeds from issue of ordinary shares is HK$116,497,000. HK$10,687,000 was credited to the share capital and the balances of HK$105,510,000 and HK$300,000 were credited to share premium and capital reserve respectively in the consolidated financial statements. The amount of HK$300,000 represents service fee charged by a subsidiary of the Company in respect of the rights issue.

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. In addition, subsidiaries of the Group licensed by the SFC are obliged to meet the regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules ("SF(FR)R") at all times.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures each of them maintains liquid capital level adequate to support the activities level with sufficient buffer to accommodate the increase in liquidity requirements arising from potential increases in business activities. SF(FR)R returns are filed to the SFC by the licensed subsidiaries on monthly or semi-annually basis as required. During the current and prior financial years, all the licensed subsidiaries complied with the liquid capital requirements under the SF(FR)R. A subsidiary of the Company is authorized by the China Securities Regulatory Commission (the "CSRC") to deal in "B" shares. The CSRC stipulated a minimum amount of net assets of RMB50 million to be maintained. During the year, the subsidiary maintained net assets over such requirement.

Notes to the Financial Statements

24 SHARE CAPITAL *(continued)*

Capital management *(continued)*

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose, the Group defines net debt as total debt (which includes interest-bearing loans and borrowings, trade and other payables and obligations under finance leases) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

The Group strived to maintain highly liquid assets to prepare for any unexpected sudden changes in the market. As at the end of the reporting period, the current ratio was 183.0% (2011: 950.0%).

The net debt-to-adjusted capital ratios at 31st December 2012 and 2011 are as follows:

	Note	**2012 HK$'000**	2011 HK$'000
Current liabilities:			
Trade and other payables	*26*	**165,770**	37,355
Bank loan	*27*	**60,000**	—
Total debt		**225,770**	37,355
Less: Cash and cash equivalents	*23*	**(79,004)**	(246,700)
Adjusted net debt/(excess cash and cash equivalents)		**146,766**	(209,345)
Total equity and adjusted capital		**556,719**	546,754
Adjusted net debt-to-capital ratio		**26.4%**	N/A

25 RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of reserve between the beginning and the end of the year are set out below:

		The Company				
	Note	**Share premium** HK$'000	**Capital reserve** HK$'000	**Contributed surplus** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1st January 2011		315,909	22,468	53,023	(11,015)	380,385
Loss for the year	*11*	—	—	—	(16,782)	(16,782)
Shares issued		105,510	—	—	—	105,510
At 31st December 2011		421,419	22,468	53,023	(27,797)	469,113
Loss for the year	*11*	—	—	—	(2,085)	(2,085)
At 31st December 2012		421,419	22,468	53,023	(29,882)	467,028

(a) Capital reserve

The capital reserve of the Group represents (i) capital contribution from the Company's shareholders, (ii) notional capital contribution from Company's shareholders arising on acquisition of an associate, (iii) the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the deferred share capital of a subsidiary acquired in 2000 and (iv) the fair value of the actual or estimated number of unexercised share options granted to employees of the Company. All share options were cancelled in prior year.

(b) Contributed surplus

Contributed surplus arose as a result of the Group's reorganisation in 2000 and represents the difference between the aggregate net asset value of subsidiaries acquired and the nominal amount of the Company's shares issued for the acquisition.

(c) Investment revaluation reserve

The investment revaluation reserve of the Group represents the changes in the fair value of available-for-sale financial assets of an associate.

(d) Exchange reserve

The exchange reserves comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation. The reserve is dealt with in accordance with the accounting policies set out in notes 2.5(b) and 2.5(c)

(e) Distributable reserves

Under the Company Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus account if:

(i) it is, or would after the payment be, unable to meet its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Notes to the Financial Statements

26 TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payable to securities trading clients	**103,569**	12,726	**—**	—
Margin and other deposits payable to clients	**48,132**	12,265	**—**	—
Trade payable to brokers and clearing houses	**474**	4,677	**—**	—
Total trade payables	**152,175**	29,668	**—**	—
Accruals and other payables	**13,595**	7,687	**3,375**	625
Total trade and other payables	**165,770**	37,355	**3,375**	625

The carrying amounts of trade and other payables approximate their fair value. All trade and other payables are expected to be settled within one year.

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.

The effective interest rate paid on trade payables as at the end of the reporting period is 0.01% per annum (2011: 0.01%).

27 BANK LOAN

At 31st December 2012, the bank loan was repayable as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	**60,000**	—	**60,000**	—

At 31st December 2012, the banking facility of the Group and the Company, amounting to HK$70,000,000 was secured by a corporate guarantee from an intermediate holding company of the Group ("the Guarantor"). Apart from the bank loan above, the Group has undrawn banking facilities as at 31st December 2012. Details of which have been disclosed in note 32.3(a).

The banking facility is subject to the fulfilment of covenants relating to certain of the Guarantor's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Guarantor was to breach the covenants, the drawn down facility would become payable on demand.

28 DEFINED CONTRIBUTION PLANS — MPF SCHEME

The aggregate employer's contributions, net of forfeited contributions, which have been dealt with in the income statement for the year amounted to:

	2012 HK$'000	2011 HK$'000
Gross employer's contributions charged to income statement	**1,246**	1,081
Less: Forfeited contribution utilised to offset employer's contribution for the year	—	(53)
Net employer's contributions charged to income statement	**1,246**	1,028

29 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and senior management's emoluments

The remuneration of the directors for the year ended 31st December 2012 is set out below:

Name of Director	Fee HK$'000	Basic salaries, other allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Chen Xiaozhou	300	—	—	—	300
Gao Guanjiang	300	—	—	—	300
Gu Jianguo	240	—	—	—	240
Zhao Hongwei	300	2,400	—	14	2,714
Gong Zhijian	240	1,800	600	14	2,654
Lau Mun Chung	240	1,560	300	14	2,114
Chow Kwok Wai	240	—	—	—	240
Wang Tongsan	240	—	—	—	240
Chen Gongmeng	240	—	—	—	240
Hung Muk Ming	240	—	—	—	240
	2,580	5,760	900	42	9,282

Notes to the Financial Statements

29 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

The remuneration of the directors for the year ended 31st December 2011 is set out below:

Name of Director	Fee	Basic salaries, other allowances and benefits in kind	Discretionary bonuses	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chen Xiaozhou	300	—	—	—	300
Gao Guanjiang	300	—	—	—	300
Gu Jianguo	240	—	—	—	240
Zhao Hongwei	300	2,400	—	12	2,712
Gong Zhijian	240	1,800	—	12	2,052
Lau Mun Chung	240	1,560	—	12	1,812
Chow Kwok Wai	240	—	—	—	240
Wang Tongsan	240	—	—	—	240
Chen Gongmeng	240	—	—	—	240
Hung Muk Ming	240	—	—	—	240
	2,580	5,760	—	36	8,376

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three directors (2011: three) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2011: two) individuals during the year are as follows:

	2012	2011
	HK$'000	HK$'000
Basic salaries, other allowances and benefits in kind	**4,404**	2,791
Defined contribution plans	**28**	21
	4,432	2,812

The emoluments of the remaining two (2011: two) individuals fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
HK$1,000,001–HK$1,500,000	—	2
HK$1,500,001–HK$2,000,000	—	—
HK$2,000,001–HK$2,500,000	**2**	—
	2	2

30 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has adopted a share option scheme whereby the Board of the Company may at its discretion granted to any employees, including executive directors, of the Group options to subscribe for shares of the Company.

During the year ended 31st December 2012 and 2011, no share options were granted.

31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities:

	2012 HK$'000	2011 HK$'000
Profit/(loss) before taxation from continuing operations	**6,505**	(30,984)
Profit/(loss) before taxation from discontinued operations	**3,997**	(168)
Operating profit/(loss) before taxation	**10,502**	(31,152)
Depreciation	**2,921**	3,149
Diminution in value of financial assets at fair value through profit or loss	**4,192**	—
Profit on disposal of financial assets at fair value through profit or loss	**(142)**	(2,597)
Interest expenses	**312**	7
Dividend income from listed securities	**(533)**	—
Share of profits/(losses) of associates	**(8,764)**	12,775
Share of profit of a jointly controlled entity	**(56)**	—
Loss on disposal of fixed assets	**5**	—
Write off of bad and doubtful debts	**—**	1,193
Impairment loss recognised	**1,679**	327
Increase in pledged deposits	**(24)**	(3,010)
Operating profit/(loss) before working capital changes	**10,092**	(19,308)
Decrease in other assets	**2,849**	743
Increase in note receivable	**(45,000)**	—
(Increase)/decrease in loan receivables, trade and other receivables	**(290,565)**	44,644
Increase/(decrease) in trade and other payables	**128,415**	(51,700)
Cash outflow from operations	**(194,209)**	(25,621)
Hong Kong profits tax paid	**—**	(488)
Net cash outflow from operating activities	**(194,209)**	(26,109)

Notes to the Financial Statements

32 CONTINGENT LIABILITIES

32.1 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.

(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.

Under the share sale agreement dated 13th 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 32.1(a) and (b) above.

32.2 Settled litigation case

On 10th August 2010, the Company received a High Court writ of summons (the "Writ") issued by Mr. Tang and HHIL (the "plaintiffs") who claimed, inter alia, certain damages and remuneration for Mr. Tang being a Responsible Officer of the Group's asset management company at the relevant time.

On 20th July 2012, the Company and the plaintiffs entered into a settlement agreement to settle the case and discontinued the action under High Court Action case no. HCA 1218 of 2010. The plaintiffs paid HK$4,000,000 to the Company which received it on behalf of CIFX, a wholly-owned subsidiary of the Company, to indemnify the payment of the fine paid by CIFX to the SFC in July 2010 while the Company paid HK$100,000 to Mr. Tang being the gratuitous payment compensation for acting as a Responsible Officer of Cinda International Asset Management Limited.

32.3 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 authorized institutions for a total amount of HK$135 million (2011: HK$228 million) of which HK$70 million (2011: HK$70 million) banking facility is pledged by the deposits as disclosed in note 23. In addition, the Company has issued corporate guarantees for a total principal amount of HK$123 million (2011: HK$176 million) for these facilities. As at 31st December 2012, the subsidiary has not utilized any of these aggregate banking facilities (2011: HK$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.

33 LEASE AND CAPITAL COMMITMENTS

(a) Lease commitments

At 31st December 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2012	2011
	HK$'000	HK$'000
Within one year	**6,122**	12,784
After one year but within five years	**641**	6,384
	6,763	19,168

(b) Capital commitments

Capital commitments outstanding at 31st December 2012 not provided for in the financial statements are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Contracted but not provided for	**181**	26,531

In 2011, the Group entered into a joint venture framework agreement with a subsidiary of one of the Group's associate and an independent third party to set up a private equity fund and a fund management company in Xiamen to manage the fund. The Group's capital commitment on this investment was RMB17,500,000. The private equity fund and the fund management company were established in 2012.

(c) Underwriting commitment

Underwriting commitments at 31st December 2012 not provided for in the financial statements is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Contracted but not provided for	**10,775**	—

During the year, the Group entered into an underwriting agreement with an independent third party. The underwriting commitment is to subscribe IPO shares of HK$10,775,000. The commitment has been released upon the successful listing of the IPO company on 15th January 2013.

Notes to the Financial Statements

34 FINANCIAL RISK MANAGEMENT

34.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a Risk Management Committee (the "RMC") under policies approved by the Board of Directors. The RMC identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The RMC also recommends overall risk management policy for the approval of the Board or the Executive Management Committee (the "EMC") of the Group, covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk primarily arising from trade and other receivables denominated in foreign currency. The currencies giving rise to this risk are primarily Renminbi and the United Stated Dollar. The RMC reviews the exposures from time to time to cope with changes in volatility in the market.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Japanese Yen HK$'000	United States Dollars HK$'000	Renminbi HK$'000	Euro HK$'000	Australian Dollar HK$'000	Others HK$'000
At 31st December 2012						
Loan receivable, trade and other receivables	—	49,147	48,207	—	—	1
Cash and cash equivalents	—	3,304	1,033	23	—	—
Trade and other payables	—	(48,146)	(66)	—	—	—
Net exposure arising from recognised net assets	—	4,305	49,174	23	—	1
Overall net exposure	—	4,305	49,174	23	—	1

34 FINANCIAL RISK MANAGEMENT *(continued)*

34.1 Financial risk factors *(continued)*

(a) Foreign exchange risk *(continued)*

	Japanese Yen HK$'000	United States Dollars HK$'000	Renminbi HK$'000	Euro HK$'000	Australian Dollar HK$'000	Others HK$'000
At 31st December 2011						
Trade and other receivables	157	12,284	31,598	—	—	—
Cash and cash equivalents	—	8,668	735	23	—	—
Trade and other payables	(156)	(12,281)	(85)	—	—	—
Net exposure arising from recognised net assets	1	8,671	32,248	23	—	—
Overall net exposure	1	8,671	32,248	23	—	—

Sensitivity analysis

The following table indicates the approximate change in the Group's profit before tax in response to possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	2012 Appreciation/ depreciation of foreign currencies	**2012** Effect on profit before tax HK$'000	2011 Appreciation/ depreciation of foreign currencies	2011 Effect on loss before tax HK$'000
RMB	**+10%**	**4,917**	+10%	(3,225)
	–10%	**(4,917)**	–10%	3,225

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit before tax and equity measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2011.

Notes to the Financial Statements

34 FINANCIAL RISK MANAGEMENT *(continued)*

34.1 Financial risk factors *(continued)*

(b) *Equity price risk*

The Group is exposed to equity price changes arising from equity investments classified as financial assets designated at fair value through profit or loss (see note 21). The Group's equity price risk is concentrated on listed equity instruments quoted on the Stock Exchange of Hong Kong. The Group did not have significant exposure to equity price risk in the prior year.

At 31st December 2012, it is estimated that an increase/(decrease) of 10% (2011: 10%) in the relevant stock price, with all other variables held constant, would have increased/decreased the Group's profit after tax as follows:

The Group

	2012		2011	
Change in the relevant equity price risk variable:		**Effect on profit after tax HK$'000**		Effect on loss after tax HK$'000
Increase	**10%**	**704**	10%	—
Decrease	**(10%)**	**(704)**	(10%)	—

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax that would arise assuming the changes in the relevant stock price had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the reporting date.

(c) *Credit risk*

The Group's credit risk is primarily attributable to note receivable, loan receivable, trade and other receivables. It has policies in place to ensure that credits are granted to customers with an appropriate credit history and/or collateral deposited with the Group. For note receivable and loan receivables, individual credit evaluations are performed on all customers requiring such credit. These evaluations focus on the customer's past history of making payments when due and current ability to pay, value of collateral held (if any) and take into account information specific to the customer and the guarantor (in case provided) as well as pertaining to the economic environment in which the customer operates. For trade receivables, credits are granted to a large population of clients and hence there is no significant concentration risk. For futures trading, normally an initial margin will be collected before opening of trading positions. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and only brokers having sound credit ratings will be accepted. The Group has maintained relationship with various financial institutions, and has policies that limit the amount of credit exposure to any financial institution. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 22(a).

The Company's credit risk is primarily attributable to amounts due from subsidiaries. The Company manages this risk by assessing the financial positions of subsidiaries on a regular basis.

34 FINANCIAL RISK MANAGEMENT *(continued)*

34.1 Financial risk factors *(continued)*

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group employs a prudent liquidity policy.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payments, is as follows:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
At 31st December 2012			
Trade and other payables	**165,770**	**165,770**	**165,770**
Bank loan	**60,000**	**60,333**	**60,333**
	225,770	**226,103**	**226,103**
At 31st December 2011			
Trade and other payables	37,355	37,355	37,355

The Company's policy is to regularly monitor its liquidity requirements including borrowings from subsidiaries, dividend payments to shareholders and accrued payments to ensure that it maintains sufficient reserves of cash to satisfy its contractual and foreseeable obligations as they fall due.

Notes to the Financial Statements

34 FINANCIAL RISK MANAGEMENT *(continued)*

34.1 Financial risk factors *(continued)*

(e) Interest rate risk

The Group charged interest to its clients on the basis of its cost of funding plus a mark-up and paid interest to clients on the basis of the interest the Group earned from financial institutions less a charge. Financial assets subject to floating interest rates are trade and other receivables and bank balances and cash-deposits with regulatory bodies. Financial liabilities subject to floating interest rates are bank overdrafts and loans. The Group's income and operating cash flows are not subject to significant interest rate risk.

The Interest rate profile of the Group at the end of the reporting period.

	2012		2011	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Assets				
Bank balances	**0.01%**	**39,430**	0.01%	139,705
Margin loans	**8%**	**74,681**	8%	21,568
		114,111		161,273
Liability				
Bank Loan	**2.90%**	**(60,000)**	N/A	—
		54,111		161,273
Sensitivity analysis				
Assume interest rate increased by		**0.25%**		0.25%
Profit before tax increased by		**135**		403

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 25 basis points increase (2011: 25 basis point increase) represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

34 FINANCIAL RISK MANAGEMENT *(continued)*

34.2 Fair values

(a) Financial instruments carried at fair value

The amendments to HKFRS 7, Financial Instruments: Disclosures, require disclosures relating to fair value measurements of financial instruments across three levels of a "fair value hierarchy". The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31st December 2012, the financial instruments of the Group and the Company carried at fair value were financial assets at fair value through profit or loss of HK$7,040,000.

At 31st December 2011, the Group and the Company did not have any financial investments carried at fair value.

Financial instruments comprise equity securities listed on the Stock Exchange of Hong Kong which fall into Level 1 of the fair value hierarchy described above.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31st December 2012 and 2011.

(c) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

For financial instruments where an organized secondary market is not available for which direct market prices can be obtained, the fair values of such instruments are therefore calculated on the basis of well-established valuation technique using current market parameters. As such, the fair value is a theoretical value applicable at a given reporting date, and hence can only be used as an indicator of value realisable in future sale.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The carrying values of other financial assets and liabilities approximate their fair values.

Notes to the Financial Statements

35 RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

35.1 Related party and connected party transactions

The following is a summary of significant related party and connected party (as defined in the Listing Rules) transactions which were carried out in the normal course of the Group's business:

	2012 HK$'000	2011 HK$'000
Commission income *(note (a))*	**59**	20
Advisory service income *(note (b))*	**6,000**	—
Service fee income *(note (c))*	**12,118**	8,116
Placing commission income *(note (d))*	**1,321**	—
Commission expenses *(note (e))*	**—**	(222)

(a) During the current and prior year, the Group received commission income from its immediate holding, its related company, its associate and its directors for providing securities broking services. Out of which HK$50,422 (2011: HK$14,968) represented continuing connected transactions.

(b) The Group received advisory service income from its related company for providing advisory services. The total amount represented continuing connected transactions.

(c) During the year, the Group received service income from its associates and related company for providing administrative supporting and consulting services. In prior year, the Group received service income from its associate.

(d) The Group received placing commission and underwriting income from its related companies for placing and underwriting securities. The total amount represented continuing connected transactions.

(e) In prior year, an immediate holding company charged an underwriting commission to the Group for the rights issue of shares.

(f) In the normal course of Group's business, the Group undertakes with certain entities directly or indirectly owned by the PRC government, including but not limited to making bank deposits and rendering and receiving other services. The Group is of the opinion that none of these transactions are related party transactions that require separate disclosures.

35 RELATED PARTY AND CONNECTED PARTY TRANSACTIONS *(continued)*

35.2 Compensation of key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	Group	
	2012 **HK$'000**	2011 HK$'000
Salaries and other short-term employee benefits	**14,204**	13,478

The remuneration of directors and key executives are reviewed by the Remuneration Committee having regard to the performance of individuals and markets trends.

36 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31st December 2012, the directors consider the immediate parent and ultimate controlling party of the Group to be Sinoday Limited and China Cinda Asset Management Co., Ltd, which are incorporated in the British Virgin Islands and the People's Republic of China respectively. These entities do not produce financial statements available for public use.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST DECEMBER 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31st December 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*	1st July 2012
HKFRS 10, *Consolidated financial statements*	1st January 2013
HKFRS 11, *Joint arrangements*	1st January 2013
HKFRS 12, *Disclosure of interests in other entities*	1st January 2013
HKFRS 13, *Fair value measurement*	1st January 2013
HKAS 27, *Separate financial statements (2011)*	1st January 2013
HKAS 28, *Investments in associates and joint ventures*	1st January 2013
Revised HKAS 19, *Employee benefits*	1st January 2013
Annual Improvements to HKFRSs 2009–2011 Cycle	1st January 2013
Amendments to HKFRS 7, *Financial instruments: Disclosures — Disclosures — Offsetting financial assets and financial liabilities*	1st January 2013
Amendments to HKAS 32, *Financial instruments: Presentation — Offsetting financial assets and financial liabilities*	1st January 2014
HKFRS 9, *Financial instruments*	1st January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Five Year Financial Summary

Year ended 31st December

Results	**2012 HK$'000**	2011 HK$'000	2010 HK$'000	2009 HK$'000 (restated)	2008 HK$'000
Profit/(loss) attributable to equity shareholders	**10,502**	(31,107)	11,415	(19,022)	(11,023)

As at 31st December

Assets and liabilities	**2012 HK$'000**	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Total assets	**782,489**	584,109	553,637	529,717	292,656
Total liabilities	**(225,770)**	(37,355)	(89,588)	(88,297)	(65,274)
Total equity	**556,719**	546,754	464,049	441,420	227,382

Notes:

1. The Company was incorporated in Bermuda on 19th April 2000 and became the holding company of the companies now comprising the Group on 10th July 2000.

2. Segregated trust accounts maintained by the Group to hold clients' monies are treated as items not recognised in the statement of financial position and netted off against the corresponding amounts classified under accounts payable.