信達國際控股有限公司
CINDA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 111

2013 ANNUAL REPORT

乘風破浪 為你護航

5 years+
商界展關懷
caringcompany
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

MIX
Paper from
responsible sources
FSC™ C102904

The FSC™ logo identifies product group from responsible forestry in accordance with the rules of the Forest Stewardship Council®.

Contents

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. Office 1601, 16th Floor LHT Tower 31 Queen's Road 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 Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Auditor	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong

OVERALL PERFORMANCE

In 2013, there was a positive turning point in major global economies. The economic performance in the first half of the year was underwhelming whilst more significant improvements appeared in the second half of the year. As a whole, the economy of the United States (the "US") grew in a steady pace, with unemployment rate fell from close to 10% in 2011 to 6.7% at the end of 2013. We also saw the rebound in housing price and improvement in consumer confidence. However, the Federal Reserve Bank has signaled a tapering on its bond purchase, led to general outflow of capital and depreciation of currencies in emerging markets. In Europe, the sovereign debt problems were seemed alleviated. European countries have already faced the worst of their sovereign debt crisis. Though they have not fully turned things around, there has been some growth in gross domestic products ("GDP") and unemployment was either reduced or stabilized across most countries on the continent. The recovery in the US and Europe led to a strong rebound in most of the stock markets in the Western economies. It was once said that the stock markets surpassed even the most bullish of predictions given the prevailing market sentiment at the beginning of the year.

China, though recorded a continued mild currency appreciation, suffered from a sharp slowdown in export. The market in the first half year was sluggish. However, after the implementation of a series of measures towards the opening up of the market, situation was improved. As a result, the economic reform and restructurings in China led to a soften GDP growth of 7.7%, although higher than the government target of 7.5%, it was the lowest since 2008.

Turning to the financial market, the Dow Jones Industrial Average (the "DJI") finished the year 2013 at 16,576 and recorded a 3,472 points or 26.5% gain which is the largest point gain in history and the best annual percentage gain since 1995 and led to a series of record closed. The news of tapering on the bond purchase also caused high volatility to the market as the biggest single-day point gain was 2.18% (up 323 points) and the biggest single-day point loss was 2.34% (down 353 points). As for the Hong Kong financial market, we experienced similar volatility during the year. The Hang Seng Index (the "HSI") closed at 23,306 points, representing a year-on-year growth of only 3%. It was however, a year of small caps as the MSCI China Small Caps Index went up by 16.2% during the year, by far larger than the HSI. Average daily market turnover for the whole year was $62.6 billion, an increase of 16% from the precedent year. The active trading in the market eventually created an atmosphere for the listing of new shares, especially in the last quarter of the year. There were 87 companies newly listed on the Main Board and 23 on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "SEHK") during the year. The total capital raised, including post-listing funds was HK$374.3 billion.

During the year we continued the expansion in all the three core business areas under our robust risk management. The number of initial public offerings ("IPO") sponsored by the Group (the Company and its subsidiaries) increased and was amongst the best in the market judging from the amount of resources devoted. The business of securities broking grew significantly not only because of our participation in the underwriting of the H shares of our parent company, China Cinda Asset Management Co., Ltd. ("China Cinda") in Hong Kong but also the IPOs sponsored by our corporate finance team helped the underwriting business to increase significantly. Moreover, the surge in the trading volume of our clients in the secondary market was more than the market increase as a result of the introduction of new marketing personnel. Our asset management segment established new funds during year and helped explore investment and financing opportunities to enhancing the return on the Group's own fund. As a result, the Group's turnover was substantially increased by 65% to HK$165.7 million (2012: HK$100.2 million). Other income and other gains totaled HK$25.1 million (2012: HK$10.8 million) represented mainly by the contribution from other investment and financing. On the expenses side, staff cost was still the mostly increased item because of both the high inflation and the distribution of performance related bonus in alliance with the improvement of business results. The resulted profit for the year was HK$70.9 million (2012: HK$10.5 million).

Management Discussion and Analysis

CORPORATE FINANCE

The corporate finance segment has successfully sponsored 5 IPOs during the year which is the highest in terms of number of IPOs sponsored by the Group since the establishment of the corporate finance business. One IPO recorded over subscription of 1,086 times in its public offering tranche which is also a record for the Group's IPOs. Apart from the sponsorship business, we also acted as financial advisor and compliance advisor for listed companies. As a result, turnover was HK$23.7 million (2012: HK$34.8 million), the decrease was due to the drop in financial advisory business. Result of this segment was loss amounted to HK$1.9 million (2012: profit HK$0.9 million).

BROKERAGE BUSINESS

The securities broking business was benefited from the general increase in the average daily market turnover. Though competition in the market was still fierce, we increased the number of marketing personnel and broadened our client base. Hence, the Group's turnover volume increased more than double compared to the precedent year, market share was also increased in the same pace. At the same time the margin loan portfolio was also enlarged. Apart from acting as a bookrunner in the listing of the H shares of China Cinda, brokerage and interest income generated from secondary market dealing, and underwriting commission income from acting as book runners of the IPOs sponsored by the corporate finance segment increased substantially. Turnover in this segment reported a stunning growth to HK$115.1 million (2012: HK$41.4 million). A recorded segment profit of HK$55.2 million (2012: HK$1.4 million) was crystallized.

Though the securities broking business was improved, the business in futures and commodities broking could not be benefited from the thriving environment. There was continuous downward pressure to the commission charged, both for local and overseas markets even though the commission was already at a very low level. However, the introduction of new products, the pursuing of speed on trading and clients' more sophisticated investment strategies created heavy burden on the brokers as high cost on information technology was envisaged. As a result, turnover in this segment recorded a slight setback to HK$7 million (2012: HK$7.4 million), a segment loss of HK$2.6 million was recorded (2012: loss HK$2.8 million).

The business of financial planning and insurance broking has been kept in the similar level as in the precedent year. The business was operating in the lowest cost feasible. Though this business segment cannot produce direct benefit to the Group, it helps provide all-round services to clients, especially in the retail sector. As a result, turnover amounted to HK$4.1 million (2012: HK$4.4 million) and a loss of HK$1.9 million (2012: loss HK$2 million) was resulted.

ASSET MANAGEMENT

The business in asset management has continued to expand. During the year, the Group established a subsidiary in Fujian engaging in the management of a private equity fund investing in cultural, publicity and publishing business. The other minority shareholders are local prominent enterprises with strong background. Recruitment of funds has started in the second half of the year. In addition, the Group provided investment management services to a retail fund and another cultural fund, both are private equity funds. The Group has also invested its own fund into the retail fund as seed money. Investment of the two funds has been made to the target enterprises during the year.

The absolute return fund managed by an associated company posted moderate return in the year as a result of the improvement in the investment market. Hence, the associated company was benefited by the management fee and performance fee receivable. The joint venture in Xiamen has made certain investments using the fund it raised in the first tranche. As common in private equity investments, contribution from the fund could only be crystallized when the investments are matured which would take a considerable period of time. Sino Rock Investment, an associated company was still the main contributor among the associated companies. Apart from managing funds, the asset management team also identified alternate investment and financing opportunities to the Group. The Group hence could enhance the return on its financial resources as a whole. Such revenue was recorded as other income and gains of the Group. This segment recorded a turnover of HK$14.7 million (2012: HK$11.4 million) which was mainly derived from the advisory fee receivable from the associated company engaged in managing private funds and a loss of HK$3.8 million was incurred (2012: loss HK$1.9 million).

FINANCIAL RESOURCES

The Group has maintained sound financial ability throughout the year. All the subsidiaries licensed by the Securities and Futures Commission (the "SFC") have maintained more than sufficient the liquid capital required. In order to expand its business scale, the Group leveraged on bank borrowings to finance its working capital. A banking facility was secured under the corporate guarantee of our holding company. As at the end of the year, an amount of HK$35 million has been drawn. Furthermore, the Group resolved to issue a fixed rate medium term bond to investors to strengthen its medium term capital. As at the end of the year, bonds of HK$34 million were issued at its par value.

FLUCTUATION IN FOREIGN EXCHANGE

A significant portion of the Group's assets and liabilities are denominated in Hong Kong ("HK") Dollars and US Dollars to which HK Dollars are pledged. The Group only exposes to the fluctuation in the exchange rate of Renminbi ("RMB") because of its operation in China and certain financial asset denominated in RMB. Given the slow appreciation of RMB against HK Dollars, the foreign exchange risk is not eminent and hence hedging against the exchange rate will either be ineffective or very costly. Should the situation change otherwise, the Group will explore the hedging against such risk.

REMUNERATION AND HUMAN RESOURCES DEVELOPMENT

There has not been any significant change to the number of employees and its mix during the year. As at the end of the year, the Group employed 108 staff. Additional staff was recruited to meet the needs of business expansion. Employees are remunerated on fixed monthly salary plus discretionary bonus calculated with reference to both the result of the business in which they are engaged and their own performance. The Group also provides on-the-job training to its staff. The Group organized regulatory seminars for the staff and account executives to attend as part of the continuing professional training. Education allowance is available to all staff members to attend courses approved by the Group. The Group recognizes the business it operates depends on the strength of its human resources and ensures that appropriate remuneration packages are provided to its staff to retain high caliber individuals.

The staff remuneration committee comprising the top management and the head of human resources regularly reviews the remuneration policy of the Group and decides on the remuneration package of each individual staff. The remuneration packages of 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 utilization of the subsidiaries. As at the end of the year, it is unlikely that any material claims would arise. Outstanding litigation cases are reviewed on its merits on a case-by-case basis together with the indemnity the Group secured. Should any case embody economic outflow the Group will be consider to make impairment.

LOOKING FORWARD

The US economy is not off to a great start in 2014, but since the outbreak of the financial tsunami, US underwent structural reform and technology innovation in different aspects, its economy has obviously recovered. US Federal officials are optimistic in the economic growth in 2014. The cutting back on the amount of money pumping into the economy through monthly bond purchases has been fully anticipated in the market. The DJI and Standard and Poor's 500 Index continued to close at record high in the first two months of 2014. However, the rising tensions in Ukraine caused sudden falls in the investment markets. Overall, the outlook on the US economy is still positive. The European Commission also foresees a continuation of the economic recovery in most of its member states. The governmental deficits are projected to fall after the fiscal consolidation. Investment in the area is expected to increase.

For China, it is generally believed that long term outlook is solid but there are short term challenges. Environmental concerns are one major issue. Credit is becoming tight as fear to the debts of local government emerges and the monitoring and supervision of shadow banking becomes imminent. It is generally believed that the economic growth of China will gradually decelerate in the coming years. However, given its enormous economic scale and the level of sovereign debt is still low, it is believed that the financial risk is still at a controllable level. Top Chinese officials conceded that the target GDP growth of 7.5% in 2014 is flexible and more effort will be spent on improving the quality of the GDP and livelihood and employment of the people. The investment market will be vulnerable and high volatility is expected. In conclusion, the outlook of 2014 is optimistic with cautions.

Turning to the Group, our parent company, China Cinda has listed its H shares in the SEHK in 2013 and raised approximately HK$19 billion to strengthen its capital base. It is expected that the listing will enhance the momentum of its development. Leveraged on its relationship with China Cinda, it is expected that the synergy between the Group and China Cinda could be further increased. The Group could provide a wide range of services to the China Cinda group of companies.

The Group is dedicated to continue to expand in the three core business areas. For corporate finance business we strive to sponsor IPO for companies having larger business scale to help raise a larger size of fund. Moreover, if a suitable window is caught, market may accept a higher price-to-earnings ratio for the IPO. Hence, revenue could be increased. The securities broking business will continue to absorb teams of brokers in the market to broaden its client base so that the client mix could also be diversified. Scope of services will be widened to cover more stock markets and products. In addition, the co-operation between corporate finance and securities broking will be closer so that contribution in underwriting commission could be increased. For the asset management business, we will endeavor to set up more funds focusing in different industries. As mentioned, the Group has its niche to explore alternate investment opportunities which are unique through synergy with China Cinda. Part of our funding will be invested as seed money into the funds should there are suitable chances. Apart from the above, the Group will explore new business opportunities in different areas in the broad and deep financial world. In the end, the Group is devoted to enhance the shareholders' value as a whole through different means. The Group expects to deliver good return to the shareholders in the future.

EXECUTIVE DIRECTORS

Mr. Chen Xiaozhou, aged 51, was appointed as an executive director and the Chairman of the Company on 2nd December 2008. Mr. Chen hold a senior management position in China Cinda Asset Management Co., Ltd. ("China Cinda") (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1359). Mr. Chen is also 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 the shares of which are listed on the Stock Exchange (stock code: 171), 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 Finance 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 61, 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 was the then Chairman of Cinda Securities Co., Ltd., a company controlled by China Cinda.

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 47, 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 is a member of the Corporate Advisory Council of Hong Kong Securities and Investment Institute. Mr. Zhao has over 17 years of experience in investment banking, business administration and securities and finance.

Mr. Gong Zhijian, aged 47, 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 49, 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 in 1986 and received his Master Degree in Laws (Corporate and Financial Law) in the same university in 2013. 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 & Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Chow Kwok Wai, aged 47, 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 the shares of which are listed on the Stock Exchange (stock code: 171). 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. the shares of which are listed on the Stock Exchange (stock code: 2005), and an independent non-executive director of Youyuan International Holdings Limited the shares of which are also listed on the Stock Exchange (stock code: 2268).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Tongsan, aged 65, 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 49, 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 16 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 49, 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 the shares of which are listed on the Stock Exchange (stock code: 171). He has over 20 years of experience in the accounting and audit sector.

SENIOR MANAGEMENT

Ms. Lau Yuk Ping, aged 48, 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 51, 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 the shares of which are listed on the Stock Exchange (stock code: 3360). 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 Corporate Governance Code and Corporate Governance Report ("CG Code").

Throughout the financial year 2013, the Group has complied with all the code provisions set out in the CG Code save for the deviations from code provisions specified below:

- Provision A.1.1 of the 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 (the "Directors") of the Company (the "Board") were held in the first quarter, third quarter and the fourth quarter respectively and another two Board meetings were held in May and October 2013 to deal with matters arisen. The Board considers that the three regular meetings were sufficient to deal with matters of the Company. In addition, apart from the physical meetings, consent of Directors on issues was also sought through circulating written resolutions.

  For the three regular Board meetings held during the year, all the Directors 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. Mr. Wang Tongsan and Mr. Chen Gongmeng, the independent non-executive Directors, were unable to attend the special general meeting of the Company held on 25th November 2013 as they have other engagements.

The Board continues 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 laid down by the Board rests with the Executive Management Committee ("EMC"), which at material time comprised certain executive directors and member from the senior management.

Composition

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

The Board comprises the following Directors:

Executive Directors
Mr. Chen Xiaozhou *(Chairman)*
Mr. Gao Guanjiang *(Deputy Chairman)*
Mr. Zhao Hongwei *(Managing Director)*
Mr. Gong Zhijian
Mr. Lau Mun Chung

NED
Mr. Chow Kwok Wai

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

The Board possesses, with regard to individual Directors and collectively, appropriate experience, competencies and personal qualities, including professionalism and integrity, to discharge its responsibilities adequately and effectively. In addition, the Board collectively has adequate knowledge and expertise relevant to each of the core business activities that the Group pursues and the associated risks in order to ensure effective governance and oversight.

Members of the Board, who come from different backgrounds, have a diverse range of financial and professional expertise. The biographical particulars of all 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.

In August 2013, the Board adopted a Board Diversity Policy. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company remains committed to meritocracy in the boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard and their concerns are attended to and they serve in an environment where bias and discrimination on any matter are not tolerated.

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.

NED and INEDs

NED and the INEDs 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 NED and the three INEDs are appointed for a term of two years and are subject to rotation in accordance with the provisions in the bye-laws of the Company. The Board has received annual written confirmation from all the INEDs for the year 2013 and is satisfied that all of them were acting independently throughout the year. No INED has served the Company for more than nine years.

INEDs are identified as such in all corporate communications containing their names.

Board Meetings

The Board meets regularly and at other time when necessary. All Directors have access to relevant and timely information. They can seek independent professional advice at the Company's expenses when the situation required. 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 meetings held during the financial year 2013 was set out below:

Name of Director	**Number of Board meetings attended**	**Number of general meetings attended**
Executive Directors		
Mr. Chen Xiaozhou *(Chairman)*	5/5	1/2
Mr. Gao Guanjiang *(Deputy Chairman)*	4/5	1/2
Mr. Zhao Hongwei *(Managing Director)*	5/5	1/2
Mr. Gong Zhijian	5/5	2/2
Mr. Lau Mun Chung	5/5	2/2
NED		
Mr. Chow Kwok Wai	5/5	2/2
INEDs		
Mr. Wang Tongsan	5/5	1/2
Mr. Chen Gongmeng	5/5	1/2
Mr. Hung Muk Ming	5/5	2/2

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 NED and the INEDs without the presence of the executive Directors.

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. 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 2012 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.

Major appointments and professional qualifications

- Mr. Gao Guanjiang ~ ceased to be 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) with effect from 9th September 2013.

- Mr. Zhao Hongwei ~ appointed as a member of the Corporate Advisory Council of Hong Kong Securities and Investment Institute with effect from 13th March 2014.

- Mr. Lau Mun Chung ~ received his Master Degree in Laws (Corporate and Financial Law) from the University of Hong Kong on 26th November 2013.

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 2013.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members including two INEDs, Mr. Chen Gongmeng and Mr. Hung Muk Ming, and one NED, Mr. Chow Kwok Wai. It is chaired by Mr. Hung Muk Ming.

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 NEDs (including INEDs) are submitted to the Board for consideration. Full minutes and related materials of the meetings are kept by a designated secretary.

The Remuneration Committee held one meeting in the financial year 2013. The following is the attendance record:

Name of Committee Members	Number of meeting attended	Attendance rate
Mr. Hung Muk Ming *(Chairman)*	1/1	100%
Mr. Chow Kwok Wai	1/1	100%
Mr. Chen Gongmeng	1/1	100%

In case members 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.

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 the terms of which were approved by the Remuneration Committee 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. NED and the INEDs 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 INEDs, Mr. Wang Tongsan and Mr. Chen Gongmeng, and one executive Director, Mr. Gao Guanjiang. It is chaired by Mr. Wang Tongsan.

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 INEDs 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 2013. The following is the attendance record:

Name of Committee Members	Number of meeting attended	Attendance rate
Mr. Wang Tongsan *(Chairman)*	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 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 briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the Directors. Two seminars were organized for all the Directors during the year and their respective attendance is as follows:

	Number of seminar attended
Executive Directors	
Mr. Chen Xiaozhou *(Chairman)*	1/2
Mr. Gao Guanjiang *(Deputy Chairman)*	2/2
Mr. Zhao Hongwei *(Managing Director)*	2/2
Mr. Gong Zhijian	2/2
Mr. Lau Mun Chung	2/2
NED	
Mr. Chow Kwok Wai	2/2
INEDs	
Mr. Wang Tongsan	2/2
Mr. Chen Gongmeng	1/2
Mr. Hung Muk Ming	1/2

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.

AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu ("Deloitte") was appointed as auditor of the Company on 25th June 2013 subsequent to the resignation of KPMG. The financial statements for the year ended 31st December 2012 was audited by KPMG whereas the interim financial statements for the six month ended 30th June 2013 was reviewed by Deloitte.

During the year, no fee (for both audit and non-audit services) was paid to KPMG. The fees paid/payable to Deloitte are set out below:

Category of services	**Fee paid/payable**
Audit service	HK$1,525,000
Non-audit service	HK$580,000
Total	HK$2,105,000

AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are INEDs. 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 auditor;

5. reviewing and approving connected transactions; and

6. monitoring the appointment and remuneration of the auditor.

The Audit Committee held three meetings during 2013. Representatives from the executive Directors and the head of compliance and internal audit ("CAIA") are answerable in the Audit Committee meetings. During the year, two private sessions between the auditor and the INEDs were held immediately after the Audit Committee meetings in March and August 2013 respectively. 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 *(Chairman)*	3/3	100%
Mr. Wang Tongsan	3/3	100%
Mr. Chen Gongmeng	3/3	100%

A summary of the work performed by the Audit Committee during the financial year 2013 is listed below:

(1) reviewed the resignation of the then external auditor and made recommendation to the appointment of the existing external auditor;

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

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

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

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

(6) 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; and

(7) monitored the financial reporting process of the Group.

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 2013, 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 28 to 29 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 SFC, 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 Directors have also reviewed from time to time the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

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.

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 member 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 auditor is also required to be present to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's 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, annual and interim reports can be downloaded from this website.

SHAREHOLDERS' RIGHT

(1) Procedures for shareholders to convene a special general meeting ("SGM") 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 SGM.

The written requisition must state the 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 of 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 SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene an SGM, 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 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 Registrar. 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. During the financial year 2013, Mr. Lau had received no less than 15 hours of relevant professional training.

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 2013.

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 17 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 statement of profit or loss on page 30.

No interim dividend has been declared for the year (2012: Nil). The Directors do not recommend the payment of a final dividend in respect of the year ended 31st December 2013 (2012: Nil).

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in Note 26 to the financial statements.

BONDS ISSUED

On 21st August 2013, the Company decided to issue 5-year unsecured, non-guaranteed, fixed interest corporate bonds up to a maximum aggregate principal amount of HK$200,000,000 to independent third parties at an interest rate between 3% and 5%, determined by market conditions from time to time. The bonds will mature on the fifth anniversary from the date of issue and the net proceeds from the issuance will be utilized for the development of and working capital for the Group.

As at 31st December 2013, the Company issued the bonds to four individuals for an aggregate principal of HK$34,000,000 at the interest rate of 4% per annum which will mature in 2018. Details of the corporate bonds of the Company are set out in Note 30 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 35 and in Note 27 to the financial statements.

Distributable reserves of the Company as at 31st December 2013 calculated under the Company Act 1981 of Bermuda (as amended) amounted to HK$55,444,000 (2012: HK$45,609,000). Details are set out in Note 27 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$35,000 (2012: HK$35,000).

PROPERTY AND EQUIPMENT

Movements in property and equipment 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 108.

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. Zhao Hongwei *(Managing Director)*
Mr. Gong Zhijian
Mr. Lau Mun Chung

Non-executive Director
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. Zhao Hongwei, Mr. Wang Tongsan and Mr. Chen Gongmeng 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.

CONTINUING CONNECTED TRANSACTION

Pursuant to an agreement dated 25th June 2012 (the “Master Agreement”) entered between the Company and Well Kent International Investment Company Limited (“WKII”) (a substantial shareholder of the Company which indirectly holds 63% of the issued share capital of the Company through Sinoday Limited) in relation to the provision by the Group of certain financial services to WKII or the companies under the control of WKII (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 for the period commencing from the date of the Master Agreement to 31st December 2014.

On 12th April 2013, WKII and the Company entered into the supplemental agreement (the “Supplement Agreement”) pursuant to which the parties agreed to amend the definition of the Connected Clients to include WKII’s associates. Save for this amendment, all other terms and conditions of the Master Agreement remain unchanged.

In anticipation of the increasing volume of business transactions and to exploring further business opportunities with WKII and its associates, the Company and China Cinda Asset Management Co., Ltd. (“China Cinda”) (the holding company of WKII) (together with its associates, the “China Cinda Group”) entered into the new master agreement (the “New Master Agreement”) on 22nd October 2013 to broaden the scope of the transactions between the Group and the China Cinda Group and to increase the annual caps. Pursuant to the New Master Agreement, the Group has agreed to provide to the China Cinda Group (i) the brokering services for securities, futures and options trading; placing, underwriting and sub-underwriting services for securities; (ii) the corporate financial advisory services; (iii) the asset management services; and the China Cinda Group would provide to the Group (iv) the brokering services for RQFII, A shares, B shares and other securities, and trust products; (v) the asset management services; and (vi) the sub-underwriting services. The New Master Agreement, the transactions contemplated thereunder and the proposed annual caps were approved by the independent shareholders at the SGM held on 25th November 2013. The New Master Agreement commenced on 25th November 2013 and will end on 31st December 2015 (both days inclusive) and superseded and replaced the Master Agreement.

The 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 INEDs, 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 auditor 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.

CONNECTED TRANSACTION

On 22nd April 2013, Cinda General Partner Limited (the "General Partner") and Rainbow Stone Investments Limited ("Rainbow Stone"), both are wholly-owned subsidiaries of the Company entered into an initial exempted limited partnership agreement (the "Initial Partnership Agreement") in relation to the establishment and management of Cinda Retail and Consumer Fund L.P. (the "Fund").

On 24th May 2013, the General Partner, Rainbow Stone and China Cinda Foundation Management Company ("CCFM") (a subsidiary of WKII) (Rainbow Stone and CCFM, collectively the "Limited Partners") entered into a partnership agreement (the "Partnership Agreement") which amended and restated the terms in the Initial Partnership Agreement in relation to the Fund.

The initial size of the Fund was approximately US$9 million. Pursuant to the Initial Partnership Agreement and the Partnership Agreement, the General Partner has agreed to make a capital contribution of US$1.00 to the Fund, Rainbow Stone has agreed to make a capital contribution of US$3.5 million to the Fund and CCFM has agreed to make a capital contribution of US$5.5 million to the Fund and the respective partnership interest percentage of the General Partner, Rainbow Stone and CCFM are approximately 0.00001%, 38.89% and 61.11% respectively. Cinda Asset Management (Cayman) Limited ("CAM"), a wholly-owned subsidiary of the Company was appointed management company of the Fund. The management fee of the Fund shall be in an amount equal to 2% per annum of the total cash contribution by the Limited Partners for the Fund in proportion to their respective cash contribution for the Fund. The closing of the Partnership Agreement and for subscription for partnership interests took place after (i) each of the General and the Limited Partners has executed and delivered the Partnership Agreement to purchase the partnership interest; (ii) each of the General Partner and the Limited Partners has made its capital contributions in accordance with the Partnership Agreement; and (iii) the investment management agreement in respect of the Fund to be entered into between the Fund and CAM. The Partnership Agreement closed on 24th May 2013.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

On 26th June 2012, the Company as borrower, entered into a facility agreement ("Facility Agreement") with a licensed bank in Hong Kong 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, 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% 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 0.6 times 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 was 31st August 2013.

On 14th March 2014, the Company as borrower entered into a new facility agreement ("New Facility Agreement") with the same licensed bank relating to a HK$150,000,000 revolving term loan facility ("New Loan Facility"). The New Facility Agreement supersedes and replaces the Facility Agreement. Pursuant to the New Facility Agreement, application by the Company to use the New Loan Facility is conditional upon the covenants/undertakings rendered by WKII who being a continuing guarantor of the New Loan Facility, that (i) WKII remain the largest single shareholder of the Company throughout the availability period of the New Loan Facility which has a beneficial ownership (directly or indirectly) of not less than 51% in the issued share capital of the Company; (ii) maintain the minimum consolidated tangible net worth (total equity less minority interest and intangible assets) ("Consolidated Tangible Net Worth") be not less than HK$3 billion; and (iii) maintain its consolidated net gearing ratio (total secured and unsecured bank borrowings less cash versus Consolidated Tangible Net Worth) be not exceeding 1.5 times. Failure to comply with the undertakings will trigger an event of default. If an event of default under the New Facility Agreement occurs, the bank may declare the New 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 New Facility Agreement. The final maturity date of the New Loan Facility is 31st July 2014.

As at 31st December 2013, HK$35,000,000 has been drawn.

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 ended 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 was drawn on 13th December 2012 and as at 31st December 2013, the total outstanding balance of the Loan together with the interest accrued amounted to HK$70,295,343.

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 2013, 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 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.

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 2013 and as at 31st December 2013, 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 2013	41,413,000 shares, equivalent to approximately 6.46% of the issued share capital of the Company as at 31st December 2013.
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 2013, 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	403,960,200 *(Note 1)*	63.00%
Well Kent International Investment Company Limited ("WKII")	Interest through a controlled corporation	403,960,200 *(Note 1)*	63.00%
China Cinda Asset Management Co., Ltd. ("China Cinda")	Interest through a controlled corporation	403,960,200 *(Note 1)*	63.00%
CCB International Asset Management Limited ("CCBIAM")	Investment manager	55,041,200 *(Note 2)*	8.58%
CCB International (Holdings) Limited	Beneficial owner	55,041,200 *(Note 2)*	8.58%
CCB Financial Holdings Limited	Interest held by a controlled corporation	55,041,200 *(Note 2)*	8.58%
CCB International Group Holdings Limited	Interest held by a controlled corporation	55,041,200 *(Note 2)*	8.58%
China Construction Bank Corporation	Interest held by a controlled corporation	55,041,200 *(Note 2)*	8.58%
Central Huijin Investment Ltd.	Interest held by a controlled corporation	55,041,200 *(Note 2)*	8.58%

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 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 57.26% 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 55,041,200 ordinary shares in the Company by virtue of the provisions of the SFO.

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	34.85%
— the five largest customers combined	50.35%

Except that the largest customer is the ultimate holding company of the Company and an associated company of the Company is one of the top five customers, 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 2013. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31st December 2013.

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.

AUDITOR

The financial statements of the Company for the year ended 31st December 2013 have been audited by Deloitte Touche Tohmatsu ("Deloitte"). Deloitte were appointed as auditor of the Company at the annual general meeting of the Company held on 25th June 2013 upon the resignation of KPMG who have acted as auditor of the Company for the preceding three financial years.

Deloitte shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Deloitte as auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

Chen Xiaozhou
Chairman

Hong Kong, 27th March 2014

Independent Auditor's Report

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

電話： +852 2852 1600
傳真： +852 2541 1911
www.deloitte.com/hk

Tel: +852 2852 1600
Fax: +852 2541 1911
www.deloitte.com/hk

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 (collectively referred to as the "Group") set out on pages 30 to 107, which comprise the consolidated and company statements of financial position as at 31st December 2013, the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 judgment, 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 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.

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 2013 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.

OTHER MATTER

The consolidated financial statements of the Company for the year ended 31st December 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 27th March 2013.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27th March 2014

Consolidated Statement of Profit or Loss

For the year ended 31st December 2013

	Notes	2013 HK$'000	2012 HK$'000
Continuing operations			
Turnover	*5*	**165,691**	100,214
Other income	*5*	**21,863**	14,611
Other gains/(losses)	*5*	**3,206**	(3,788)
		190,760	111,037
Staff costs	*6*	**63,067**	58,049
Commission expenses		**18,889**	13,149
Operating leases for land and buildings		**16,005**	14,680
Other operating expenses	*7*	**28,154**	27,162
Finance costs	*8*	**2,184**	312
		128,299	113,352
		62,461	(2,315)
Share of profits of associates	*18(a)*	**16,618**	8,764
Share of (loss)/profit of a joint venture	*18(b)*	**(201)**	56
Profit before taxation		**78,878**	6,505
Income tax	*9*	**(8,002)**	—
Profit for the year from continuing operations		**70,876**	6,505
Discontinued operations			
Profit for the year from discontinued operations	*10*	**—**	3,997
Profit for the year		**70,876**	10,502
Attributable to:			
Equity holders of the Company			
Continuing operations		**68,254**	6,505
Discontinued operations		**—**	3,997
		68,254	10,502
Non-controlling interests			
Continuing operations		**2,622**	—
		70,876	10,502
Basic earnings per share attributable to equity holders of the Company			
— From continuing and discontinued operations	*13*	**HK10.64 cents**	HK1.64 cents
— From continuing operations	*13*	**HK10.64 cents**	HK1.02 cents
— From discontinued operations	*13*	**—**	HK0.62 cents

The notes on pages 37 to 107 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**70,876**	10,502
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss		
Share of an associate's investment revaluation reserve relating to available-for-sale securities:		
— Change in fair value	**1,881**	4,758
— Transfer to profit or loss on disposal	**—**	(7,504)
Share of a joint venture's investment revaluation reserve relating to available-for-sale securities:		
— Change in fair value	**380**	—
Net movement in investment revaluation reserve	**2,261**	(2,746)
Share of an associate's exchange difference	**3,248**	2,438
Exchange differences on translation of:		
— Financial statements of a joint venture	**836**	(218)
— Financial statements of foreign operations	**529**	(11)
	4,613	2,209
	6,874	(537)
Total comprehensive income for the year	**77,750**	9,965
Total comprehensive income attributable to:		
Equity holders of the Company	**74,946**	9,965
Non-controlling interests	**2,804**	—
	77,750	9,965

The notes on pages 37 to 107 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31st December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Intangible assets	*14*	**1,439**	1,439
Property and equipment	*15*	**4,529**	5,552
Available-for-sale financial asset	*16*	**4,162**	—
Interests in associates	*18(a)*	**242,901**	221,154
Interest in a joint venture	*18(b)*	**22,619**	21,604
Other assets	*19*	**10,773**	4,579
Note receivable	*20(b)*	**—**	45,000
Loans receivable	*20(a)*	**118,000**	70,000
		404,423	369,328
Current assets			
Note receivable	*20(b)*	**45,000**	—
Financial assets designated at fair value through profit or loss	*22*	**49,400**	7,040
Financial instruments held-for-trading	*23*	**22,500**	—
Trade and other receivables	*24*	**355,028**	312,075
Pledged bank deposits	*25*	**15,052**	15,042
Bank balances and cash	*25*	**91,464**	79,004
		578,444	413,161
Current liabilities			
Trade and other payables	*28*	**224,416**	165,770
Bank loan	*29*	**35,000**	60,000
Taxation payable	*21*	**7,795**	—
		267,211	225,770
Net current assets		**311,233**	187,391
Total assets less current liabilities		**715,656**	556,719

Consolidated Statement of Financial Position

As at 31st December 2013

	Notes	2013 HK$'000	2012 HK$'000
Capital and reserves			
Share capital	26	**64,121**	64,121
Other reserves		**481,546**	474,854
Retained earnings		**85,998**	17,744
Total equity attributable to equity holders of the Company		**631,665**	556,719
Non-controlling interests		**49,991**	—
TOTAL EQUITY		**681,656**	556,719
Non-current liabilities			
Bonds issued	30	**34,000**	—
		715,656	556,719

Approved and authorised for issue by the Board of Directors on 27th March 2014 and are signed on its behalf by:

Zhao Hongwei
Executive Director

Lau Mun Chung
Executive Director

The notes on pages 37 to 107 form part of these financial statements.

Statement of Financial Position

As at 31st December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Intangible assets	*14*	**120**	120
Investment in subsidiaries	*17*	**265,184**	265,184
Investment in an associate	*18(a)*	**78,000**	78,000
Note receivable	*20(b)*	**—**	45,000
Loan receivable	*20(a)*	**70,000**	70,000
		413,304	458,304
Current assets			
Note receivable	*20(b)*	**45,000**	—
Financial assets designated at fair value through profit or loss	*22*	**—**	7,040
Other receivables	*24*	**878**	46,808
Amounts due from subsidiaries	*17(a)*	**301,388**	222,086
Bank balances	*25*	**10,267**	5,763
		357,533	281,697
Current liabilities			
Other payables	*28*	**7,759**	3,375
Bank loan	*29*	**35,000**	60,000
Amounts due to subsidiaries	*17(a)*	**153,608**	145,477
		196,367	208,852
Net current assets		**161,166**	72,845
Total assets less current liabilities		**574,470**	531,149
Capital and reserves			
Share capital	*26*	**64,121**	64,121
Other reserves	*27*	**496,910**	496,910
Accumulated loss	*27*	**(20,561)**	(29,882)
TOTAL EQUITY		**540,470**	531,149
Non-current liabilities			
Bonds issued	*30*	**34,000**	—
		574,470	531,149

Approved and authorised for issue by the Board of Directors on 27th March 2014 and are signed on its behalf by:

Zhao Hongwei
Executive Director

Lau Mun Chung
Executive Director

The notes on pages 37 to 107 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2013

	Note	Share capital	Share premium	Capital reserve	Investment revaluation reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company								
				27(a)	27(c)	27(d)				
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1st January 2012		64,121	421,419	42,879	5,773	5,320	7,242	546,754	—	546,754
Profit for the year		—	—	—	—	—	10,502	10,502	—	10,502
Other comprehensive income		—	—	—	(2,746)	2,209	—	(537)	—	(537)
Total comprehensive income for the year		—	—	—	(2,746)	2,209	10,502	9,965	—	9,965
Balance at 31st December 2012		64,121	421,419	42,879	3,027	7,529	17,744	556,719	—	556,719
Balance at 1st January 2013		64,121	421,419	42,879	3,027	7,529	17,744	556,719	—	556,719
Profit for the year		—	—	—	—	—	68,254	68,254	2,622	70,876
Other comprehensive income		—	—	—	2,261	4,431	—	6,692	182	6,874
Total comprehensive income for the year		—	—	—	2,261	4,431	68,254	74,946	2,804	77,750
Capital contributions from Non-controlling interests		—	—	—	—	—	—	—	48,482	48,482
Distribution to Non-controlling interest	*39(f)*	—	—	—	—	—	—	—	(1,295)	(1,295)
Balance at 31st December 2013		64,121	421,419	42,879	5,288	11,960	85,998	631,665	49,991	681,656

The notes on pages 37 to 107 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2013

	Notes	2013 HK$'000	2012 HK$'000
Net cash inflow/(outflow) from operating activities	*35*	**46,365**	(194,209)
Investing activities			
Purchase of property and equipment	*15*	**(1,436)**	(841)
Purchase of debt securities	*22*	**(47,200)**	—
Interest received from debt securities	*22*	**3,585**	—
Sale of equity securities		**8,168**	142
Dividends received from listed securities	*5*	**320**	533
Purchase of equity securities designated at fair value through profit or loss		**—**	(11,232)
Purchase of available-for-sale financial assets		**(4,162)**	—
Advance of a loan to an available-for-sale financial asset investee	*20(a)*	**(48,000)**	—
Investment in a joint venture	*18(b)*	**—**	(21,766)
Net cash outflow used in investing activities		**(88,725)**	(33,164)
Financing activities			
Interest paid		**(1,884)**	(312)
Proceeds from new bank loan	*29*	**—**	60,000
Repayment of bank loan		**(25,000)**	—
Issue of new bonds	*30*	**34,000**	—
Capital contribution from non-controlling interests		**48,482**	—
Distribution to non-controlling interest		**(1,295)**	—
Net cash inflow from financing activities		**54,303**	59,688
Increase/(decrease) in cash and cash equivalents		**11,943**	(167,685)
Cash and cash equivalents at 1st January		**79,004**	246,700
Effect of foreign exchange rate changes		**517**	(11)
Cash and cash equivalents at 31st December	*25*	**91,464**	79,004
Analysis of balances of cash and cash equivalents			
Bank balances — general accounts and cash	*25*	**91,464**	79,004

The notes on pages 37 to 107 form part of these 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 17 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 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 2014.

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 certain financial instruments that are stated at their fair value at the end of each reporting period as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Basis of preparation *(continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

2.3 Consolidation

The consolidated financial statements for the year ended 31st December 2013 comprise the Company and all its subsidiaries (together referred to as the "Group") and the Group's interest in associates and a joint venture.

(a) Subsidiaries and non-controlling interests

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Consolidation *(continued)*

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

The Group also acts as investment managers of various funds. The determination of whether the Group has control over those funds require the Group to assess whether it is acting as a principal or an agent. An investment manager that can be removed without cause by a single party with substantive removal rights would be considered an agent. If no single party holds substantive removal rights, then an investment manager, in assessing whether it is a principal or agent, would consider the following factors:

- The scope of its decision-making authority over the investee;
- The rights held by other parties;
- The remuneration to which it is entitled in accordance with the remuneration agreement(s); and
- Its exposure to variability of returns from other interests that it holds in the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Consolidation *(continued)*

(b) Associates and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Consolidation *(continued)*

(b) Associates and joint venture (continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 profit or loss.

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.

(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 statement of profit or loss 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 profit or loss 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property and equipment

Property and equipment 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 profit or loss during the financial period in which they are incurred.

Depreciation of property and equipment 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 or 5 years if shorter
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).

2.7 Intangible assets

(a) 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). The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash inflows. As a result, the trading rights are considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

(b) Club membership

Club membership is classified as intangible assets. Club membership has an indefinite useful life and is carried at cost less accumulated impairment losses (see note 2.8).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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).

2.9 Financial instruments

The Group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial instruments are acquired. Management determines the classification of 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 those 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; and

— the asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at financial assets at fair value through profit or loss.

Financial assets under this category are carried at fair value. Changes in the fair value exclude any interest earned (which is included in "other income") and are included in the consolidated statement of profit or loss 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 statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial instruments *(continued)*

(b) Loan and note receivables

Loan and note receivables 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. Loan and note receivables are carried at amortised cost using the effective interest methods less impairment losses, if any (see note 2.10(b)).

(c) 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 a trade date basis — 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 derecognised 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 are subsequently carried at fair value. 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 statement of profit or loss 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 profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial instruments *(continued)*

(d) Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(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 profit or loss.

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 statements 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 profit or loss 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Income tax *(continued)*

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.

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 since 1st June 2012 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.

(c) Equity-settled share-based transactions

The fair value of share options granted to employees and directors is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Employee benefits *(continued)*

(c) Equity-settled share-based transactions (continued)

During the vesting period, the number of share options that are expected to vest is reviewed. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve.

If the Company cancels or settles a grant of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company shall account for the cancellation or settlement as an acceleration of vesting, and shall therefore recognise immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. Any payment made to the employees on the cancellation or settlement of the grant shall be accounted for as the repurchase of an equity interest, as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date. Any such excess shall be recognised as an expense.

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 recognised 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.

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.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

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 and management fee income 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 when the relevant work or service has been rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 profit or loss on a straight-line basis over the period of the lease.

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 of 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. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Finance costs

Finance costs are charged to profit or loss in the year in which they are incurred.

2.23 Borrowings

Borrowings, including bonds issued, 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 profit or loss over the period of the borrowings using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

2.24 Financial instruments not recognised 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 profit or loss 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 consolidated statement of profit or loss, 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.

2.27 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when both of the following conditions are satisfied: (i) the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) — INT 20	Stripping costs in the production phase of a surface mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 7 Disclosures — Offsetting financial assets and financial liabilities

The Group has applied the amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

(a) recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation; and

(b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements but has resulted in more disclosures relating to the Group's offsetting arrangements. Detailed disclosures are set out in note 41.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) — INT 12 "Consolidation — Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group. Moreover, some guidance included in HKFRS 10 that deals with whether the Group, as an investment manager of funds, is a principal or an agent engaged to act on behalf of, and for the benefit of, other investors is relevant to the Group.

Upon the adoption of HKFRS 10, the directors of the Company consider that no additional investees ought to be consolidated and no investees which were previously consolidated ought to be deconsolidated in accordance with the new definition of control under HKFRS 10. Except for the consolidation of the fund set up in current year (notes 4.4 and 17(c)(i)), the application of HKFRS 10 does not have material impact on the consolidated financial statements.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in joint ventures", and the guidance contained in a related interpretation, HK(SIC) — INT 13 "Jointly controlled entities — Non-monetary contributions by venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

Impact of the application of HKFRS 11 *(continued)*

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

HKFRS 11 is effective for the Group for annual period beginning on 1st January 2013. After assessment of the adoption of the HKFRS 11, the directors of the Company consider that the jointly controlled entity of the Group previously under HKAS 31 is regarded as a joint venture under HKFRS 11. Since it was previously accounted for using the equity method, there is no change in accounting methodology under HKFRS 11. Accordingly, the application of HKFRS 11 does not have material impact on the consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 4, 17, and 18 for details).

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see note 38.2 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

3 CHANGES IN ACCOUNTING POLICIES *(continued)*

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, 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 judgments 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.

Estimates and judgments 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 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

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 in an active market 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 judgments 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.

4.4 Control over Cinda Retail and Consumer Fund L.P. ("CRC Fund")

Note 17(c) describes that CRC Fund, which was set up in the current year, is a subsidiary of the Group although the Group has only 38.89% ownership interest in CRC Fund. The Group is the investment manager, general partner and limited partner of CRC Fund. The Group considered that it has the power to direct the relevant activities of CRC Fund taking into account (a) 38.89% ownership in CRC Fund, and (b) its roles as the investment manager and general partner of CRC Fund which give it wide ranging discretion in directing CRC Fund's relevant activities, pursuant to the agreement entered into between the Group and the other limited partner, a fellow subsidiary of the Group.

Accordingly, the Group has accounted for CRC Fund as a subsidiary.

4.5 Significant influence over Cinda Plunkett International Asia Absolute Return Fund ("CPIAAR Fund")

Note 18(a) describes that CPIAAR Fund is an associate of the Group although the Group's effective equity interest in CPIAAR Fund dropped from 33% to 17.38% after subscription of new units in CPIAAR Fund by new investors during the current year. The assessment was made taking into account (a) the Group has 17.38% ownership in CPIAAR Fund, (b) the Group has significant influence over the investment manager of CPIAAR Fund and (c) the Group is the investment advisor which holds the license to perform regulatory activities — asset management under the SFO of CPIAAR Fund which give it significant influence over CPIAAR Fund.

Details of CPIAAR Fund are set out in note 18(a).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

4.6 Classification of JianXinJinYuan (Xiamen) Equity Investment Management Limited ("JXJY") as a joint venture

JXJY is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Pursuant to the shareholder agreement between the parties to the joint arrangement, the decisions about the relevant activities of JXJY require the unanimous consent of these parties. Furthermore, there are no contractual arrangements or any other facts and circumstances that give the parties to the joint arrangement rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, JXJY is classified as a joint venture of the Group. See note 18(b) for details.

5 TURNOVER, OTHER INCOME, OTHER GAINS/(LOSSES) AND SEGMENT INFORMATION

	2013 HK$'000	2012 HK$'000
From continuing operations		
Turnover		
Fees and commission	**73,258**	82,594
Underwriting commission	**76,883**	9,694
Interest income	**10,576**	7,523
Management fee income	**4,577**	—
Net premium income from insurance broking	**397**	403
	165,691	100,214
Other income		
Loan interest income	**14,961**	11,835
Interest income from debt securities	**4,189**	—
Dividend income from listed securities	**320**	533
Others	**2,393**	2,243
	21,863	14,611
Other gains/(losses)		
Net exchange gains	**378**	262
Net gains on disposal of financial assets designated at fair value through profit or loss	**1,128**	142
Loss from change in fair value of financial assets classified as held-for-trading	**(500)**	—
Gain/(losses) from changes in fair value of financial assets designated at fair value through profit or loss	**2,200**	(4,192)
	3,206	(3,788)
	190,760	111,037

5 TURNOVER, OTHER INCOME, OTHER GAINS/(LOSSES) AND SEGMENT INFORMATION *(continued)*

	2013 HK$'000	2012 HK$'000
From discontinued operations		
Other income	—	4,000

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, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has identified the following operating and 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, underwriting 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 — provision of advisory and management services for private funds.

Discontinued operations:

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

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 interests in associates and a joint venture and other corporate assets. Segment liabilities include trade creditors, accruals and bank loans 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 items not specifically attributed to individual segments, such as share of profits or losses of associates and a joint venture and other head office or corporate administration costs or other income.

5 TURNOVER, OTHER INCOME, OTHER GAINS/(LOSSES) AND SEGMENT INFORMATION *(continued)*

Segment information *(continued)*

Year ended 31st December 2013

	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	23,694	115,132	6,984	4,112	2,786	152,708	—	152,708
Turnover from associates *(note)*	—	—	—	—	10,554	10,554	—	10,554
Inter-segment turnover	—	21	—	—	1,404	1,425	—	1,425
Reportable segment turnover	23,694	115,153	6,984	4,112	14,744	164,687	—	164,687
Reportable segment results (EBIT)	(1,911)	55,185	(2,616)	(1,911)	(3,772)	44,975	—	44,975
Interest income from bank deposits	14	2,624	—	—	1	2,639	—	2,639
Interest expense	—	(214)	—	—	—	(214)	—	(214)
Depreciation for the year	(67)	(737)	(137)	(3)	(4)	(948)	—	(948)
Reportable segment assets	20,952	356,913	49,872	2,506	25,795	456,038	—	456,038
Additions to non-current segment assets during the year	87	3,191	34	—	42	3,354	—	3,354
Reportable segment liabilities	1,883	176,631	39,331	1,049	9,022	227,916	—	227,916

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	34,820	41,408	7,430	4,358	1	88,017	—	88,017
Turnover from associates *(note)*	—	—	—	—	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

Note: This represents service fee income received by the Group from associates. See note 39(c).

5 TURNOVER, OTHER INCOME, OTHER GAINS/(LOSSES) AND SEGMENT INFORMATION *(continued)*

Reconciliations of reportable turnover

	2013 HK$'000	2012 HK$'000
Turnover		
From continuing operations		
Reportable segment turnover	**164,687**	99,388
Elimination of inter-segment turnover	**(1,425)**	—
Unallocated head office and corporate turnover	**2,429**	826
Consolidated turnover	**165,691**	100,214

Reconciliations of reportable results

	2013 HK$'000	2012 HK$'000
Results		
From continuing operations		
Reportable segment profit/(loss) derived from Group's external customers	**44,975**	(4,466)
Share of profits of associates	**16,618**	8,764
Share of (loss)/profit of a joint venture	**(201)**	56
Finance costs	**(2,184)**	(312)
Unallocated head office and corporate income	**19,670**	2,463
	78,878	6,505
From discontinued operations		
Reportable segment profit derived from Group's external customers	**—**	3,997
Consolidated profit before taxation	**78,878**	10,502
Income tax	**(8,002)**	—
Profit for the year	**70,876**	10,502

5 TURNOVER, OTHER INCOME, OTHER GAINS/(LOSSES) AND SEGMENT INFORMATION *(continued)*

Reconciliations of reportable assets and liabilities

	2013 HK$'000	2012 HK$'000
Assets		
Reportable segment assets	**456,038**	350,277
Elimination of inter-segment receivables	**(2,597)**	(3,737)
	453,441	346,540
Interests in associates	**242,901**	221,154
Interest in a joint venture	**22,619**	21,604
Unallocated head office and corporate assets	**263,906**	193,191
Consolidated total assets	**982,867**	782,489
Liabilities		
Reportable segment liabilities	**227,916**	169,421
Elimination of inter-segment payables	**(7,986)**	(7,792)
	219,930	161,629
Unallocated head office and corporate liabilities	**81,281**	64,141
Consolidated total liabilities	**301,211**	225,770

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 property and equipment, intangible assets and interests in associates and a joint venture ("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 property and equipment; and the location of the core operations in the case of other specified non-current assets.

	Turnover from external customers		Specified non-current assets	
	2013 HK'000	2012 HK'000	2013 HK'000	2012 HK'000
Hong Kong	**162,993**	99,216	**81,331**	83,486
Mainland China	**2,698**	998	**190,157**	166,263
	165,691	100,214	**271,488**	249,749

5 TURNOVER, OTHER INCOME, OTHER GAINS/(LOSSES) AND SEGMENT INFORMATION *(continued)*

Information about major customer

Turnover from customers contributing over 10% of the total sales of the Group are as follows:

	2013 **HK$'000**	2012 HK$'000
Customer (ultimate holding company) from corporate finance and securities broking segments	**57,744**	—
Customer from corporate finance segment	**—**	13,328

6 STAFF COSTS

	2013 **HK$'000**	2012 HK$'000
From continuing operations:		
Salaries and allowances	**61,912**	56,803
Defined contribution plans *(note 31)*	**1,155**	1,246
	63,067	58,049

Staff costs include directors' emoluments as set out in note 32.

7 OTHER OPERATING EXPENSES

	2013 **HK$'000**	2012 HK$'000
From continuing operations:		
Auditors' remuneration		
— Audit service	**1,525**	1,900
— Non-audit services	**580**	831
Write off of bad and doubtful debts	**19**	—
Impairment loss recognised on trade and other receivables	**—**	1,679
Reversal of impairment loss recognised on trade and other receivables	**(166)**	—
Depreciation	**2,471**	2,921
Equipment rental expenses	**4,530**	4,795
Loss on disposal of property and equipment	**—**	5

8 FINANCE COSTS

	2013 HK$'000	2012 HK$'000
From continuing operations:		
Interest on bank loan — repayable within one year	**1,884**	312
Interest on bonds issued — repayable in more than two years but not more than five years	**300**	—
	2,184	312

9 INCOME TAX

Under the Enterprise Income Tax Law of the People's Republic of China ("PRC"), the Enterprise Income Tax Rate for domestic entities in PRC is 25% for the current and prior years.

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax has been made for the prior year as the Group's entities either sustained a loss for taxation purposes or their tax losses brought forward exceeded their estimated assessable profits for the prior year.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the current year.

The amount of taxation charged to the consolidated statement of profit or loss:

	Continuing operations		**Discontinued operations**		**Total**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Current taxation						
— Hong Kong Profits Tax	**7,776**	—	**—**	—	**7,776**	—
— PRC Enterprise Income Tax	**226**	—	**—**	—	**226**	—
	8,002	—	**—**	—	**8,002**	—

9 INCOME TAX *(continued)*

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

	Continuing operations		Discontinued operations		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Profit before taxation	**78,878**	6,505	**—**	3,997	**78,878**	10,502
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**12,961**	974	**—**	660	**12,961**	1,634
Tax effect of income not subject to taxation purposes	**(4,688)**	(2,320)	**—**	(660)	**(4,688)**	(2,980)
Tax effect of expenses not deductible for taxation purposes	**1,661**	1,373	**—**	—	**1,661**	1,373
Utilisation of previously unrecognised tax losses and other temporary differences	**(4,037)**	(1,207)	**—**	—	**(4,037)**	(1,207)
Tax losses for which no deferred income tax assets were recognised	**2,105**	1,180	**—**	—	**2,105**	1,180
Income tax expenses	**8,002**	—	**—**	—	**8,002**	—

10 DISCONTINUED OPERATIONS

During the year ended 31st December 2012, the Group completed the cessation of 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 ended 31st December 2012 are set out below.

	Note	2012 HK$'000
Other income	*5*	4,000
Operating expenses		3
Operating profit		3,997
Finance costs		—
		3,997
Profit before taxation		3,997
Income tax	*9*	—
Profit for the year		3,997

The net cash flows from the discontinued operations during the year ended 31st December 2012 are as follows:

	2012 HK$'000
Operating activities	(3)
Investing activities	—
Financing activities	—
Net cash outflow	(3)

11 PROFIT/(LOSS) ATTRIBUTABLE TO EQUITYHOLDERS

The profit/(loss) attributable to equityholders is dealt with in the financial statements of the Company to the extent of HK$9,321,000 (2012: loss of HK$2,085,000).

12 DIVIDENDS

The directors do not recommend the payment of the final dividend for the year ended 31st December 2013 (2012: nil).

13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share from continuing and discontinued operations is based on the profit attributable to equity holders of the Company of HK$68,254,000 (2012: HK$10,502,000) and the number of 641,205,600 ordinary shares (2012: 641,205,600 ordinary shares) in issue during the year, calculated as follows:

(i) Earnings attributable to equity holders of the Company

	2013 HK$'000	2012 HK$'000
Earnings for the year from continuing operations	**68,254**	6,505
Earnings for the year from discontinued operations	**—**	3,997
Earnings for the year attributable to equity holders of the Company	**68,254**	10,502

(ii) Number of ordinary shares

	2013	2012
Issued ordinary shares at 1st January and at 31st December	**641,205,600**	641,205,600

(b) Diluted earnings per share

No diluted earnings per share was presented for both years because there were no potential dilutive ordinary shares outstanding during both the current and prior years.

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, 1st January 2013 and 31st December 2013	913	406	120	1,439
Carrying amount				
At 1st January 2012, 1st January 2013 and 31st December 2013	913	406	120	1,439

	Company	
	Club membership HK$'000	Total HK$'000
Cost		
At 1st January 2012, 1st January 2013 and 31st December 2013	120	120

15 PROPERTY AND EQUIPMENT

	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 2012	3,729	2,035	15,434	1,849	23,047
Additions	312	119	410	—	841
Disposals	—	(4)	(186)	—	(190)
At 31st December 2012 and 1st January 2013	4,041	2,150	15,658	1,849	23,698
Additions	26	20	1,390	—	1,436
Disposals	—	—	(594)	—	(594)
Exchange difference	12	4	3	—	19
At 31st December 2013	4,079	2,174	16,457	1,849	24,559
Accumulated depreciation					
At 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 and 1st January 2013	3,413	1,859	11,025	1,849	18,146
Charge for the year	551	121	1,799	—	2,471
Disposals	—	—	(594)	—	(594)
Exchange difference	5	1	1	—	7
At 31st December 2013	3,969	1,981	12,231	1,849	20,030
Net book value					
At 31st December 2013	110	193	4,226	—	4,529
At 31st December 2012	628	291	4,633	—	5,552

16 AVAILABLE-FOR-SALE FINANCIAL ASSET

	2013 HK$'000	2012 HK$'000
Available-for-sale investments comprise:		
Unlisted investments:		
— equity securities	**1**	—
— private equity funds	**4,161**	—
	4,162	—

The above unlisted equity investments represent investments in unlisted equity securities issued by a private entity incorporated in the PRC and investments in two private equity funds established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Group are of the opinion that their fair values cannot be measured reliably.

17 INVESTMENT IN SUBSIDIARIES

	Company	
	2013 HK$'000	2012 HK$'000
Investment at cost, unlisted shares	**345,160**	345,160
Less: impairment loss	**(79,976)**	(79,976)
	265,184	265,184

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

17 INVESTMENT IN SUBSIDIARIES *(continued)*

(b) The following is the list of subsidiaries at 31st December 2013 and 2012:

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/share capital held	Interest held directly		Interest held indirectly	
				2013	2012	**2013**	2012
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%**	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%**	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%**	100%
Cinda International Asset Management Limited ("CIAM")	Hong Kong	Asset management	15,500,100 ordinary shares of HK$1 each, and 2,000,000 non-voting deferred shares of HK$1 each	**—**	—	**100%**	100%
Cinda Asset Management (Cayman) Limited ("CAMCL")	Cayman Islands	Fund management	1 ordinary share of US$1 each	**—**	—	**100%**	100%
Cinda International Wealth Management Advisor Limited ("CIWM")	Hong Kong	Financial planning and insurance broking	6,500,000 ordinary shares of HK$1 each	**—**	—	**100%**	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%**	100%
Cinda Strategic (BVI) Limited ("CSBVIL")	British Virgin Islands	Investment holding	50,000 ordinary shares of US$1 each	**100%**	100%	**—**	—
Cinda (BVI) Limited ("CBVIL")	British Virgin Islands	Investment holding	7 ordinary shares of US$1 each	**100%**	100%	**—**	—
Cinda International Direct Investment Limited ("CIDI")	British Virgin Islands	Investment holding	1,000 ordinary shares of US$1 each	**100%**	100%	**—**	—
Cinda International Research Limited ("CIRL")	Hong Kong	Provision of research services	1,000,000 ordinary shares of HK$1 each	**—**	—	**100%**	100%
Cinda International Nominees Limited ("CINL")	Hong Kong	Provision of administrative support services	100,000 ordinary shares of HK$1 each	**—**	—	**100%**	100%
Cinda International Consultant Limited ("CICON")	Hong Kong	Investment holding	120,000 ordinary shares of HK$1 each	**—**	—	**100%**	100%
Cinda International Capital Management Limited ("CICM")	British Virgin Islands	Investment holding	1 ordinary share of US$1 each	**—**	—	**100%**	100%
信達國際(上海)投資諮詢有限公司	PRC	Provision of consultancy services	HK$5,000,000	**—**	—	**100%**	100%
Cinda Resources Investment Limited	Cayman Islands	Investment holding	1 ordinary share of US$1 each	**—**	—	**100%**	100%
Cinda International Strategic Limited	Hong Kong	Dormant	100,000 ordinary shares of HK$1 each	**—**	—	**100%**	100%
Cinda International FX Limited ("CIFX")	Hong Kong	Dormant	100 ordinary shares of HK$1 each, and 100,000,000 non-voting deferred shares of HK$1 each	**—**	—	**100%**	100%
Cinda Agriculture Investment Limited	Cayman Islands	Dormant	1 ordinary share of US$1 each	**—**	—	**100%**	—
Rainbow Stone Investments Limited	British Virgin Islands	Investment holding	1 ordinary share of US$1 each	**—**	—	**100%**	—
Cinda General Partner Limited	Cayman Islands	Investment holding	1 ordinary share of US$1 each	**—**	—	**100%**	—
Cinda Asia Investments Limited	Cayman Islands	Investment holding	1 ordinary share of US$1 each	**—**	—	**100%**	—
福建海峽文化產業股權投資管理有限公司 ("FJSC")	PRC	Private equity investment and fund management	RMB10,000,000	**—**	—	**55%**	—
Cinda Retail and Consumer Fund L.P. ("CRC Fund")	Cayman Islands	Investment	US$9,000,001	**—**	—	**38.89%** *(Note 1)*	—
Cinda Agriculture Industry Investments Fund L.P.	Cayman Islands	Dormant	US$2	**—**	—	**50%** *(Note 2)*	—

Notes:

(1) Notes 4.4 and 17(c)(i) describe the details of CRC Fund. Notes 39(e) and 39(f) describe CRC Fund's transactions with the CRC Fund's non-controlling interest.

(2) Considering the immaterial size of the fund, the Director did not disclose further details of this fund.

17 INVESTMENT IN SUBSIDIARIES *(continued)*

(c) The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation	Principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
			2013	2012	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
CRC Fund (i)	Cayman Islands	Hong Kong	**61.11%**	—	**2,335**	—	**43,940**	—
Immaterial non-controlling interests of FJSC							**6,051**	—
							49,991	—

(i) CRC Fund was set up in current year with a fellow subsidiary of the Group and the Group is the general partner, limited partner and investment manager of the Fund. The Directors concluded that the Group has control over CRC Fund on the basis as set out in note 4.4 to these consolidated financial statements.

Summarised financial information in respect of CRC Fund is set out below. The summarised financial information below represents amounts before intragroup eliminations prepared in accordance with HKFRSs.

CRC Fund	**2013 HK$'000**
Current assets	**72,925**
Current liabilities	**(1,025)**
Total equity	**71,900**
Equity attributable to owners of the Company	**27,960**
Non-controlling interest	**43,940**

17 INVESTMENT IN SUBSIDIARIES *(continued)*

(i) *(continued)*

CRC Fund	2013 HK$'000
Other income	**4,201**
Other gains — net gain from changes in fair value of financial assets at FVTPL	**1,700**
Profit and total comprehensive income for the year	**3,821**
Profit and total comprehensive income attributable to non-controlling interest	**2,335**
Distribution to non-controlling interest	**1,295**
Net cash outflow from operating activities	**(20,877)**
Net cash outflow from investing activities	**(47,200)**
Net cash inflow from financing activities	**68,079**
Net cash inflow	**2**

18 INTERESTS IN ASSOCIATES AND A JOINT VENTURE

(a) Interests in associates

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Unlisted shares, at cost			**78,000**	78,000
Share of net assets at 1st January	**221,154**	212,698		
Share of associates' results for the year	**16,618**	8,764		
Share of associates' other comprehensive income for the year	**5,129**	(308)		
	21,747	8,456		
Share of net assets at 31st December	**242,901**	221,154		

18 INTERESTS IN ASSOCIATES AND A JOINT VENTURE *(continued)*

(a) Interests in associates *(continued)*

The Group's interests in its principal associates, all of which are unlisted, are as follows:

Name	Particulars of issued shares held	Place of incorporation	Effective equity interest to the Group		Principal activity
			2013	2012	
Sino-Rock Investment Management Company Limited ("Sino-Rock ")	18,000,000 ordinary shares of HK$1 each	Hong Kong	**40%**	40%	Investment holding and provision of capital management and consultancy services
Cinda Plunkett International Holdings Limited ("CPHL")	4,000,000 ordinary shares of HK$1 each	Cayman Islands	**40%**	40%	Fund management
Cinda Plunkett International Asia Absolute Return Fund ("CPIAAR Fund") *(note)*	100,000 units of US$100 each	Cayman Islands	**17.38%**	33%	Investment fund

Note: During the year, an independent investor and a fellow subsidiary of the Group subscribed for new units in CPIAAR Fund. As a result, the effective equity interest held by the Group in the CPIAAR Fund dropped to 17.38% as at 31st December 2013. It is considered that the Group still had significant influence over the CPIAAR Fund through the Group's significant influence over the investment manager of CPIAAR Fund who has wide discretion over the relevant activities of CPIAAR Fund. Note 4.5 describes the management judgments in arriving at the above conclusion.

Summarised consolidated financial information of associates

Summarised consolidated financial information in respect of the Group's principal associates is set out below.

The associates have a reporting date of 31st December and are accounted for using the equity method in these consolidated financial statements prepared in accordance with HKFRSs.

Sino-Rock

	2013 **HK$'000**	2012 HK$'000
Current assets	**213,613**	793,403
Non-current assets	**261,230**	234,587
Current liabilities	**(46,567)**	(647,729)
Non-current liabilities	**(20,413)**	(19,510)
Net assets	**407,863**	360,751

18 INTERESTS IN ASSOCIATES AND A JOINT VENTURE *(continued)*

(a) Interests in associates *(continued)*

Summarised consolidated financial information of associates *(continued)*

Sino-Rock (continued)

	Year ended 31st December 2013 HK$'000	Year ended 31st December 2012 HK$'000
Other income, gains and losses	**89,034**	87,968
Profit for the year	**41,927**	39,072
Other comprehensive income for the year	**5,185**	(17,042)
Total comprehensive income for the year	**47,112**	22,030
Group's effective interest on profit for the year	**13,716**	9,120
Group's effective interest on other comprehensive income for the year	**5,129**	(308)

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net assets of Sino-Rock	**407,863**	360,751
Proportion of the Group's ownership interest in Sino-Rock	**40%**	40%
Carrying amount of the Group's interest in Sino-Rock	**163,145**	144,300

18 INTERESTS IN ASSOCIATES AND A JOINT VENTURE *(continued)*

(a) Interests in associates *(continued)*

Summarised consolidated financial information of associates *(continued)*

CPIAAR Fund

	2013 **HK$'000**	2012 HK$'000
Current assets	**1,585,675**	1,281,646
Current liabilities	**(1,126,919)**	(1,047,946)
Net assets	**458,756**	233,700
Capital contribution by new investors/(distribution)	**200,944**	(142)

	Year ended 31st December 2013 **HK$'000**	Year ended 31st December 2012 HK$'000
Revenue	**29,868**	8,878
Profit and total comprehensive income for the year	**24,112**	3,517
Group's effective interest on profit for the year	**2,902**	765

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013 **HK$'000**	2012 HK$'000
Net assets of CPIAAR Fund	**458,756**	233,700
Proportion of the Group's ownership interest in CPIAAR Fund	**17.38%**	33%
Carrying amount of the Group's interest in CPIAAR Fund	**79,756**	77,121

CPHL

The Group shared a loss of HK$1,121,000 from the interest in CPHL for the year ended 31st December 2012 and discontinued recognition of its share of loss of CPHL since 2012 as the Group's cumulative share of loss of CPHL has exceeded its interest in CPHL. The unrecognised share of loss during 2013 amounted to HK$719,000 (2012: HK$885,000) as a result of the Group's share of profit of CPHL of HK$166,000 in the current year.

18 INTERESTS IN ASSOCIATES AND A JOINT VENTURE *(continued)*

(b) Interest in a joint venture

	2013 HK$'000	2012 HK$'000
Share of net assets at 1st January	**21,604**	—
Investment in a joint venture	**—**	21,766
Share of a joint venture's results for the year	**(201)**	56
Share of a joint venture's other comprehensive income for the year	**1,216**	(218)
Share of net assets at 31st December	**22,619**	21,604

Details of the Group's interest in an unlisted joint venture are as follows:

Name	**Particulars of share capital held**	**Country of establishment**	**Effective equity interest to the Group**		**Principal activity**
			31st December 2013	31st December 2012	
JianXinJinYuan (Xiamen) Equity Investment Management Limited ("JXJY")	RMB17,500,000 of registered capital	PRC	**35%**	35%	Investment holding and provision of capital management services

Summarised consolidated financial information of a joint venture

Summarised consolidated financial information in respect of the Group's joint venture is set out below.

The summarised consolidated financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture has a reporting date of 31st December and is accounted for using the equity method in these consolidated financial statements.

18 INTERESTS IN ASSOCIATES AND A JOINT VENTURE *(continued)*

(b) Interest in a joint venture *(continued)*

Summarised consolidated financial information of a joint venture *(continued)*

	2013 HK$'000	2012 HK$'000
Non-current assets	**212,080**	24,634
Current assets	**103,374**	39,986
Current liabilities	**(5,468)**	(2,894)
Net assets	**309,986**	61,726
Equity attributable to the owners of JXJY	**64,626**	61,726

	2013 HK$'000	2012 HK$'000
Revenue	**4,796**	4,060
(Loss)/profit for the year	**(7,956)**	160
Other comprehensive income for the year	**24,653**	(623)
Total comprehensive income for the year	**16,697**	(463)
(Loss)/profit attributable to owners of JXJY	**(574)**	160
Other comprehensive income attributable to owners of JXJY	**3,474**	(623)

19 OTHER ASSETS

	Group	
	2013	2012
	HK$'000	HK$'000
Stock Exchange stamp duty deposit	**250**	150
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")	**1,860**	1,978
Reserve fund deposit with the SEHK Options Clearing House Limited ("SEOCH")	**1,821**	1,750
Rental deposits	**3,807**	301
Others	**2,735**	100
	10,773	4,579

20 LOANS AND NOTE RECEIVABLE

(a) Loans receivable

At 31st December 2013, a loan of HK$70,000,000 (31st December 2012: HK$70,000,000) advanced to an independent third party is secured by shares of an unlisted company held by this independent borrower and personal guarantees executed by the sole shareholder of the independent borrower and his family member, interest bearing at 14% per annum and not repayable within the next twelve months. The Group and the Company consider that the credit risk arising from this loan receivable is mitigated by the shares held as collateral, with reference to the estimated fair value of the shares as at 31st December 2013.

During the year ended 31st December 2013, the Group also advanced an unsecured, non-interest bearing loan of HK$48,000,000 to a private entity in which the Group had 18.6% equity interest which has been classified as available-for-sale financial assets (note 16) , which has no fixed term of repayment. The Group expects that the loan will not be repaid within the next twelve months and has accordingly classified it as a non-current asset. The amounts are considered recoverable in view of the sound financial position of this private equity.

(b) Note receivable

At 31st December 2013, the note receivable of HK$45,000,000 (31st December 2012: HK$45,000,000) from an independent third party is secured by shares of a listed company held by the independent issuer, interest bearing at 10.5% and repayable at or before the end of the next twelve months from the end of the current reporting period.

	Group and Company	
	31st December 2013	31st December 2012
	HK$'000	HK$'000
Non-current	**—**	45,000
Current	**45,000**	—
	45,000	45,000

20 LOANS AND NOTE RECEIVABLE *(continued)*

(b) Note receivable *(continued)*

The Group and the Company consider that the credit risk arising from the note receivable is mitigated by the shares held as collateral, with reference to the estimated fair value determined by reference to the quoted price of the shares as at 31st December 2013.

21 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

(a) Current taxation payable

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Provision for				
Hong Kong Profits Tax for the year	**7,776**	—	**—**	—
PRC Enterprise Income Tax for the year	**19**	—	**—**	—
	7,795	—	**—**	—

(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 2012	863	(863)	—
(Credited)/charged to consolidated statement of profit or loss	(330)	330	—
At 31st December 2012	533	(533)	—
(Credited)/charged to consolidated statement of profit or loss	(117)	117	—
At 31st December 2013	416	(416)	—

Unrecognised tax losses and temporary differences arising from depreciation of property and equipment in excess of related depreciation allowances as at 31st December 2013 are HK$60,376,317 (2012: HK$71,943,974) and HK$160,743 (2012: HK$302,086) respectively. The tax losses do not expire under current tax legislation.

22 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity securities listed in Hong Kong, at market value	**—**	7,040	**—**	7,040
Debt securities (Note)	**49,400**	—	**—**	—
	49,400	7,040	**—**	7,040

Note: During the year ended 31st December 2013, the Group acquired a secured note, together with warrants disclosed in note 23, with principal amount of HK$70,200,000 which is issued by an independent unlisted company, and bears fixed interest rate of 10% per annum payable semi-annually, and matures on 31st May 2016, subject to early redemption at the option of the Group (from 1st June 2015 to 31st May 2016) or the issuer (from 1st June 2014 to 31st May 2016) with a redemption price equivalent to the sum of (1) the outstanding principal amount of the secured note and (2) any unpaid interest at a rate of 10% per annum on the outstanding principal amount of the secured note calculated from 31st May 2013 to the date of redemption. The secured note is freely transferrable. The note was secured by a pledge over listed securities and convertible bonds held by the issuer. It is designated at initial recognition as at fair value through profit or loss since this investment contains embedded derivatives (including the early redemption options held by the Group and the issuer, which are not closely related to the host debt instrument). The fair value of the secured note amounted to HK$47,200,000 on initial recognition and HK$49,400,000 as at 31st December 2013, both of which were estimated by an independent firm of professional valuer. The Group expects that the secured note may be redeemed by the issuer or transferred to third parties by the Group within the next twelve months and has accordingly classified the secured note as a current asset.

23 FINANCIAL INSTRUMENTS HELD-FOR-TRADING

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Derivatives — warrants (Note)	**22,500**	—	**—**	—

Note: During the year ended 31st December 2013, the Group purchased warrants with a fair value of HK$23,000,000 at initial recognition together with the secured note mentioned in note 22. The Group may, but is not obliged to, in lieu of making payment in cash for exercising the warrant, use part of the principal amount of the secured note as payment on exercising the warrant by relinquishing its right to the principal amount of the secured note so applied. The warrants are exercisable from 31st May 2013 to 31st May 2016. The warrants give the Group the right to purchase (either by cash or by reduction of the principal of the secured note mentioned in note 22) from the issuer a fixed number of securities of a listed company at various prices with reference to the terms and conditions of the warrants. If part or all of the warrants are not exercised at the date of maturity (i.e. 31st May 2016), the issuer will redeem the outstanding warrants at a redemption price equivalent to 15% of the principal amount of the secured note as disclosed in note 22 (i.e. HK$70,200,000) multiplied by the portion of unexercised warrant. The fair value of the warrants as at 31st December 2013 was HK$22,500,000 which was estimated by an independent firm of professional valuer. The Group considered that the warrant may be exercised within the next twelve months and has accordingly classified the warrant as a current asset.

24 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables from clients arising from				
— corporate finance	**7,579**	2,244	—	—
— securities broking	**121,948**	68,851	—	—
Margin and other trade related deposits with brokers and financial institutions arising from *(note (d))*				
— commodities and futures broking	**38,787**	49,239	—	—
— securities broking	**31,172**	50	—	—
Margin loans arising from securities broking *(note (e))*	**115,313**	74,681	—	—
Trade receivables from clearing houses arising from securities broking	**31,719**	60,473	—	—
Less: impairment allowance for trade receivable arising from *(note(c))*				
— corporate finance	**(500)**	(500)	—	—
— securities broking	**—**	(327)	—	—
Total trade receivables *(notes (a) and (b))*	**346,018**	254,711	—	—
Loan receivables *(note (f))*	**—**	38,293	—	38,293
Deposits	**1,027**	3,798	—	—
Prepayments and other receivables *(note (g))*	**9,078**	16,534	**878**	8,515
Less: impairment allowance for other receivables *(note (c))*	**(1,095)**	(1,261)	—	—
Total trade and other receivables	**355,028**	312,075	**878**	46,808

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 realised within one year.

Notes:

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

The settlement terms of margin and other deposits from brokers and financial institution are at specific agreed terms. The settlement terms of trade receivables from corporate finance clients are usually 30 days from the date of invoice.

The margin clients of securities broking business are required to pledge their shares to the Group for credit facilities for securities trading.

The settlement terms of trade receivables from clearing houses are usually one to two days after the trade date.

Trade receivables from cash and margin clients arising from the securities broking business are repayable on demand subsequent to settlement date. No aging analysis is disclosed as in the opinion of directors, the aging analysis does not give additional value in view of the nature of securities dealing business.

24 TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(b) As at 31st December 2013, the aging analysis of trade receivables arising from corporate finance and underwriting services based on date of invoice of the reporting date was as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Current	**60,073**	1,704
30–60 days	**30**	40
	60,103	1,744

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

	Group	
	2013	2012
	HK$'000	HK$'000
At 1st January	**2,088**	409
Impairment loss recognised	**—**	1,679
Amount recovered during the year	**(327)**	—
Reversal of impairment loss	**(166)**	—
At 31st December	**1,595**	2,088

Included in the Group's trade and other receivables are debtors (excluding margin clients), with a carrying amount of HK$9,070,678 (2012: HK$44,825,768) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the underlying debtors. The Group believes that the amounts are still recoverable given the substantial settlement after the reporting date.

(d) The Group executes client trades on overseas securities, commodities and futures contracts with local or overseas brokers as appropriate. Trade receivables at 31st December 2013 and 2012 comprised securities, commodities and futures broking with brokers and are current in nature.

(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. As at 31st December 2013, the fair value of shares accepted as collateral amounted to HK$401,746,975 (2012: HK$227,448,555) and the fair value of the majority of client's listed securities is higher than the carrying amount of those individual loans to margin client. Special approvals from the Group were granted to those clients whose fair values of collaterals were less than the carrying amount of their individual loans by considering their historical repayment records, credit quality of those margin clients and other factors affecting the market prices of collaterals. Credit risks from those margin clients were therefore considered minimal.

The Group is able to use client's securities up to the amount of 140% of the loans to margin clients as collateral of the Group's bank facilities (with client's consent). However, no securities held as collateral have been repledged to secure the Group's bank facilities (2012: Nil).

(f) As at 31st December 2012, the Company had the outstanding fixed interest bearing loan receivable from an independent third party of HK$38,293,000, which was subsequently repaid in 2013.

(g) Other receivables for the Group included loan interest receivables from an independent third party of HK$295,342 (2012: loan interest receivables from three independent third parties of HK$8,273,834), a shareholder loan advanced to an associate of HK$2,987,378 (2012: HK$2,820,892) which is unsecured, non-interest bearing and repayable on demand, and an amount due from a fellow subsidiary of HK$256,093 (2012: nil). Management of the Group expects to recover theses amounts within 12 months from the end of the reporting period and accordingly these amounts are classified as current asset.

24 TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(h) Credits are extended to brokerage 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 required before trading and thereafter clients are 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 2013, the designated accounts with SEOCH and HKFECC not otherwise dealt with in these accounts amounted to HK$2,029,526 (2012: HK$1,624,270) and HK$10,792,547 (2012: HK$24,365,893) respectively.

(j) The Group has no concentration of credit risk with respect to trade receivables from clients 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 effective interest rate charged on trade receivables from clients arising from securities broking subsequent to settlement date and margin loans ranged from 8% to 13% per annum (2012: 8% to 13%). The effective interest rate for margins and other trade related deposits is 0.01% per annum (2012: 0.01%).

(l) As at 31st December 2013, trade receivables amounting to HK$57,744,000 (2012: Nil) included in the "Trade receivables from clients" are the non-interest bearing receivables from the underwriting and advisory services earned from its ultimate holding company in respect of the listing of the shares of its ultimate holding company.

25 PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash in hand	**32**	35	**—**	—
Bank balances				
— pledged	**15,052**	15,042		—
— general accounts	**91,432**	78,969	**10,267**	5,763
	106,484	94,011	**10,267**	5,763
	106,516	94,046	**10,267**	5,763
By maturity:				
Bank balances				
— current and savings accounts	**90,143**	78,969	**10,267**	5,763
— fixed deposits (maturing within three months)	**16,341**	15,042	**—**	—
	106,484	94,011	**10,267**	5,763

25 PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH *(continued)*

As at 31st December 2013, bank deposits amounting to HK$15,052,115 (2012: HK$15,041,565) have been pledged to banks as security for the provision of securities broking facilities for a total amount of HK$120 million (2012: HK$70 million).

Certain subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. As at 31st December 2013, segregated trust accounts not dealt with in these consolidated financial statements amounted to HK$223,647,403 (2012: HK$552,039,418).

The interest rate received from the bank balances and deposits as at the end of the reporting period is ranged from 0.01% to 2.5% per annum (2012: 0.01% to 1%).

Cash and cash equivalents

	Group	
	2013 HK$'000	2012 HK$'000
Cash in hand	**32**	35
Bank balances		
— pledged	**15,052**	15,042
— general accounts	**91,432**	78,969
Cash and cash equivalents in the consolidated statement of financial position	**106,516**	94,046
Bank balances		
— pledged	**(15,052)**	(15,042)
Cash and cash equivalents in the consolidated statement of cash flows	**91,464**	79,004

26 SHARE CAPITAL

	2013		2012	
	No. of shares '000	**Nominal value HK$'000**	No. of shares '000	Nominal value HK$'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**	641,206	64,121
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.

26 SHARE CAPITAL *(continued)*

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.

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 bank loan and bonds issued, and trade and other payables), 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 216.5% (2012: 183.0%).

The net debt-to-adjusted capital ratios at 31st December 2013 and 2012 are as follows:

	Notes	**2013** **HK$'000**	2012 HK$'000
Current liabilities:			
Trade and other payables	*28*	**224,416**	165,770
Bank loan	*29*	**35,000**	60,000
		259,416	225,770
Long term liabilities:			
Bonds issued		**34,000**	—
Total debt		**293,416**	225,770
Less: Cash and cash equivalents	*25*	**(91,464)**	(79,004)
Adjusted net debt		**201,952**	146,766
Total equity and adjusted capital		**681,656**	556,719
Adjusted net debt-to-capital ratio		**29.6%**	26.4%

27 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 2012		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
Profit for the year	*11*	—	—	—	9,321	9,321
At 31st December 2013		421,419	22,468	53,023	(20,561)	476,349

(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 years.

(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 and a joint venture.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. 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.

28 TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables to margin clients arising from securities broking	**37,275**	11,150	**—**	—
Trade payables to other securities trading clients arising from securities broking	**123,854**	92,428	**—**	—
Margin and other deposits payable to clients arising from commodities and futures broking	**38,787**	48,132	**—**	—
Trade payables to brokers and clearing houses arising from securities broking	**757**	465	**—**	—
Total trade payables	**200,673**	152,175	**—**	—
Accruals and other payables	**23,743**	13,595	**7,759**	3,375
Total trade and other payables	**224,416**	165,770	**7,759**	3,375

The carrying amounts of trade and other payables approximate their fair value. All trade and other payables are non-interest bearing and expected to be settled within one year. The trade payables are aged within 30 days.

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

29 BANK LOAN

As at 31st December 2013 and 2012, the bank loan is repayable and carries interest with reference to HIBOR as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year (based on contractual term)	**35,000**	60,000	**35,000**	60,000

At 31st December 2013, the bank loan of HK$35,000,000 (31st December 2012: HK$60,000,000) was drawn under a banking facility of the Company, amounting to HK$70,000,000. An intermediate holding company of the Company (the "Guarantor"), Well Kent International Investment Company Limited, provided a corporate guarantee to support this banking facility.

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.

The effective interest rate on the bank loan is also equal to the contracted interest rate.

30 BONDS ISSUED

During the current year, the Company issued fixed rate 5-year coupon bonds at a rate of 4% per annum, payable semi-annually, and with an aggregated principal amount of HK$34,000,000. The exposure and the contractual maturity dates of which are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
In more than two years but not more than five years	**34,000**	—	**34,000**	—

The bonds are non-secured, non-guaranteed and issued to independent third parties without any early redemption options.

31 DEFINED CONTRIBUTION PLANS — MPF SCHEME

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

	2013	2012
	HK$'000	HK$'000
Gross employer's contributions charged to consolidated statement of profit or loss	**1,298**	1,246
Less: Forfeited contribution utilised to offset employer's contribution for the year	**(143)**	—
Net employer's contributions charged to consolidated statement of profit or loss	**1,155**	1,246

32 DIRECTORS' EMOLUMENTS

The remuneration of the directors for the year ended 31st December 2013 is set out below:

Name of Director	Fee HK$'000	Basic salaries HK$'000	Housing allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive Directors						
Chen Xiaozhou	300	—	—	—	—	300
Gao Guanjiang	300	—	—	—	—	300
Zhao Hongwei	300	2,016	384	—	15	2,715
Gong Zhijian	240	1,416	384	600	15	2,655
Lau Mun Chung	240	1,560	—	520	15	2,335
Non-executive Director						
Chow Kwok Wai	240	—	—	—	—	240
Independent Non-executive Directors						
Wang Tongsan	240	—	—	—	—	240
Chen Gongmeng	240	—	—	—	—	240
Hung Muk Ming	240	—	—	—	—	240
	2,340	4,992	768	1,120	45	9,265

The evaluation of the performance of the Executive Directors have not yet been finalized. The discretionary bonuses paid is not final and the final amount will be disclosed in a separate announcement when determined.

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

Name of Director	Fee HK$'000	Basic salaries HK$'000	Housing allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive Directors						
Chen Xiaozhou	300	—	—	—	—	300
Gao Guanjiang	300	—	—	—	—	300
Gu Jianguo	240	—	—	—	—	240
Zhao Hongwei	300	2,016	384	—	14	2,714
Gong Zhijian	240	1,416	384	600	14	2,654
Lau Mun Chung	240	1,560	—	300	14	2,114
Non-executive Director						
Chow Kwok Wai	240	—	—	—	—	240
Independent Non-executive Directors						
Wang Tongsan	240	—	—	—	—	240
Chen Gongmeng	240	—	—	—	—	240
Hung Muk Ming	240	—	—	—	—	240
	2,580	4,992	768	900	42	9,282

33 KEY MANAGEMENT PERSONNEL'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Key management personnel's emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, including executive directors and executive officers.

The remuneration of key management personnel during the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Basic salaries, discretionary bonuses, housing allowances and benefits in kind	**17,145**	14,108
Defined Contribution plans	**120**	96
	17,265	14,204

The remuneration of Executive Directors are reviewed by the Remuneration Committee having regard to the performance of individuals and markets trends.

The number of the key management personnel whose emoluments within the following bands is as follows:

	Number of individuals	
	2013	2012
Emolument bands		
HK$1,000,001–HK$1,500,000	**1**	1
HK$1,500,001–HK$2,000,000	**2**	2
HK$2,000,001–HK$2,500,000	**2**	2
HK$2,500,001–HK$3,000,000	**3**	2
	8	7

33 KEY MANAGEMENT PERSONNEL'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three directors (2012: three) whose emoluments are reflected in note 32. The emoluments payable to the remaining two (2012: two) individuals during the year are as follows:

	2013 **HK$'000**	2012 HK$'000
Basic salaries, discretionary bonuses, housing allowances and benefits in kind	**5,433**	4,404
Defined contribution plans	**30**	28
	5,463	4,432

The emoluments of the remaining two (2012: two) individuals fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands		
HK$1,000,001–HK$1,500,000	**—**	—
HK$1,500,001–HK$2,000,000	**—**	—
HK$2,000,001–HK$2,500,000	**2**	2
	2	2

34 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 years ended 31st December 2013 and 2012, no share options were granted.

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2013 HK$'000	2012 HK$'000
Profit before taxation from continuing operations	**78,878**	6,505
Profit before taxation from discontinued operations	**—**	3,997
Operating profit before taxation	**78,878**	10,502
Depreciation	**2,471**	2,921
Net losses from change in fair value of financial assets designated as at FVTPL	**500**	—
(Gain)/loss from change in fair value of financial assets designated as at FVTPL	**(2,200)**	4,192
Net gains on disposal of financial assets designated as at FVTPL	**(1,128)**	(142)
Interest expenses	**2,184**	312
Interest income from debt securities	**(4,189)**	—
Dividend income from listed securities	**(320)**	(533)
Share of profits of associates	**(16,618)**	(8,764)
Share of loss/(profit) of a joint venture	**201**	(56)
Loss on disposal of property and equipment	**—**	5
Write off of bad and doubtful debts	**19**	—
Reversal of impairment loss recognised	**(166)**	—
Impairment loss recognised	**—**	1,679
Increase in pledged deposits	**(10)**	(24)
Operating profit before working capital changes	**59,622**	10,092
(Increase)/decrease in other assets	**(6,194)**	2,849
Increase in note receivable	**—**	(45,000)
Increase in loan, trade and other receivables	**(42,202)**	(290,565)
Increase in trade and other payables	**58,346**	128,415
Purchase of warrants as derivatives	**(23,000)**	—
Cash inflow/(outflow) from operations	**46,572**	(194,209)
Hong Kong profits tax paid	**—**	—
Overseas profits tax paid	**(207)**	—
Net cash inflow/(outflow) from operating activities	**46,365**	(194,209)

36 CONTINGENT LIABILITIES

36.1 Outstanding litigation cases

The following litigation cases are outstanding up to the date of authorisation of these consolidated financial statements. 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 authorisation of these consolidated financial statements.

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 36.1(a) and (b) above.

36.2 Settled litigation case

On 20th July 2012, the Company and the plaintiffs entered into a settlement agreement to settle a litigation 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.

36.3 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$185 million (2012: HK$135 million). In addition, the Company has issued corporate guarantees for a total principal amount of HK$185 million (2012: HK$123 million) for these facilities. As at 31st December 2013, the subsidiary has not utilized the banking facilities (2012: Nil).

(b) Based on the expectations at the end of the reporting period, the directors do not consider it is probable that a claim will be made against the Company under any of the guarantees. Accordingly, the Company has not recognised any provision in respect of the guarantees. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

37 LEASE AND CAPITAL COMMITMENTS

(a) Lease commitments

At 31st December 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2013	2012
	HK$'000	HK$'000
Within one year	**14,328**	6,122
After one year but within five years	**20,382**	641
	34,710	6,763

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are mainly negotiated for a fixed lease term of one to three years.

(b) Capital commitments

Capital commitments in respect of property and equipment outstanding but not provided for in the consolidated financial statements are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted but not provided for	**461**	181

(c) Underwriting commitment

Underwriting commitment not provided for in the consolidated financial statements is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted but not provided for	**—**	10,775

In 2012, 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 in January 2013.

38 FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

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

The exposures of the Group to market risk include foreign exchange risk, equity price risk and interest rate risk.

Foreign exchange risk

The Group is exposed to foreign exchange risk primarily arising from trade and other receivables and financial assets at fair value through profit or loss denominated in foreign currency. The currencies giving rise to this risk are primarily Renminbi and the United States Dollars. 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	Others HK$'000
At 31st December 2013					
Loan receivable, trade and other receivables	233	61,978	162	—	1
Financial assets designated at fair value through profit or loss	—	49,400	—	—	—
Financial instruments held-for-trading	—	22,500	—	—	—
Cash and cash equivalents	—	3,172	3,523	25	—
Trade and other payables	—	(697)	(90)	—	—
Net exposure arising from recognised net assets	233	136,353	3,595	25	1

38 FINANCIAL RISK MANAGEMENT *(continued)*

38.1 Financial risk factors *(continued)*

(a) Market risk (continued)

Foreign exchange risk (continued)

	Japanese Yen HK$'000	United States Dollars HK$'000	Renminbi HK$'000	Euro HK$'000	Others HK$'000
At 31st December 2012					
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

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.

	2013		2012	
	Appreciation/ depreciation of foreign currencies	**Effect on profit before tax HK$'000**	Appreciation/ depreciation of foreign currencies	Effect on profit before tax HK$'000
RMB	**+ 10%**	**360**	+ 10%	4,917
	– 10%	**(360)**	– 10%	(4,917)

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. Accordingly, no sensitivity analysis has been prepared.

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 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 2012.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

38 FINANCIAL RISK MANAGEMENT *(continued)*

38.1 Financial risk factors *(continued)*

***(a) Market risk** (continued)*

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 22) and the warrants classified as held-for-trading (see note 23).

At 31st December 2013, the Group's equity price risk is concentrated on the warrants with the underlying listed equity instruments quoted on the Stock Exchange of Hong Kong. At 31st December 2012, the Group's equity price risk is concentrated on listed equity instruments quoted on the Stock Exchange of Hong Kong.

At 31st December 2013, it is estimated that an increase/(decrease) of 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

Change in the relevant equity price risk variable:	**2013**	**Effect on profit after tax HK$'000**	2012	Effect on profit after tax HK$'000
Increase	**10%**	**2,610**	10%	704
Decrease	**(10%)**	**(2,539)**	(10%)	(704)

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.

Interest rate risk

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the financial instrument subject to floating interest rate. Financial assets subject to floating interest rates are trade and other receivables and bank balances and cash-deposits with regulatory bodies. Cash-deposits with regulatory bodies are excluded from sensitivity analysis as it is subject to minimal interest rate fluctuation. Financial liabilities subject to floating interest rates are bank loans. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group.

38 FINANCIAL RISK MANAGEMENT *(continued)*

38.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

Interest rate risk (continued)

Cash flow interest rate risk *(continued)*

The cash flow interest rate risk exposure of the Group at the end of the reporting period is as follows:

	2013		2012	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Assets				
Bank balances	**0.01%**	**69,730**	0.01%	39,430
Margin finance loans	**8%**	**115,313**	8%	74,681
		185,043		114,111
Liability				
Bank loan	**2.71%**	**(35,000)**	2.90%	(60,000)
		150,043		54,111
Sensitivity analysis				
Assume interest rate increased by		**0.25%**		0.25%
Profit before tax increased by		**375**		135

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 non-derivative financial instruments in existence at that date. The 25 basis points increase (2012: 25 basis points 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.

Fair value interest rate risk

At 31st December 2012 and 2013, the Group is also exposed to fair value interest rate risk in relation to financial instruments subject to fixed interest rates. Financial assets subject to fixed interest rates are debt securities (notes 22 and 38.2(a)), loans receivable (note 20(a)), note receivable (note 20(b)) and bank deposits (note 25). Financial liabilities subject to fixed interest rate are bonds issued (note 30). The Group does not have a fair value interest rate hedging policy. However, management is closely monitoring its exposure arising from debt securities investments by regularly performing quantitative analysis, including periodic sensitivity analysis.

(b) Credit risk

The Group's credit risk is primarily attributable to note receivable, loan receivable, trade and other receivables and financial assets at fair value through profit or loss. 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 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. The Group and the Company are exposed to the concentration of credit risk from the three (2012: three) independent counterparties.

38 FINANCIAL RISK MANAGEMENT *(continued)*

38.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

For trade receivables arising from securities broking, credits are granted to a large population of clients and hence there is no significant concentration risk. The margin clients' listed securities can be sold at the Group's discretion upon margin shortfall situation to fulfil any margin call.

For commodities and futures broking, 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 open positions of the margin clients of trading of commodities and futures contracts can be closed at the Group's discretion in margin shortfall situation to settle any margin call requirements imposed by their respective commodities and futures contracts transactions.

For FVTPL debt securities, the Group structures the levels of credit risk it undertakes by placing limits on the amount of advance in relation to any borrower or issuer. As at 31st December 2013, such risks are mitigated by the listed securities and convertible bonds held by the Group as collateral which are subject to periodic review. The fair value of the listed securities was determined by reference to the quoted price of the shares as at 31st December 2013, and the fair value of the convertible bonds was estimated by an independent firm of professional valuer. As at 31st December 2013, the combined fair value of the listed securities and the convertible bonds exceeded the carrying amount of the FVTPL debt securities.

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 24.

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.

(c) 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:

	Weighted average effective interest rate	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000
At 31st December 2013						
Trade and other payables	**N/A**	**224,416**	**224,416**	**224,416**	**—**	**—**
Bank loan	**2.71%**	**35,000**	**35,021**	**35,021**	**—**	**—**
Bonds issued	**4%**	**34,000**	**40,504**	**1,360**	**1,360**	**37,784**
		293,416	**299,941**	**260,797**	**1,360**	**37,784**
At 31st December 2012						
Trade and other payables	N/A	165,770	165,770	165,770	—	—
Bank loan	2.90%	60,000	60,333	60,333	—	—
		225,770	226,103	226,103	—	—

38 FINANCIAL RISK MANAGEMENT *(continued)*

38.1 Financial risk factors *(continued)*

(c) *Liquidity risk* *(continued)*

The Company's policy is to regularly monitor its liquidity requirements including borrowings from subsidiaries, bonds issued to independent third parties, 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.

38.2 Fair values measurement of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial instruments

	Fair value as at 31st December 2013 HK$'000	Fair value as at 31st December 2012 HK$'000	**Fair value hierarchy**	**Valuation technique(s) key input(s)**
(a) Financial assets designated at fair value through profit or loss				
(1) Debt securities	**49,400**	N/A	Level 3	*Note (a)*
(2) Equity securities listed in Hong Kong	—	7,040	Level 1	Quoted bid price in an active market
	49,400	7,040		
(b) Financial instruments held-for-trading				
(1) Derivatives — warrants	**22,500**	N/A	Level 3	*Note (b)*
	22,500	N/A		

Notes:

(a) Debt component

The fair value of the debt securities is calculated based on discounted cash flow analysis, which incorporates assumptions not entirely supported by observable market prices or rates.

The key inputs are credit rating of the issuer, cash flows and remaining time to maturity. The significant unobservable input is discount rate adjusted for the specific risks of the issuer. The discount rate of 16% was used in the valuation model. The relationship of unobservable input to fair value is the higher the discount rate the lower the fair value.

If the discount rate to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the secured note would decrease/increase by HK$2,291,000/HK$2,455,000.

38 FINANCIAL RISK MANAGEMENT *(continued)*

38.2 Fair values measurement of financial instruments *(continued)*

Fair value of the Group's financial assets that are measured at fair value on a recurring basis *(continued)*

Financial instruments (continued)

Notes: (continued)

(a) **Debt component** *(continued)*

Derivatives component

The fair values of the embedded call and put options of the secured note are derived by Hull-White Trinomial Tree Model, which incorporates assumptions not entirely supported by observable market prices or rates.

The key inputs are exercise price of the options, current share price of the underlying assets of the options, expected volatility, mean reversion rate, and discount rate. The significant unobservable input is discount rate. The discount rate of 16% was used in the valuation model. The higher the discount rate, the higher the fair value of the put option and the lower fair value of the call option.

If the discount rate to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the call options would decrease/increase by HK$477,000/HK$761,000 and the carrying amount of the put options would increase/decrease by HK$1,120,000/HK$1,399,000.

(b) The fair value of the warrants is derived by Trinomial Convertible Bond Model, which incorporates assumptions not entirely supported by observable market prices or rates.

The key inputs are expected volatility and discount rate adjusted for the specific risks of the issuers. The significant unobservable input is discount rate. The discount rate of 16% was used in the valuation model. The relationship of unobservable input to fair value is the higher the discount rate the lower the fair value.

If the discount rate to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the warrants would decrease/increase by HK$933,000/HK$1,081,000.

There were no transfers between Level 1 and 2 in the current and prior years.

Reconciliation of Level 3 fair value measurements of financial instruments

	Debt securities HK$'000	Warrants HK$'000	Total HK$'000
At 1st January 2013	—	—	—
Purchase	47,200	23,000	70,200
Total unrealised gain (loss) in profit or loss	2,200	(500)	1,700
At 31st December 2013	49,400	22,500	71,900

Fair value measurement and valuation process

The management is responsible in determining the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the financial instruments, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

39 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:

	2013 **HK$'000**	2012 HK$'000
Commission income *(note (a))*	**36**	59
Advisory service income *(note (b))*	**5,980**	6,000
Service fee income *(note (c))*	**11,821**	12,118
Placing commission and underwriting income *(note (d))*	**53,024**	1,321
Capital contribution from non-controlling interest *(note (e))*	**42,900**	—
Capital distribution to non-controlling interest *(note (f))*	**1,295**	—
Commission expense *(note (h))*	**85**	—

(a) During the current and prior year, the Group received commission income from its immediate holding company, its fellow subsidiary, its associate and its directors for providing securities broking services. Out of which HK$17,227 (2012: HK$50,422) represented continuing connected transactions.

(b) During the current and prior year, the Group earned advisory service income of HK$1,260,000 (2012: HK$6,000,000) and HK$4,720,000 (2012: Nil) from its fellow subsidiaries and its ultimate holding company for providing advisory services respectively and the total amount represented continuing connected transactions.

(c) During the current and prior year, the Group received service fee income from its associates and joint venture for providing administrative supporting and consulting services.

(d) During the current year, the Group earned underwriting income from its ultimate holding company in respect of the listing of the shares of its ultimate holding company. During the prior year, the Group received placing commission and underwriting income from its fellow subsidiaries for placing and underwriting securities. The total amount represented continuing connected transactions.

(e) During the current year, the Group and a fellow subsidiary of the Group, entered into a partnership agreement to establish the CRC Fund. USD5.5 million (equivalent to HK$42,900,000) has been injected to the fund by the fellow subsidiary as a capital contribution from non-controlling interest.

(f) During the current year, the Group distributed cash of HK$1,295,000 from the CRC Fund as disclosed in note (e) to the non-controlling interest, which is its fellow subsidiary.

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

(g) The Group is indirectly controlled by China Cinda Asset Management Co., Ltd. ("China Cinda"), which is indirectly controlled by the PRC government through the Ministry of Finance (the "MOF"). MOF is the major shareholder of China Cinda as at 31st December 2013. For the current and prior years, the Group undertakes transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to making bank deposits, receiving banking facilities, renting properties and rendering and obtaining other services. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.

(h) During the current year, the Group paid commission expense to its fellow subsidiary for obtaining securities broking services. The total amount represented continuing connected transactions.

(i) Within the intragroup transactions of the Group during the current year is a management fee income of HK$858,000 paid to a wholly owned subsidiary of the Company by a fellow subsidiary of the Group as the non-controlling shareholder of CRC Fund. The total amount represented continuing connected transactions.

(j) Compensation of key management personnel are disclosed in note 33(a).

40 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31st December 2013, 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. China Cinda Asset Management Co., Ltd. is listed on The Stock Exchange of Hong Kong Limited and produces financial statements available for public use.

41 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following trade receivables and trade payables as the Group currently has a legally enforceable right to set off the balance, and intends either to settle on net basis, or to realise the balance simultaneously.

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position — Financial instruments held as collateral *(note 3)*	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31st December 2013					
Financial assets by type of counterparty					
Trade receivables from:					
— Margin clients *(note 1)*	**213,823**	**(98,510)**	**115,313**	**(114,232)**	**1,081**
— Clearing houses *(note 2)*	**194,098**	**(162,379)**	**31,719**	**—**	**31,719**
Total	**407,921**	**(260,889)**	**147,032**	**(114,232)**	**32,800**
As at 31st December 2012					
Financial assets by type of counterparty					
Trade receivables from:					
— Margin clients *(note 1)*	134,433	(59,752)	74,681	(74,118)	563
— Clearing houses *(note 2)*	143,477	(83,004)	60,473	—	60,473
Total	277,910	(142,756)	135,154	(74,118)	61,036

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position — Financial instruments held as collateral *(note 3)*	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31st December 2013					
Financial liabilities by type of counterparty					
Trade payables to:					
— Margin clients *(note 1)*	**135,785**	**(98,510)**	**37,275**	**—**	**37,275**
— Clearing houses *(note 2)*	**162,379**	**(162,379)**	**—**	**—**	**—**
Total	**298,164**	**(260,889)**	**37,275**	**—**	**37,275**
As at 31st December 2012					
Financial liabilities by type of counterparty					
Trade payables to:					
— Margin clients *(note 1)*	70,902	(59,752)	11,150	—	11,150
— Clearing houses *(note 2)*	83,004	(83,004)	—	—	—
Total	153,906	(142,756)	11,150	—	11,150

41 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

Notes:

(1) Under the agreements signed between the Group and the customers, money obligations receivable and payable with the same customer on the same date are settled on net basis simultaneously.

(2) Under the agreement of Continuous Net Settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), money obligations receivable and payable with HKSCC on the same settlement date are settled on net basis.

(3) Financial instruments represent the margin clients' listed securities measured at fair value determined by reference to their respective quoted price pledged to the Group for credit facilities for securities trading.

The tables below reconcile the "Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the line items presented in the consolidated statement of financial position.

	31st December 2013 HK$'000	31st December 2012 HK$'000
Trade receivables		
Net amount of trade receivables as stated above	**147,032**	135,154
Amount not in scope of offsetting disclosures	**198,986**	119,557
Amount of total trade receivables as stated in note 24	**346,018**	254,711
Trade payables		
Net amount of trade payables as stated above	**37,275**	11,150
Amount not in scope of offsetting disclosures	**163,398**	141,025
Amount of total trade payables as stated in note 28	**200,673**	152,175

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Group's consolidated statement of financial position, both of which have been disclosed in the above tables, are measured as follows:

- Trade receivable from, or payable to, clearing houses and margin clients — amortised cost

The listed securities pledged by margin clients as collateral to the Group, which are eligible for set off against the Group's financial asset in the event of default.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST DECEMBER 2013

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs *(note)*	Annual Improvements to HKFRSs 2010–2012 Cycle[4]
Amendments to HKFRSs *(note)*	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) — INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1st January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1st July 2014, except as disclosed below. Early application is permitted.

3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1st July 2014, with limited exceptions.

The adoption of HKFRS 9 Financial Instruments in the future may have an impact on the amounts reported in respect of the Group's available-for-sale investments, which may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in other comprehensive income.

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.

43 NON-ADJUSTMENT EVENT AFTER REPORTING PERIOD

After the reporting date, the Company has entered into a HK$150,000,000 revolving term loan facility agreement with a licensed bank in Hong Kong as a replacement of a previous revolving term facility of HK$70,000,000 with the same licensed bank. The loan facility will mature on 31st July 2014.

Five Year Financial Summary

Year ended 31st December

Results	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000 (restated)
Profit/(loss) attributable to equity shareholders	**68,254**	10,502	(31,107)	11,415	(19,022)

As at 31st December

Assets and liabilities	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Total assets	**982,867**	782,489	584,109	553,637	529,717
Total liabilities	**(301,211)**	(225,770)	(37,355)	(89,588)	(88,297)
Total equity	**681,656**	556,719	546,754	464,049	441,420

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 and the corresponding amounts classified under accounts payable are treated as items not recognised in the consolidated statement of financial position.