



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

(Incorporated in Bermuda with limited liability)

Stock Code: 111

2014

Interim Report



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



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

Contents

| | |
|-------|---|
| 2–4 | Management discussion and analysis |
| 5–8 | Corporate governance and other information |
| 9 | Condensed consolidated statement of profit or loss |
| 10 | Condensed consolidated statement of profit or loss and other comprehensive income |
| 11–12 | Condensed consolidated statement of financial position |
| 13 | Condensed consolidated statement of changes in equity |
| 14 | Condensed consolidated statement of cash flows |
| 15–47 | Notes to condensed consolidated financial statements |
| 48 | Report on review of condensed consolidated financial statements |

Management Discussion and Analysis

OVERALL PERFORMANCE

In the first half of the year, the world's major economies began to see some positive signs in economic performance, while struggling with challenges that they encountered over the past few years. In the U.S. unemployment rate fell to 6.23% by the end of June, which is the lowest level since 2008. Amid the withdrawal of quantitative easing by the U.S. Treasury, its stock markets performed well with various indexes saw new highs. In Europe, the economic recovery was led by strong growth in industrial output and consumer spending, while the stability of banking sectors in peripheral European Union countries continued to dampen the sentiment in the financial markets in Europe.

In China, the steady recovery of the economy was revealed by the pickup of Purchase Merchandise Index (PMI). Although the property market remained weak, some local governments have started to loosen restrictions on relevant local policies, to prevent any spiral effects in property price. The People's Bank of China (the "PBOC") has also relaxed the deposit requirements for banks which with conditions on certain level of lending to small and medium enterprises. Although the market has turned upbeat to China's economic outlook, its underlying problems such as the looming of non-performing loan and strong reliance on banks credit were little alleviated. The Shanghai Composite Index remained sluggish and closed at 2,048 points, down 3% from the beginning of the year.

Turning to Hong Kong, economic performance in Hong Kong in the first half year was moderate with slow growth and slowing-down inflation rate. It was reported that annual inflation rate in June of 2014 edged down to 3.6% which is the lowest rate since December of 2013. Hang Seng Index closed at 23,191 points at the end of June which was barely changed from the opening of 2014. The index has once dipped at 21,536, before the forementioned monetary loosening policy by the PBOC. Average daily turnover in the Hong Kong stock market shrunk to HK\$62.9 billion, represented a decrease of 8% compared with the same period last year. There were 52 newly listed companies during the first half of 2014, compared to only 23 for the same period last year. Funds raised through initial public offering ("IPOs") during the period was HK\$81.1 billion, an increase of 104% year-on-year.

In line with our stated strategy, the Group (being the Company and its subsidiaries) continued to develop our three core business. Result has been turned around from a loss into profit compared to the corresponding period. Group turnover was increased to HK\$60.3 million (2013: HK\$52.3 million) while total revenue surged to HK\$85.4 million (2013: HK\$61.9 million), representing an increase of 15% and 38% respectively. On expenses side, under the Group's stringent control total expenses was increased only by 1.7% to HK\$57.8 million (2013: HK\$56.8 million) amid the high inflation pressure the Group faced. Share of losses of associated companies and a joint venture reduced to HK\$1.6 million (2013: loss HK\$8.9 million) due to the improved performance in the absolute return fund the Group invested. As a result, profit attributable to equity holders was HK\$12.3 million (2013: loss HK\$3.7 million), representing an increase of 432%.

CORPORATE FINANCE

In the first quarter we succeed to sponsor an IPO which received overwhelming response. Over-subscription of more than 2,100 times was recorded in the public offer tranche which was one of the top records in the market. After the glow in the first quarter, the market became dull in the second quarter and some clients chose to slow down the pace in the IPO process. However, we continued to seek for opportunities rigorously. Apart from IPO business, the corporate finance team engaged in certain financial advisory work as a supplement to its income source. As a result, turnover from this sector increased to HK\$11.6 million (2013: HK\$9.9 million) and the segment turned into a small profit of HK\$0.1 million (2013: loss HK\$3.4 million).

Management Discussion and Analysis

BROKERAGE BUSINESS

Though the securities market turnover in the first half slipped back, we were able to increase our market share. Our securities turnover volume was further increased by more than 45%. Margin loan balance was slightly increased as we were prudent in granting credit. We also acted as an underwriter in the issue of guaranteed senior notes by our parent company, China Cinda Asset Management Co., Ltd. (“China Cinda”). In addition, we were more active in seeking customers who are qualified under the Capital Investment Entrants Scheme aiming to provide all-rounded financial services to them. Apart from local market, United States market is a new focus for expansion in the securities broking business. Consequently, the segment recorded significant improvement and turnover was increased to HK\$37.9 million (2013: HK\$28.9 million) and segment result was HK\$10.4 million (2013: HK\$4.7 million).

Business in commodities and futures broking and financial planning remained sour because of the keen competition in both businesses. Demand for more sophisticated trading system in commodities trading increased much pressure on the operation cost. However, commission went down further despite it was already at an extremely low level. Business volume did not grow in proportion to the commission reduction. For financial planning, the business environment remained harsh. Investment linked products became lackluster to investors. Turnover in the two segments decreased to HK\$1.7 million (2013: HK\$4.1 million) and HK\$1.4 million (2013: HK\$2.8 million) respectively. Segment loss were widened to HK\$1.6 million (2013: loss HK\$1.3 million) and HK\$1.1 million (2013: loss HK\$0.6 million) respectively.

ASSET MANAGEMENT

The asset under management in the first half year was at the same level as the opening of 2014. Our focus on managing private equity (“PE”) fund has not been changed. However, in general the risk in China in the first half of 2014 increased because of the unstable property market and the tight funding in the banking sector. Hence, we were more conservative on acquiring projects. On the funds currently under the Group’s management, the retail fund performed very well as the fair value of the warrants ancillary to it increased significantly. The gain the Group enjoyed from its investment in the fund was reflected in other gains in the financial statements. The subsidiary in Fujian leveraging on its relationship in the region is on the track to raising fund and facilitating investments.

The performance of the Cinda Plunkett International Asia Absolute Return Fund (“CPIAARF”) managed by our associated company Cinda Plunkett International Capital Management Limited (“Cinda Plunkett”) has significantly improved due to the increased fund size and the more focused investment strategy. The cost structure of Cinda Plunkett has also been streamlined and hence its loss was reduced. It is expected that it can turn into profit if the performance of CPIAARF continues resulting performance bonus be taken up at the end of the year. Share of the loss in Sino-Rock Investment has been reduced as no impairment is required for the investment it held. The joint venture in Xiamen is continues to recruit fund and make its investment. The investments it held are yet to be matured.

Apart from managing fund from third parties, this segment continues to seek for opportunities to enhance the yield of the Group’s financial resources. Revenue arising in this respect was recorded as other gains and other income. On this segment itself, turnover was HK\$6.6 million (2013: HK\$6.8 million) out of which HK\$4.2 million (2013: HK\$4.9 million) was derived from the advisory fee receivable from Cinda Plunkett. Segment result of HK\$0.3 million (2013: HK\$1.1 million) was recorded.

LOOKING FORWARD

After a short halt in the second quarter of the year, the market resumed its vividness recently. Inflation is expected to be eased more visibly in the second half of 2014 and is estimated to be below 4% on an annual basis. Shanghai-Hong Kong Stock Connect, announced in April and expected to start in October, has reinvigorated Hong Kong’s stock market with new opportunities. We saw influx of money from outside Hong Kong as evidenced by the recent strong Hong

Management Discussion and Analysis

Kong Dollars. Both market turnover and Hang Seng Index gained great improvement in the past two months. Although there are positive signs for a more prosperous market in the year, there are still plenty threats ahead. Internationally, the withdrawal of debt purchase program in the US, the concern over the economic reform in China and political dilemma among the major powers caused tight atmosphere around. Locally, the constitutional issues, the contraction in the retail sector and the sudden influx of hot money could cause market instability. In addition, recent rebound and hitting of new high in price reflected that the issue in high property price has not been relieved. The Hong Kong Government has warned that the economic growth forecast for the whole 2014 will be revised downward due to the weakening of private consumption, rising unemployment rate and other complicated risk factors in Hong Kong. These uncertainties could lead to sudden slump in the investment market.

Our parent Company, China Cinda who has listed its H shares last year is an active player in the market. After the listing, China Cinda raised approximately US\$1.5 billion in the market by issuing certain 5 years and 10 years guaranteed senior notes in the second quarter. The Group acted as an underwriter in the issue. In addition, the Group also assisted China Cinda to seek for investment opportunities in Hong Kong. Based on the close relationship with China Cinda, it is believed that the Group will be benefited from the increasing synergy between the two.

It is estimated that the second half of the year will be optimistic with cautions. Uncertainties are around the market and the Group will stick to its prudent approach in operating its business. The corporate finance will expedite the IPO project in the pipeline to catch the current window. On the brokerage side, effort will be spent to strengthen its sales force to push up business volume. As for asset management, we will explore different strategies and diversify into different industries, especially on alternate investments which the Group has its niche resulted from synergy with the China Cinda group. In addition, we will examine the feasibility of setting up new business line in the financial services arena. All in all, the Group is committed in the industry and is devoted to enhance shareholders' value as a whole through different alternatives. The Group wishes to deliver a remarkable annual result to the shareholders.

FINANCIAL RESOURCES

The Group recognizes the importance of maintaining sound financial strength with affluent financial resources. All the subsidiaries licensed by the Securities and Futures Commission keep liquid capital in excess of the regulatory requirement. At the end of the reporting period, credit facilities from authorized institutions totaled HK\$205 million was available to the Group, within which HK\$150 million was secured by the corporate guarantee given by our holding company. At the same date, HK\$45 million was utilized to finance the working capital of our securities broking business. In order to provide more financial resources to meet its business expansion, the Group explores different means of financing on continuing basis.

CONTINGENT LIABILITIES

The Group only provide corporate guarantee to its subsidiaries to secure banking facilities to meet their operational needs or to meet regulatory requirement. At the end of the reporting period, it is unlikely that any material claim would arise from these corporate guarantees. Outstanding litigation cases are considered case-by-case on a periodic basis to assess their impact, if any.

EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE RATES

A large portion of the Group's assets are denominated in Hong Kong Dollars ("HKD") and United States Dollars to which HKD is pegged with. The exposure to fluctuation in foreign exchange rates is not significant. The remaining assets are denominated in Renminbi ("RMB"), which experienced slight short term depreciation which is the first time since the decade. The value of RMB has recently rebound. In view of the relative stability in the value of RMB, the change in exchange rate with HKD would not have a material impact on the Group's financial position.

Corporate Governance and Other Information

INTERIM DIVIDEND

The directors of the Company (the “Directors”) do not recommend the payment of an interim dividend for the six months ended 30th June 2014 (2013: nil).

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June 2014, the Directors who held office and their respective associates did not hold any interest or short position in the shares and underlying shares or debentures of the Company, its holding company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register of directors’ interests and short positions required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

INFORMATION ON SHARE OPTION

The current share option scheme was adopted in the annual general meeting of the Company held on 29th May 2006. As at 30th June 2014, there was no outstanding share option granted under the scheme.

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

As at 30th June 2014, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as was known to the Directors and the chief executives of the Company, the following are details of the persons (other than Directors or chief executives of the Company) who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would need to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of substantial shareholder | Capacity | Number of shares or underlying shares held | 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% |

Corporate Governance and Other Information

| Name of substantial shareholder | Capacity | Number of shares or underlying shares held | Approximate percentage of the Company's issued share capital |
|--|---|--|--|
| 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. With effective from 6th August 2014, WKII changed its company name to China Cinda (HK) Holdings Company Limited.
- (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. Since 15th August 2014, CCBIAM ceased to be a substantial shareholder of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30th June 2014. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30th June 2014.

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, Well Kent International Investment Company Limited (now known as China Cinda (HK) Holdings Company Limited) ("WKII") who being a continuing guarantor of the Loan Facility, that (i) WKII remains the largest single shareholder of the Company throughout the availability of the Loan Facility which has a beneficial ownership (directly or indirectly) of not less than 51 per cent in the issued share capital of the Company; and (ii) the minimum consolidated tangible net worth and the consolidated net gearing ratio of WKII 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.

Corporate Governance and Other Information

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 was 31st July 2014.

As at 30th June 2014, the amount outstanding under the Loan Facility was nil (2013: HK\$60,000,000).

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 30th June 2014, the total outstanding balance of the Loan together with the interest accrued amounted to HK\$70,268,493.

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.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Company has always strived to enhance its corporate governance and transparency by adopting and implementing appropriate corporate governance practices. The Company has also complied with all the code provisions set out in the Corporate Governance Code (“CG Code”) under Appendix 14 of the Listing Rules during the period from 1st January 2014 to 30th June 2014 save for the deviations from code provisions specified below:

- 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 Tongshan and Mr. Chen Gongmeng, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 25th June 2014 (“AGM”) as they have other engagements.
- Provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Chen Xiaozhou, chairman of the Company was unable to attend the AGM as he has other engagement.

The Board continues to monitor and review the Group’s corporate governance practices to ensure compliance.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct for Directors dealing in its shares. All Directors confirmed that they had complied with the required standards at all times throughout the six months ended 30th June 2014.

CHANGES IN DIRECTORS’ BIOGRAPHICAL DETAILS

Changes in Directors’ biographical details 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

- Mr. Gao Guanjiang ~ appointed as an independent non-executive director of U-Home Group Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 2327) effective from 30th August 2013. (Mr. Gao resigned as an executive director of the Company effective from 1st September 2014)
- Mr. Hung Muk Ming ~ appointed as an independent non-executive director of Century Sage Scientific Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1450) effective from 13th June 2014.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group with the management, and discussed internal controls and financial reporting matters with the Directors, including a review of the unaudited interim financial statements for the six months ended 30th June 2014. The Group’s external auditors have carried out a review of the unaudited interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants.

On behalf of the Board

Chen Xiaozhou
Chairman

27th August 2014

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30th June 2014 — Unaudited

| | Notes | Six months ended 30th June | |
|---|-------|----------------------------|------------------|
| | | 2014 HK\$'000 | 2013 HK\$'000 |
| Continuing operations | | | |
| Turnover | 4 | 60,312 | 52,335 |
| Other income | 4 | 10,625 | 9,139 |
| Other gains | 4 | 14,431 | 459 |
| | | 85,368 | 61,933 |
| Staff costs | 5(a) | 26,731 | 26,104 |
| Commission expenses | | 8,099 | 8,998 |
| Operating leases for land and buildings | | 8,686 | 7,378 |
| Other operating expenses | | 13,035 | 13,394 |
| Finance costs | 5(c) | 1,245 | 960 |
| | | 57,796 | 56,834 |
| Share of losses of associates | 10(a) | 27,572 | 5,099 |
| Share of loss of a joint venture | 10(b) | (979) | (8,620) |
| | | (653) | (288) |
| Profit (loss) before taxation | 5 | 25,940 | (3,809) |
| Income tax | 6 | (3,880) | (13) |
| Profit (loss) for the period from continuing operations | | 22,060 | (3,822) |
| Discontinued operations | | | |
| Loss for the period from discontinued operations | 3 | — | (1) |
| Profit (loss) for the period | | 22,060 | (3,823) |
| Attributable to: | | | |
| Equity holders of the Company | | | |
| Continuing operations | | 12,280 | (3,705) |
| Discontinued operations | | — | (1) |
| | | 12,280 | (3,706) |
| Non-controlling interests | | | |
| Continuing operations | | 9,780 | (117) |
| | | 22,060 | (3,823) |
| Basic and diluted earnings (loss) per share attributable to equity holders of the Company | | | |
| — From continuing and discontinued operations | 8 | HK1.92 cents | (HK0.58 cent) |
| — From continuing operations | 8 | HK1.92 cents | (HK0.58 cent) |

The notes on pages 15 to 47 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th June 2014 — Unaudited

| | Six months ended 30th June | |
|--|----------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Profit (loss) for the period | 22,060 | (3,823) |
| Other comprehensive income for the period: | | |
| Items that may be reclassified subsequently to profit or loss | | |
| Change in fair value of an available-for-sale financial asset | (87) | — |
| Share of an associate's investment revaluation reserve relating to available-for-sale securities: | | |
| — Change in fair value | 1,108 | (1,623) |
| Share of a joint venture's investment revaluation reserve relating to available-for-sale securities: | | |
| — Change in fair value | (371) | — |
| Net movement in investment revaluation reserve | 650 | (1,623) |
| Share of an associate's exchange difference | (1,050) | (573) |
| Exchange differences on translation of: | | |
| — Financial statements of a joint venture | (539) | 565 |
| — Financial statements of foreign operations | (380) | 334 |
| | (1,969) | 326 |
| Total comprehensive income for the period | 20,741 | (5,120) |
| Total comprehensive income attributable to: | | |
| Equity holders of the Company | 11,103 | (5,110) |
| Non-controlling interests | 9,638 | (10) |
| | 20,741 | (5,120) |

The notes on pages 15 to 47 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30th June 2014 — Unaudited

| | <i>Notes</i> | 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|--|--------------|--|-----------------------------------|
| Non-current assets | | | |
| Intangible assets | 9 | 1,439 | 1,439 |
| Property and equipment | 9 | 5,772 | 4,529 |
| Interests in associates | 10(a) | 241,980 | 242,901 |
| Interest in a joint venture | 10(b) | 21,056 | 22,619 |
| Other assets | | 8,322 | 10,773 |
| Available-for-sale financial assets | 11 | 3,387 | 4,162 |
| Loans receivable | 12(a) | 48,000 | 118,000 |
| | | 329,956 | 404,423 |
| Current assets | | | |
| Note receivable | 12(b) | — | 45,000 |
| Financial assets designated at fair value through profit or loss | 13 | 51,000 | 49,400 |
| Financial instruments held-for-trading | 14 | 35,000 | 22,500 |
| Available-for-sale financial assets | 11 | 23,260 | — |
| Loans receivable | 12(a) | 70,000 | — |
| Trade and other receivables | 15 | 328,917 | 355,028 |
| Pledged bank deposits | 16 | 15,057 | 15,052 |
| Bank balances and cash | 16 | 89,189 | 91,464 |
| | | 612,423 | 578,444 |
| Current liabilities | | | |
| Trade and other payables | 17 | 130,748 | 224,416 |
| Borrowings | 18 | 63,720 | 35,000 |
| Taxation payable | | 9,187 | 7,795 |
| | | 203,655 | 267,211 |
| Net current assets | | 408,768 | 311,233 |
| Total assets less current liabilities | | 738,724 | 715,656 |

Condensed Consolidated Statement of Financial Position

As at 30th June 2014 — Unaudited

| | <i>Notes</i> | 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|--|--------------|--|-----------------------------------|
| Capital and reserves | | | |
| Share capital | 19 | 64,121 | 64,121 |
| Other reserves | | 480,369 | 481,546 |
| Retained earnings | | 98,278 | 85,998 |
| <hr/> | | | |
| Total equity attributable to equity holders of the Company | | 642,768 | 631,665 |
| Non-controlling interests | | 59,629 | 49,991 |
| <hr/> | | | |
| TOTAL EQUITY | | 702,397 | 681,656 |
| <hr/> | | | |
| Non-current liabilities | | | |
| Bonds issued | 20 | 34,000 | 34,000 |
| Deferred tax liability | | 2,327 | — |
| <hr/> | | | |
| | | 36,327 | 34,000 |
| <hr/> | | | |
| | | 738,724 | 715,656 |

The notes on pages 15 to 47 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2014 — Unaudited

| | Attributable to equity holders of the Company | | | | | | | Non-controlling Interests | Total equity |
|---|---|---------------|-----------------|--------------------------------|------------------|-------------------|----------|---------------------------|--------------|
| | Share Capital | Share premium | Capital reserve | Investment revaluation reserve | Exchange reserve | Retained earnings | Total | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1st January 2014 | 64,121 | 421,419 | 42,879 | 5,288 | 11,960 | 85,998 | 631,665 | 49,991 | 681,656 |
| Total comprehensive income for the period | — | — | — | 650 | (1,827) | 12,280 | 11,103 | 9,638 | 20,741 |
| At 30th June 2014 | 64,121 | 421,419 | 42,879 | 5,938 | 10,133 | 98,278 | 642,768 | 59,629 | 702,397 |

| | Attributable to equity holders of the Company | | | | | | | Non-controlling Interests | Total equity |
|---|---|---------------|-----------------|--------------------------------|------------------|-------------------|----------|---------------------------|--------------|
| | Share Capital | Share premium | Capital Reserve | Investment revaluation reserve | Exchange reserve | Retained earnings | Total | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1st January 2013 | 64,121 | 421,419 | 42,879 | 3,027 | 7,529 | 17,744 | 556,719 | — | 556,719 |
| Total comprehensive income for the period | — | — | — | (1,623) | 219 | (3,706) | (5,110) | (10) | (5,120) |
| Capital contribution from non-controlling interests | — | — | — | — | — | — | — | 48,482 | 48,482 |
| At 30th June 2013 | 64,121 | 421,419 | 42,879 | 1,404 | 7,748 | 14,038 | 551,609 | 48,472 | 600,081 |

The notes on pages 15 to 47 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2014 — Unaudited

| | Note | Six months ended 30th June | |
|---|------|----------------------------|------------------|
| | | 2014 HK\$'000 | 2013 HK\$'000 |
| OPERATING ACTIVITIES | | | |
| Decrease in trade receivables from clearing houses | | 29,701 | 59,193 |
| Purchase of warrants as derivatives | | — | (23,000) |
| Proceeds from repayment of a note | | 45,000 | — |
| (Decrease) increase in trade payables to margin clients | | (76,736) | 7,482 |
| Net cash (outflow) inflow from other operating activities | | (5,877) | 11,264 |
| NET CASH (OUTFLOW) INFLOW OPERATING ACTIVITIES | | (7,912) | 54,939 |
| INVESTING ACTIVITIES | | | |
| Purchase of debt securities | | — | (47,200) |
| Net cash outflow from other investing activities | | (6,244) | (13,549) |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | | (6,244) | (60,749) |
| FINANCING ACTIVITIES | | | |
| Capital contribution from non-controlling interests | | — | 48,482 |
| Net cash inflow from other financing activities | | 8,755 | 19,043 |
| NET CASH INFLOW FROM FINANCING ACTIVITIES | | 8,755 | 67,525 |
| Net (decrease) increase in cash and cash equivalents | | (5,401) | 61,715 |
| Cash and cash equivalents at 1st January | | 91,464 | 79,004 |
| Effect of foreign exchange rate changes | | (374) | 323 |
| Cash and cash equivalents at 30th June | 16 | 85,689 | 141,042 |
| Analysis of balances of cash and cash equivalents: | | | |
| Bank balances — general accounts and cash in hand | 16 | 85,689 | 141,042 |

The notes on pages 15 to 47 form part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

1. BASIS OF PREPARATION

These condensed consolidated financial statements have prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These condensed consolidated financial statements have been approved for issue by the Board of Directors on 27th August 2014.

The condensed consolidated financial statements contain selected explanatory notes, which include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

The condensed consolidated financial statements are unaudited, but have been reviewed by Messrs. Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Messrs. Deloitte Touche Tohmatsu has issued a report on review of the condensed consolidated financial statements to the Board of Directors is included on page 48.

2. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKRS10, HKFRS 12 and HKAS 27 Investment Entities;
Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities;
Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets;
Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting; and
HK(IFRIC) — Int 21 Levies.

The application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

3. DISCONTINUED OPERATIONS

During the period ended 30th June 2013, the Group has 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 period ended 30th June 2013 are set out below.

| | <i>Note</i> | Six months ended 30th June 2013 HK\$'000 |
|--------------------------|-------------|---|
| Other operating expenses | | 1 |
| Total operating expenses | | 1 |
| Loss before taxation | | (1) |
| Income tax | 6 | — |
| Loss for the period | | (1) |

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

4. TURNOVER, OTHER INCOME, OTHER GAINS AND SEGMENT INFORMATION

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

| | Six months ended 30th June | |
|--|----------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| From continuing operations | | |
| Turnover | | |
| Fees and commission | 38,217 | 35,978 |
| Interest income | 4,942 | 4,976 |
| Underwriting income and placing commission | 14,649 | 9,817 |
| Management fee income | 2,342 | 1,374 |
| Net premium income from insurance broking | 162 | 190 |
| | 60,312 | 52,335 |
| Other income | | |
| Loan interest income | 6,709 | 7,659 |
| Interest income from debt securities | 3,558 | — |
| Other income | 358 | 1,480 |
| | 10,625 | 9,139 |
| Other gains | | |
| Net exchange gains | 141 | 439 |
| Net gain on disposal of financial assets designated at fair value through profit or loss | 190 | 20 |
| Gain from changes in fair value of financial assets designated at fair value through profit or loss | 1,600 | — |
| Gain from changes in fair value of financial assets classified as held-for-trading | 12,500 | — |
| | 14,431 | 459 |
| | 85,368 | 61,933 |

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

4. TURNOVER, OTHER INCOME, OTHER GAINS AND SEGMENT INFORMATION (Continued)

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, placing 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 payables, accruals and borrowings 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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

4. TURNOVER, OTHER INCOME, OTHER GAINS AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Six months ended 30th June 2014

| | Continuing operations | | | | | | Discontinued operations | |
|-----------------------------------|-------------------------------|--------------------------------|---|--|------------------------------|-----------------------|--|-------------------|
| | Corporate finance HK\$'000 | Securities broking HK\$'000 | Commodities and futures broking HK\$'000 | Financial planning/ insurance broking in Hong Kong HK\$'000 | Asset management HK\$'000 | Sub-total HK\$'000 | Leveraged foreign exchange trading/ broking in Hong Kong HK\$'000 | Total HK\$'000 |
| Turnover from external customers | 11,588 | 37,938 | 1,684 | 1,433 | 2,347 | 54,990 | — | 54,990 |
| Turnover from an associate (note) | — | — | — | — | 4,153 | 4,153 | — | 4,153 |
| Inter-segment turnover | — | 35 | — | — | 123 | 158 | — | 158 |
| Reportable segment turnover | 11,588 | 37,973 | 1,684 | 1,433 | 6,623 | 59,301 | — | 59,301 |
| Reportable segment results (EBIT) | 89 | 10,353 | (1,575) | (1,080) | 309 | 8,096 | — | 8,096 |

Six months ended 30th June 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 from external customers | 9,876 | 28,877 | 4,057 | 2,825 | 1,375 | 47,010 | — | 47,010 |
| Turnover from an associate (note) | — | — | — | — | 4,888 | 4,888 | — | 4,888 |
| Inter-segment turnover | — | — | — | — | 546 | 546 | — | 546 |
| Reportable segment turnover | 9,876 | 28,877 | 4,057 | 2,825 | 6,809 | 52,444 | — | 52,444 |
| Reportable segment results (EBIT) | (3,373) | 4,741 | (1,291) | (567) | 1,120 | 630 | (1) | 629 |

Note: This represents service fee income received by the Group from an associate. See note 25.1(c)

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

4. TURNOVER, OTHER INCOME, OTHER GAINS AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

As at 30th June 2014

| | Continuing operations | | | | | | Discontinued operations | Total |
|--------------------------------|-----------------------|--------------------|---------------------------------|--|------------------|-----------|--|----------|
| | Corporate finance | Securities broking | Commodities and futures broking | Financial planning/ insurance broking in Hong Kong | Asset management | Sub-total | Leveraged foreign Exchange trading/ broking in Hong Kong | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Reportable segment assets | 20,977 | 326,292 | 40,426 | 1,065 | 29,070 | 417,830 | — | 417,830 |
| Reportable segment liabilities | 3,405 | 134,915 | 31,261 | 642 | 5,836 | 176,059 | — | 176,059 |

As at 31st December 2013

| | Continuing operations | | | | | | Discontinued operations | Total |
|--------------------------------|-----------------------|--------------------|---------------------------------|--|------------------|-----------|--|----------|
| | Corporate finance | Securities broking | Commodities and futures broking | Financial planning/ insurance broking in Hong Kong | Asset management | Sub-total | Leveraged foreign Exchange trading/ broking in Hong Kong | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Reportable segment assets | 20,952 | 356,913 | 49,872 | 2,506 | 25,795 | 456,038 | — | 456,038 |
| Reportable segment liabilities | 1,883 | 176,631 | 39,331 | 1,049 | 9,022 | 227,916 | — | 227,916 |

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

4. TURNOVER, OTHER INCOME, OTHER GAINS AND SEGMENT INFORMATION (Continued)

Reconciliations of reportable turnover

| | Six months ended 30th June | |
|--|----------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Turnover | | |
| From continuing operations | | |
| Reportable segment turnover | 59,301 | 52,444 |
| Elimination of inter-segment turnover | (159) | (546) |
| Unallocated head office and corporate turnover | 1,170 | 437 |
| Consolidated turnover | 60,312 | 52,335 |

Reconciliations of reportable results

| | Six months ended 30th June | |
|---|----------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Results | | |
| From continuing operations | | |
| Reportable segment profit derived from external customers | 8,096 | 630 |
| Share of losses of associates | (979) | (8,620) |
| Share of loss of a joint venture | (653) | (288) |
| Finance costs | (1,245) | (960) |
| Unallocated head office and corporate income | 20,721 | 5,429 |
| | 25,940 | (3,809) |
| From discontinued operations | | |
| Reportable segment loss derived from external customers | — | (1) |
| Consolidated profit (loss) before taxation | 25,940 | (3,810) |
| Income tax | (3,880) | (13) |
| Profit (loss) for the period | 22,060 | (3,823) |

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

4. TURNOVER, OTHER INCOME, OTHER GAINS AND SEGMENT INFORMATION (Continued)

Reconciliations of reportable assets and liabilities

| | At 30th June 2014 HK\$'000 | At 31st December 2013 HK\$'000 |
|---|-------------------------------------|---|
| Assets | | |
| Reportable segment assets | 417,830 | 456,038 |
| Elimination of inter-segment receivables | (22,162) | (2,597) |
| | 395,668 | 453,441 |
| Interests in associates | 241,980 | 242,901 |
| Interest in a joint venture | 21,056 | 22,619 |
| Unallocated head office and corporate assets | 283,675 | 263,906 |
| Consolidated total assets | 942,379 | 982,867 |
| Liabilities | | |
| Reportable segment liabilities | 176,059 | 227,916 |
| Elimination of inter-segment payables | (4,808) | (7,986) |
| | 171,251 | 219,930 |
| Taxation payable | 9,187 | — |
| Deferred tax liability | 2,327 | — |
| Unallocated head office and corporate liabilities | 57,217 | 81,281 |
| Consolidated total liabilities | 239,982 | 301,211 |

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

5. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation is arrived after charging:

(a) Staff costs

| | Six months ended 30th June | |
|-----------------------------------|----------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| From continuing operations | | |
| Salaries and allowances | 26,031 | 25,455 |
| Defined contribution plans | 700 | 649 |
| | 26,731 | 26,104 |

(b) Other operating expenses

| | Six months ended 30th June | |
|--|----------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| From continuing operations | | |
| Auditor's remuneration | 1,122 | 1,232 |
| Underprovision of auditor's remuneration in prior year | — | 5 |
| Depreciation | 1,227 | 1,432 |

(c) Finance costs

| | Six months ended 30th June | |
|---|----------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| From continuing operations | | |
| Interest on borrowings — repayable within one year | 571 | 960 |
| Interest on bonds issued — repayable in more than two years but not more than five years | 674 | — |
| | 1,245 | 960 |

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

6. INCOME TAX

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

No provision for Hong Kong Profits Tax has been made for the prior period as the Group's companies either sustained a loss for taxation purposes or their tax losses brought forward exceed their estimated assessable profits for the period.

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

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

| | Continuing operations | | Discontinued operations | | Total | |
|--|-------------------------------|------------------|-------------------------------|------------------|-------------------------------|------------------|
| | Six months ended 30th June | 2013 HK\$'000 | Six months ended 30th June | 2013 HK\$'000 | Six months ended 30th June | 2013 HK\$'000 |
| | 2014 HK\$'000 | | 2014 HK\$'000 | | 2014 HK\$'000 | |
| Current taxation: | | | | | | |
| — Hong Kong Profits Tax for the period | 1,204 | — | — | — | 1,204 | — |
| — PRC Enterprise Income Tax for the period | 349 | 13 | — | — | 349 | 13 |
| Deferred taxation: | | | | | | |
| — Hong Kong Profits Tax for the period | 2,327 | — | — | — | 2,327 | — |
| | 3,880 | 13 | — | — | 3,880 | 13 |

7. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2014 (2013: nil).

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

8. EARNINGS (LOSS) PER SHARE

(a) Basic earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the profit attributable to equity holders of the Company of HK\$12,280,000 (2013: loss HK\$3,706,000) and 641,205,600 ordinary shares (2013: 641,205,600 ordinary shares) in issue during the period, calculated as follows:

Earnings (loss) attributed to equity holders of the Company

| | Six months ended 30th June | |
|--|----------------------------|-----------------|
| | 2014 HK\$000 | 2013 HK\$000 |
| Earnings (loss) for the period from continuing operations | 12,280 | (3,705) |
| Loss for the period from discontinued operations | — | (1) |
| Earnings (loss) for the period attributable to equity holders of the Company | 12,280 | (3,706) |

Number of ordinary shares

| | Six months ended 30th June | |
|---|----------------------------|-------------|
| | 2014 | 2013 |
| Issued ordinary shares at 1st January and 30th June | 641,205,600 | 641,205,600 |

(b) Diluted earnings (loss) per share

No diluted earnings (loss) per share was presented for both periods because there were no potential dilutive ordinary shares during both the current and prior periods.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

9. INTANGIBLE ASSETS AND PROPERTY AND EQUIPMENT

| | Club Membership HK\$'000 | Stock Exchange trading rights HK\$'000 | Futures Exchange trading right HK\$'000 | Total intangible assets HK\$'000 | Property and equipment HK\$'000 |
|--|--------------------------------|---|--|---|--|
| Six months ended 30th June 2014 — unaudited | | | | | |
| Net book value at 1st January 2014 | 120 | 913 | 406 | 1,439 | 4,529 |
| Additions | — | — | — | — | 2,478 |
| Depreciation charge | — | — | — | — | (1,227) |
| Write-off | — | — | — | — | (3) |
| Exchange difference | — | — | — | — | (5) |
| Net book value at 30th June 2014 | 120 | 913 | 406 | 1,439 | 5,772 |
| Six months ended 30th June 2013 — unaudited | | | | | |
| Net book value at 1st January 2013 | 120 | 913 | 406 | 1,439 | 5,552 |
| Additions | — | — | — | — | 852 |
| Depreciation charge | — | — | — | — | (1,432) |
| Exchange difference | — | — | — | — | 9 |
| Net book value at 30th June 2013 | 120 | 913 | 406 | 1,439 | 4,981 |

10. INTERESTS IN ASSOCIATES AND A JOINT VENTURE

(a) Interests in associates

| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|--|--|-----------------------------------|
| Share of net assets at 1st January | 242,901 | 221,154 |
| Share of associates' results for the period/year | (979) | 16,618 |
| Share of associates' other comprehensive income for the period/year | 58 | 5,129 |
| | (921) | 21,747 |
| Share of net assets at 30th June/31st December | 241,980 | 242,901 |

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

10. 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 |
|---|--|------------------------|--|--------------------|---|
| | | | 30th June 2014 | 31st December 2013 | |
| 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 | 4,000,000 ordinary shares of HK\$1 each | Cayman Islands | 40% | 40% | Fund management |
| Cinda Plunkett International Asia Absolute Return Fund | 100,000 units of US\$100 each | Cayman Islands | 17.50% | 17.38% | Investment fund |

(b) Interest in a joint venture

| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|---|--------------------------------------|--------------------------------|
| Share of net assets at 1st January | 22,619 | 21,604 |
| Share of a joint venture's results for the period/year | (653) | (201) |
| Share of a joint venture's other comprehensive income for the period/year | (910) | 1,216 |
| Share of net assets at 30th June/31st December | 21,056 | 22,619 |

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

| | Particulars of share capital held | Country of establishment | Effective equity interest to the Group | | Principal activity |
|--|-------------------------------------|--------------------------|--|--------------------|---|
| | | | 30th June 2014 | 31st December 2013 | |
| JianXinJinYuan (Xiamen) Equity Investment Management Limited | RMB17,500,000 of registered capital | PRC | 35% | 35% | Investment holding and provision of capital management services |

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|-------------------------------------|--|-----------------------------------|
| Non-current: | | |
| Unlisted equity investments: | | |
| — equity securities | 1 | 1 |
| — private equity funds | 3,386 | 4,161 |
| | 3,387 | 4,162 |
| Current: | | |
| Listed debt investment: | | |
| — Debt security with fixed interest | 23,260 | — |
| | 26,647 | 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.

During the period, the Group disposed of part of interest in one of the private equity funds with carrying amount of HK\$1,267,505, which had been carried at cost less impairment before the disposal. No gain or loss on disposal has been recognised for this transaction.

As at 30th June 2014, the above listed debt security was placed in a broker to secure the margin loan as disclosed in note 18.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

12. LOANS AND NOTE RECEIVABLE

(a) Loans receivable

At 30th June, 2014, a loan of HK\$70,000,000 (31st December 2013: 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 repayable within the next twelve months (31st December 2013: not repayable within the next twelve months).

At 30th June 2014, a loan receivable of HK\$48,000,000 (2013: HK\$48,000,000) was due from a private entity in which the Group had 18.6% equity interest which has been classified as available-for-sale financial assets (note 11). The balance is unsecured, non-interest bearing and 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

As at 31st December 2013, the Group had a secured fixed interest bearing note receivable from an independent third party of HK\$45,000,000, which was fully repaid during the current interim period ended 30th June 2014.

13. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|-----------------|--|-----------------------------------|
| Debt securities | 51,000 | 49,400 |

During the year ended 31st December 2013, the Group acquired a secured note, together with warrants disclosed in note 14, 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\$51,000,000 as at 30th June 2014 (31st December 2013: HK\$49,400,000) which was 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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

14. FINANCIAL INSTRUMENTS HELD-FOR-TRADING

| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|------------------------|--|-----------------------------------|
| Derivatives — warrants | 35,000 | 22,500 |

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 13. 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 13) 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. The warrants are freely transferrable. 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 13 (i.e. HK\$70,200,000) multiplied by the portion of unexercised warrant. The fair value of the warrants as at 30th June 2014 was HK\$35,000,000 (31st December 2013: 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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

15. TRADE AND OTHER RECEIVABLES

| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|---|--|-----------------------------------|
| Trade receivables from clients arising from corporate finance and securities broking | 133,995 | 129,527 |
| Margin and other trade related deposits with brokers and financial institutions arising from commodities and futures broking and securities broking | 54,673 | 69,959 |
| Margin loans arising from securities broking | 95,443 | 115,313 |
| Trade receivables from clearing houses arising from securities broking | 2,018 | 31,719 |
| Less: impairment allowance for trade receivables arising from corporate finance and securities broking | (500) | (500) |
| Total trade receivables (Notes (a) and (b)) | 285,629 | 346,018 |
| Deposits | 665 | 1,027 |
| Prepayments and other receivables | 43,891 | 9,078 |
| Less: impairment allowance for other receivables | (1,268) | (1,095) |
| Total trade and other receivables | 328,917 | 355,028 |

The carrying amounts of trade and other receivables approximate their fair values. All of the trade and other receivables are expected to be recovered or realised within one year.

The Group maintains designated accounts with The SEHK Options Clearing House Limited (“SEOCH”) and HKFE Clearing Corporation Limited (“HKFECC”) as a result of its normal business transactions. At 30th June 2014, the designated accounts with SEOCH and HKFECC not dealt with in these condensed consolidated financial statements amounted to HK\$2,359,351 (31st December 2013: HK\$2,029,526) and HK\$9,421,176 (31st December 2013: HK\$10,792,547) respectively.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

15. TRADE AND OTHER RECEIVABLES (Continued)

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 client 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.

- (b) As at 30th June 2014, the aging analysis of the trade receivables arising from corporate finance and underwriting services based on the date of invoice at the reporting date was as follows:

| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|------------------------------|--|-----------------------------------|
| Current | 2,728 | 60,073 |
| Past due: | | |
| 30–60 days | 30 | 30 |
| Over 60 days (<i>Note</i>) | 55,078 | — |
| | 57,836 | 60,103 |

Note: Trade receivables amounting to HK\$54,898,000 were fully settled on 1st August 2014.

- (c) As at 30th June 2014, trade receivables amounting to HK\$54,898,000 (2013: HK\$57,744,000) included in the “Trade receivables from clients” arising from corporate finance and underwriting services are the non-interest bearing receivables earned from its ultimate holding company in respect of the listing of the shares of its ultimate holding company.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

16. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|---|--|-----------------------------------|
| Cash in hand | 21 | 32 |
| Bank balances | 104,225 | 106,484 |
| | 104,246 | 106,516 |
| By maturity | | |
| Bank balances | | |
| — Current and savings accounts | 81,493 | 90,143 |
| — Fixed deposits (maturing within three months) | 19,232 | 16,341 |
| — Fixed deposit (maturing over three months) | 3,500 | — |
| | 104,225 | 106,484 |

As at 30th June 2014, bank deposits amounting to HK\$15,057,490 (31st December 2013: HK\$15,052,115) have been pledged to banks as security for the provision of securities broking facilities for a total amount of HK\$150 million (31st December 2013: HK\$120 million).

Certain subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. As at 30th June 2014, segregated trust accounts not dealt with in these condensed consolidated financial statements amounted to HK\$421,301,713 (31st December 2013: HK\$223,647,403).

The interest rate received from the bank balances and deposits as at the end of the reporting period ranged from 0.01% to 2.55% per annum (2013: 0.01% to 2.5%).

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

16. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH (*Continued*)

Cash and cash equivalents

| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|--|--|-----------------------------------|
| Cash in hand | 21 | 32 |
| Bank balances | 104,225 | 106,484 |
| | 104,246 | 106,516 |
| Less: | | |
| Pledged bank deposits | (15,057) | (15,052) |
| Bank balances and cash in the condensed consolidated statement of financial position | 89,189 | 91,464 |
| Less: | | |
| Fixed deposit maturing over three months | (3,500) | — |
| Cash and cash equivalents in the condensed consolidated statement of cash flows | 85,689 | 91,464 |

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

17. TRADE AND OTHER PAYABLES

| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|---|--|-----------------------------------|
| Trade payables to securities trading clients arising from securities broking | 84,393 | 161,129 |
| Margin and other deposits payable to clients arising from commodities and futures broking | 30,939 | 38,787 |
| Trade payables to brokers and clearing houses arising from securities broking | 520 | 757 |
| Total trade payables | 115,852 | 200,673 |
| Accruals and other payables | 14,896 | 23,743 |
| Total trade and other payables | 130,748 | 224,416 |

The carrying amounts of trade and other payables approximate their fair values. All trade and other payables are expected to be settled within one year. The trade payable are aged within 30 days.

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

18. BORROWINGS

| | | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|---------------------------|----------|--|-----------------------------------|
| Bank loan | Note (a) | 45,000 | 35,000 |
| Margin loan from a broker | Note (b) | 18,720 | — |
| | | 63,720 | 35,000 |

(a) At 30th June 2014, the bank loan was repayable and carries interest with reference to HIBOR as follows:

| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|-----------------|--|-----------------------------------|
| Within one year | 45,000 | 35,000 |

At 30th June 2014, the bank loan of HK\$45,000,000 (31st December 2013: HK\$nil) was drawn under the aggregate banking facilities of HK\$170,000,000 (31st December 2013: HK\$185,000,000), which was secured by a pledged bank deposit of HK\$12,000,000 (31st December 2013: HK\$12,000,000) out of the total amount of pledged bank deposits of HK\$15,057,490 (31st December 2013: HK\$15,052,115).

In addition, another bank loan of HK\$nil (31st December 2013: HK\$35,000,000) was drawn under a banking facility of the Company, amounted to HK\$150,000,000 (31st December 2013: HK\$70,000,000). An intermediate holding company of the Company (“the Guarantor”) provided a corporate guarantee to support this banking facility.

The banking facilities are subject to the fulfilment of covenants relating to certain of the Guarantor’s and the Company’s balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Guarantor and the Company were 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.

(b) At 30th June 2014, the margin loan from a broker was secured by the Group’s debt securities and was repayable and carried interest with reference to LIBOR as follows:

| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|-----------------|--|-----------------------------------|
| Within one year | 18,720 | — |

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

19. SHARE CAPITAL

| | Authorised | |
|--|-----------------------|---------------------------|
| | No. of shares '000 | Nominal value HK\$'000 |
| Ordinary shares of HK\$0.10 each At 30th June 2014, 31st December 2013 and 1st January 2013 | 1,000,000 | 100,000 |

| | Issued and fully paid | |
|--|-----------------------|---------------------------|
| | No. of shares '000 | Nominal Value HK\$'000 |
| Ordinary shares of HK\$0.10 each At 30th June 2014, 31st December 2013 and 1st January 2013 | 641,206 | 64,121 |

20. BONDS ISSUED

Bonds issued represented 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:

| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|--|--|-----------------------------------|
| In more than 2 years but not more than 5 years | 34,000 | 34,000 |

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

21. 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 a net basis, or to realise the balance simultaneously.

| | Gross amounts of recognised financial liabilities | Gross amounts of recognised financial assets | Net amounts of financial assets presented in the condensed consolidated statement of financial position | Related amounts not offset in the condensed consolidated statement of financial position Financial instruments held as collateral (note 3) | Net amount |
|---|---|---|--|--|---|
| | Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities | Gross amounts of recognised financial assets | Gross amounts of recognised financial liabilities | Gross amounts of recognised financial assets |
| | offset in the condensed consolidated statement of financial position | offset in the condensed consolidated statement of financial position | presented in the condensed consolidated statement of financial position | presented in the condensed consolidated statement of financial position | presented in the condensed consolidated statement of financial position |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 30th June 2014 — Unaudited | | | | | |
| Financial assets by counterparty | | | | | |
| Trade receivables from: | | | | | |
| — Margin clients (note 1) | 134,941 | (39,498) | 95,443 | (94,812) | 631 |
| — Clearing houses (note 2) | 80,444 | (78,426) | 2,018 | — | 2,018 |
| Total | 215,385 | (117,924) | 97,461 | (94,812) | 2,649 |
| As at 31st December 2013 | | | | | |
| Financial assets by 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 |

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

21. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(Continued)

| | Gross amounts of recognised financial liabilities HK\$'000 | Gross amounts of recognised financial assets offset in the condensed statement of financial position HK\$'000 | Net amounts of financial liabilities presented in the condensed statement of financial position HK\$'000 | Related amounts not offset in the condensed statement of financial position Financial instruments held as collateral (note 3) HK\$'000 | Net amount HK\$'000 |
|--|---|---|---|--|------------------------|
| As at 30th June 2014 — Unaudited | | | | | |
| Financial liabilities by counterparty | | | | | |
| Trade payables to: | | | | | |
| — Margin clients (note 1) | 47,739 | (39,498) | 8,241 | — | 8,241 |
| — Clearing houses (note 2) | 78,426 | (78,426) | — | — | — |
| Total | 126,165 | (117,924) | 8,241 | — | 8,241 |
| As at 31st December 2013 | | | | | |
| Financial liabilities by 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 |

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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

21. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(Continued)

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

| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|---|--|-----------------------------------|
| Trade receivables | | |
| Net amount of trade receivables as stated above | 97,461 | 147,032 |
| Amount not in scope of offsetting disclosures | 188,168 | 198,986 |
| Total trade receivables as stated in note 15 | 285,629 | 346,018 |
| Trade payables | | |
| Net amount of trade payables as stated above | 8,241 | 37,275 |
| Amount not in scope of offsetting disclosures | 107,611 | 163,398 |
| Total trade payables as stated in note 17 | 115,852 | 200,673 |

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Group's condensed 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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

22. CONTINGENT LIABILITIES

22.1 Outstanding litigation cases

The following litigation cases are outstanding up to the date of authorisation of these condensed 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 condensed 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 22.1(a) and (b) above.

22.2 Financial guarantees issued

- (a) As at the end of the reporting period, a subsidiary of the Company engaging in securities broking and providing securities margin financing has secured banking facilities from certain authorised institutions for a total amount of HK\$170 million (31st December 2013: HK\$185 million). In addition, the Company has issued corporate guarantees for a total principal amount of HK\$170 million (31st December 2013: HK\$185 million) for these facilities. As at 30th June 2014, the subsidiary has utilised the banking facilities amounting to HK\$45,000,000 (31st December 2013: HK\$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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

23. LEASE AND CAPITAL COMMITMENTS

(a) Lease commitments

At 30th June 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

| | Land and buildings | |
|--------------------------------------|--|-----------------------------------|
| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
| Within one year | 14,226 | 14,328 |
| After one year but within five years | 13,751 | 20,382 |
| | 27,977 | 34,710 |

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 the property and equipment outstanding but not provided for in the condensed consolidated financial statements are as follows:

| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 |
|---------------------------------|--|-----------------------------------|
| Contracted but not provided for | 286 | 461 |

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

24. FAIR VALUE MEASUREMENTS 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), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Financial instruments | Fair value | Fair value | Fair value hierarchy | Valuation technique(s) key input(s) |
|---|--|-----------------------------------|----------------------|-------------------------------------|
| | Unaudited 30th June 2014 HK\$'000 | 31st December 2013 HK\$'000 | | |
| (a) Financial assets designated at fair value through profit or loss Debt securities | 51,000 | 49,400 | Level 3 | Note (a) |
| (b) Financial instruments held-for-trading Derivatives — warrants | 35,000 | 22,500 | Level 3 | Note (b) |
| (c) Available-for-sale investment Debt security | 23,260 | — | Level 1 | Quoted price in an active market |

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

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 issuers and remaining time to maturity. The significant unobservable input is discount rate adjusted for the specific risks of the issuer. The discount rate of 19% (31st December 2013: 16%) was used on 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 debt securities would decrease/increase by HK\$3,686,000/HK\$2,814,000 (31st December 2013: decrease/increase by HK\$2,291,000/HK\$2,455,000).

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 19% (31st December 2013: 16%) was used in the valuation model. The higher the discount rate, the higher the fair value of the put option and the lower the 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\$138,000/HK\$692,000 (31st December 2013: decrease/increase by HK\$477,000/HK\$761,000) and the carrying amount of the put options would increase/decrease by HK\$1,087,000/HK\$1,400,000 (31st December 2013: increase/decrease by HK\$1,120,000/HK\$1,399,000).

(b) The fair value of the warrants is derived by Trinomial Tree 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 19% (31st December 2013: 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\$582,000/HK\$659,000 (31st December 2013: decrease/increase by HK\$933,000/HK\$1,081,000).

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

Notes: (Continued)

(b) (Continued)

Reconciliation of Level 3 fair value measurements of financial instruments

| | Unaudited Debt securities HK\$'000 | Unaudited Warrants HK\$'000 | Total HK\$'000 |
|--|--|-----------------------------------|-------------------|
| At 1st January 2013 | — | — | — |
| Purchase | 47,200 | 23,000 | 70,200 |
| At 30th June 2013 | 47,200 | 23,000 | 70,200 |
| At 1st January 2014 | 49,400 | 22,500 | 71,900 |
| Unrealised gain recognised in profit or loss | 1,600 | 12,500 | 14,100 |
| At 30th June 2014 | 51,000 | 35,000 | 86,000 |

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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

25. MATERIAL RELATED PARTY TRANSACTIONS

25.1 Material related party transactions

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

| | Six months ended 30th June | |
|--|----------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Broking commission for securities dealing (<i>note (a)</i>) | 9 | 11 |
| Advisory service fee income (<i>note (b)</i>) | — | 1,260 |
| Service fee income (<i>note (c)</i>) | 4,469 | 5,195 |
| Placing commission and underwriting income (<i>note (d)</i>) | 4,271 | — |
| Capital contribution from non-controlling interests (<i>note(e)</i>) | — | 42,900 |

- (a) During the period, the Group received commission income from its directors for providing securities broking services.
- (b) During the period ended 30th June 2013, the Group received advisory service income from its fellow subsidiary for providing advisory services.
- (c) During the period, the Group received service fee income from its associates and a joint venture for providing administrative supporting and consulting services.
- (d) During the current period, the Group earned placing commission and underwriting income from its fellow subsidiary and its intermediate holding company for placing and underwriting securities.
- (e) During the period ended 30th June 2013, the Group and a subsidiary of the controlling shareholder of the Company, entered into a partnership agreement to establish an investment 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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2014 — Unaudited

25. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

25.1 Material related party transactions (Continued)

- (f) 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”) and listed on The Stock Exchange of Hong Kong Limited. MOF is the major shareholder of China Cinda as at 30th June 2014. For the current and prior periods, 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 the opinion that these transactions are in normal business terms that do not require separate disclosure.

25.2 Compensation of key management personnel

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

| | Six months ended 30th June | |
|---|----------------------------|------------------|
| | 2014 HK\$'000 | 2013 HK\$'000 |
| Basic salaries, discretionary bonus, housing benefits and benefits in kind | 7,374 | 6,549 |
| Defined contribution plans | 62 | 53 |
| | 7,436 | 6,602 |

Report on Review of Condensed Consolidated Financial Statements



**TO THE BOARD OF DIRECTORS OF
CINDA INTERNATIONAL HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Cinda International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 9 to 47, which comprise the condensed consolidated statement of financial position as of 30th June 2014 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements as at 30th June 2014 are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27th August 2014