



信達國際控股有限公司

CINDA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 111

2016 Interim Report





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Management Discussion and Analysis

MARKET CONDITIONS

The global economy was not stable and financial market continued to falter in the first half of 2016. After the US Federal Reserve announced an interest rate rise of 0.25% in mid-December last year, the economic statistics of the United States showed mixed performance especially employment statistics in the second quarter was slowed down. In addition, the Dow Jones Industrial Index could only hovered after it regained at its high of over 18,000 points in the second quarter. It is therefore expected that the pace of US economic recovery and interest rate rise will reduce. The European market saw pessimism. The influx of refugees into Europe threatened public security, coupled with the passing of “Brexit” in its referendum, the market started to worry about the economic shock that may fall on the European Union members or even the disintegration of the European Union, leading to an obvious pressure on the stock market in the second half of June. Amongst the European stock markets, Germany and France recorded a drop of approximately 10% in the first half of the year. The Euro continued to be weak in its exchange rate. Pound Sterling slipped to a 30-year low against the US dollar, recording an accumulated decline in the first half of the year of approximately 10%.

In China, following the economic restructuring, the economic growth of the first quarter of the year was within the range anticipated by the central government. However, as affected by various uncertainties, investment sentiment turned sour. As a result, the SSE Composite Index bottomed at 2,638 points in February. During the “two sessions”, mainland finance officers all made it clear that China Securities Finance Corporation Limited would not withdraw from the market in the short term. With the market expecting A shares to be included in the MSCI Emerging Market Index, and the “Shenzhen-Hong Kong Stock Connect” expected to be launched in the first half of the year, market risk appetite was boosted up, bringing both Shanghai and Shenzhen stock markets to bounce back. Nevertheless, the SSE Composite Index dropped by as much as 15%, whereas the SZSE ChiNext Price Index dropped by 17% in the first half of the year. The People’s Bank of China maintained the stability of the RMB exchange rate through various means in the year. With the slight economic recovery in the first quarter, the exchange rate of RMB against US dollar surpassed 6.5, but fell back because of the unstable overseas market conditions. In the first half of the year, CNY and CNH accumulatively depreciated by 2.4% and by approximately 1.6% against the US dollar respectively, with market consensus for a higher downward pressure in economic performance of the year.

Turning to Hong Kong, the first half of the year was influenced by various uncertainties, the Hang Seng Index only picked up after bottomed at 18,279. It was closed at 20,794, represented a 5% decrease in the first half of the year. The daily average market turnover recorded a 46% decrease from HK\$125.3 billion for the first six months of 2015 to HK\$67.5 billion for the same period this year. Initial public offering (“IPO”) plummeted in both the number and the amount of proceeds raised. The first half of the year saw only 40 IPOs, raising HK\$43.5 billion, decreased by 22% and 66% respectively year-on-year. The market also lacked large scale IPO. There was only one IPO that raised fund exceeding HK\$10 billion.

OVERALL PERFORMANCE

With no improvement in market sentiment in the first half of 2016, the Hong Kong stock market turnover declined significantly and the performance of the IPO market was also undesirable, running of the business was challenging. The total income of the Group in the first half of the year was HK\$95.73 million (2015: HK\$117.99 million), compared with last corresponding period decrease was only 19%, amongst which revenue was HK\$73.77 million (2015: HK\$82.07 million), decreased by only 10% as compared with last corresponding period, and other income and gains was HK\$21.96 million (2015: HK\$35.92 million), decreased by 39% as compared with last corresponding period. Such declines were mainly due to the shrinking brokerage and corporate finance businesses, but the asset management business continued to record growth. On the expenses side, the operation costs (excluding commission expenses) went down by 6% as compared with the last corresponding period due to effective cost control. Share of loss from associates and a joint venture was HK\$1.56 million (2015: profit of HK\$32.95 million), largely due to the fair value impairment of some financial assets. In the first half of the year, the profit was HK\$19.36 million (2015: HK\$68.98 million), and profit attributable to equity holders was HK\$12.81 million (2015: HK\$57.09 million).

Management Discussion and Analysis

ASSET MANAGEMENT

After several years' effort and input, despite the negative sentiment in the investment market, the asset management segment recorded improvement in its result. The Group has successfully enlarged the assets under management, and focused on managing private equity funds with special features to provide investor with alternative opportunities. In the first half of 2016, we set up several private equity funds investing in different industries. Cooperating with an "institution", we founded a special opportunity investment fund management company specializing in non-performing assets. Moreover, the seed money injected in the fixed income fund saw satisfactory growth. On the funds currently under the Group's management, the retail fund, in which the Group had invested a certain amount of capital, performed well, recovering the principal of investment amount on schedule in the first half of the year, and obtaining excellent investment return and comprehensive service fee income. Assets managed by the Group's Fujian subsidiary are now maturing after years of investment, some of which may be settled with returns accounted for in the following accounting period.

The asset management segment recorded a revenue of HK\$28.86 million (2015: HK\$14.30 million), up by 102% year-on-year. The revenue was mainly derived from management fee, and the advisory fee received from an associate engaged in managing private funds. Coupled with return from seed money and other sources of income, the result of the segment was HK\$34.69 million (2015: HK\$38.79 million).

Profits from associates were also deeply affected by unfavorable market environment. The decrease in fair value of certain financial assets held by an associate led to impairment provision. In addition, the absolute return fund the Group invested recorded losses due to poor market environment. In conclusion, the Group's share of losses from associates in the first half of the year amounted HK\$1.74 million (2015: profits of HK\$32.82 million).

CORPORATE FINANCE

The proceeds raised in the Hong Kong IPO market significantly declined because of various uncertainties. The performance of corporate finance segment was also adversely affected. In the first half of the year, the focus was mainly on the follow up of IPO projects in process, and meanwhile recruiting new projects as reserve. Coupled with other financial advisory and securities placing projects, the segment recorded a revenue of HK\$12.74 million in the first half of 2016 (2015: HK\$22.07 million), decreased by 42% as compared with the last corresponding period, and the profit of the segment was HK\$1.7 million (2015: HK\$9.36 million).

BROKERAGE

Though market turnover decreased significantly by nearly 50% in the first half of 2016, revenue from brokerage segment only decreased by 30% to HK\$32.14 million (2015: HK\$45.78 million). It was because of the expansion of margin financing business under prudent risk control. The balance of margin loan as at the end of June substantially increased by 2.4 times as compared with last year end date, resulting margin interest income in the first six months increased by 22% as compared with corresponding period of last year. Moreover, commission income from futures brokerage business increased by 70% as compared to corresponding period last year. However, competition in brokerage business remains fierce. Despite commission fee had reached a relatively lower level, new entrants kept on tapping into this market. In response to the market competition the Group enhanced its customer service, including launching a new corporate website for facilitating business and consolidating customer service requirements. Meanwhile, the Group optimized its process of customer service, and prepared itself for the forthcoming "Shenzhen-Hong Kong Stock Connect" in order to attract clients. Finally, the Group recorded segment profits of HK\$0.18 million (2015: HK\$9.79 million) in the first half of this year.

Management Discussion and Analysis

LOOKING FORWARD

In spite of the negative factors in the local and international markets and the high operation costs, the Group is well prepared for the uncertain business environment. As China Cinda Group further taps into the international market, and with the strategy to strengthen and expand initiatives in the financial sector after acquiring the Nanyang Commercial Bank, the Group will further speed up its cooperation with China Cinda Group in a wider range of areas, so as to strengthen the Group's role as the overseas investment banking platform of China Cinda Group.

The Group will continue to expand its three core businesses — asset management, brokerage and corporate finance businesses. The major growth will focus on the asset management as we continue to enlarge the business scale of asset management. The Group successfully obtained the Qualified Foreign Limited Partner (“QFLP”) qualification, and going forward we will apply for the Qualified Domestic Investment Enterprise (“QDIE”) qualification to connect the capital channels between Hong Kong and mainland China to pave the way for our businesses. To facilitate the rapid development of our businesses, the Group will step up the recruitment of high calibre personnel and consider cooperating with other asset management companies to speed up our business development.

In brokerage business, we will continue to focus on the securities institutional sales, embrace the positive effects brought by the launch of the Shenzhen-Hong Kong Stock Connect in the future, and actively recruit experienced brokerage teams to increase business volume, market share and margin loans. In the corporate finance segment, we will strive to finish all the IPO projects on hand. Moreover, we will proactively secure new projects as reserve to maintain a steady number of IPO projects that we are going to complete every year. The Group will also explore more acquisitions and mergers business to diversify our businesses. Leveraging on foundation we built, we hope to further enhance our results in the coming years.

FINANCIAL RESOURCES

The Group has maintained sound financial strength during the year, with all subsidiaries licensed by the Securities and Futures Commission (“SFC”) holding liquid capital in excess of regulatory requirements. The Group is aware of the need to use capital for further business expansion, continuously seeking various means of financing. Among the credit facilities from authorized institutions of HK\$830 million made available to the Group, HK\$306 million was secured by the guarantee given by our holding company. As at 30th June 2016, HK\$390 million was drawn by the Group. Furthermore, the aggregate principal amount of the outstanding fixed-rate medium-term bonds of the Group as at the end of the first half of the year was HK\$86 million.

CONTINGENT LIABILITIES

The Group continues to provide corporate guarantees to its subsidiaries to secure banking and trade facilities. As at 30th June 2016, it is unlikely that any material claims would arise. Outstanding litigation cases and indemnity given by the Group will be considered case-by-case. In case of economic outflows, the Group will make impairment.

FLUCTUATION IN FOREIGN EXCHANGE RATES

A significant portion of the Group's assets and liabilities are denominated in Hong Kong dollar (“HK\$”) and United States dollar (“US dollar”) to which HK\$ is pegged with. The Group only exposes to the fluctuation in the exchange rate of Renminbi (“RMB”) against HK\$ because of its operation in China and holding of certain financial assets denominated in RMB. No hedging has been made against the devaluation of RMB as the size of the assets held is not large enough to make hedging economically feasible.

Corporate Governance and Other Information

BOARD OF DIRECTORS

As at the date of this interim report, the board (the “Board”) of directors (the “Directors”) of the Company comprises three executive Directors, two non-executive Directors (“NEDs”) and three independent non-executive Directors (“INEDs”) as follows:

Executive Directors

Zhao Hongwei (Chairman)
Gong Zhijian (Managing Director)
Lau Mun Chung

NEDs

Chow Kwok Wai
Zheng Yi (appointed on 28th July 2016)

INEDs

Wang Tongsan (resigned effective from 28th July 2016)
Chen Gongmeng (resigned effective from 28th July 2016)
Hung Muk Ming
Xia Zhidong (appointed on 28th July 2016)
Liu Xiaofeng (appointed on 28th July 2016)

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2016 (2015: nil).

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June 2016, 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 share option scheme adopted in the annual general meeting of the Company held on 29th May 2006 has expired on 29th May 2016 and there was no outstanding share option granted under the scheme. During the period from 1st January 2016 to 29th May 2016, no share option has been granted, exercised, cancelled or lapsed under the scheme.

Corporate Governance and Other Information

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

As at 30th June 2016, 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)	63.00%
China Cinda (HK) Holdings Company Limited ("China Cinda (HK)")	Interest through a controlled corporation	403,960,200 (Note)	63.00%
China Cinda Asset Management Co., Ltd. ("China Cinda")	Interest through a controlled corporation	403,960,200 (Note)	63.00%

Note:

These shares were held by Sinoday Limited. The issued share capital of Sinoday Limited was wholly owned by China Cinda (HK) which was a wholly-owned subsidiary of China Cinda. By virtue of the provisions of the SFO, China Cinda (HK) and China Cinda were deemed to be interested in all the shares in which Sinoday Limited was interested.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30th June 2016. 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 2016.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

On 19th June 2015, the Company as borrower entered into a facility agreement with a licensed bank in Hong Kong in relation to a revolving term loan facility up to HK\$156,000,000 ("Facility Agreement I"). Pursuant to the Facility Agreement I, it shall be an event of default if (i) the Company is not, or ceases to be, beneficially owned as to at least 50% by China Cinda (HK) Holdings Company Limited ("China Cinda (HK)"); or (ii) China Cinda (HK) is not, or ceases to be, 100% beneficially owned by China Cinda; or (iii) the shareholding of China Cinda is not, or ceases to be, hold at least 50% by the Ministry of Finance of the People's Republic of China. If an event of default under the Facility Agreement I occurs, the bank may 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 I. The final maturity date of the Facility Agreement I was 31st March 2016 and the bank is performing an annual review on this facility.

As at 30th June 2016, HK\$149,668,500 has been drawn under the Facility Agreement I.

On 14th January 2016, the Company as borrower entered into a facility agreement with another licensed bank in Hong Kong in relation to a revolving term loan facility up to HK\$200,000,000 ("Facility Agreement II"). Pursuant to the Facility Agreement II, it shall be an event of default if China Cinda ceases to maintain 51% shareholdings of the

Corporate Governance and Other Information

Company (whether directly or indirectly) during the lending period. If an event of default under the Facility Agreement II occurs, the bank may 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 II. The maturity date of the Facility Agreement II is 14th January 2017 or such later date as the bank may agree.

As at 30th June 2016, nil balance has been drawn under the Facility Agreement II.

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 2016 to 30th June 2016 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 and the special general meeting of the Company both held on 26th May 2016 as they have other engagements.

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 as set out in Appendix 10 of the Listing Rules as its code of conduct for Directors’ dealing in its shares. All Directors confirmed that they had complied with the required standards at all times throughout the six months ended 30th June 2016.

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. Zhao Hongwei
 - appointed as a director of Cinda Capital Management Company Limited and Nanyang Commercial Bank (China) Limited effective from 9th November 2015 and 5th July 2016 respectively; and
 - resigned as the general manager of Asset Management Department of China Cinda Asset Management Co., Ltd. effective from 18th July 2016.

Director’s emolument

- Mr. Wang Tongshan ceased to receive director’s fee effective from 1st January 2016 and he resigned as an independent non-executive director of the Company effective from 28th July 2016.

Corporate Governance and Other Information

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 condensed consolidated financial statements for the six months ended 30th June 2016. The Group's external auditors have carried out a review of the unaudited interim condensed consolidated 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

Zhao Hongwei
Chairman

30th August 2016

Report on Review of Interim Financial Statements



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

**TO THE BOARD OF DIRECTORS OF
CINDA INTERNATIONAL HOLDINGS LIMITED**
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 10 to 48, which comprises the condensed consolidated statement of financial position of Cinda International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th June 2016 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other 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 this interim financial information based on our review. Our report is made 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 inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong

30th August 2016

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30th June 2016 — Unaudited

	Notes	Six months ended 30th June	
		2016 HK\$'000	2015 HK\$'000
Revenue	3	73,773	82,071
Other income	3	18,078	17,262
Other gains, net	3	3,883	18,659
		95,734	117,992
Staff costs	4(a)	32,362	35,474
Commission expenses		8,150	12,545
Operating leases for land and buildings		9,000	8,754
Other operating expenses	4(b)	12,724	15,307
Finance costs	4(c)	5,719	3,920
		67,955	76,000
		27,779	41,992
Share of (losses)/profits of associates and a joint venture, net	9	(1,562)	32,950
Profit before taxation	4	26,217	74,942
Income tax	5	(6,856)	(5,958)
Profit for the period		19,361	68,984
Attributable to:			
Equity holders of the Company		12,806	57,094
Non-controlling interests		6,555	11,890
		19,361	68,984
Basic and diluted earnings per share attributable to equity holders of the Company	7	HK2.00 cents	HK8.90 cents

The notes on pages 17 to 48 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June 2016 — Unaudited

	Six months ended 30th June	
	2016 HK\$'000	2015 HK\$'000
Profit for the period	19,361	68,984
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss		
Change in fair value of available-for-sale financial assets	9,169	8,548
Reclassification adjustments for loss included in the condensed consolidated statement of profit or loss — loss on disposal of available-for-sale financial assets	822	—
Share of an associate's investment revaluation reserve relating to available-for-sale securities:		
— Change in fair value, net of deferred tax	(8,210)	(3,092)
Net movement in investment revaluation reserve	1,781	5,456
Share of an associate's exchange difference	(2,070)	5,811
Exchange differences on translation of:		
— Financial statements of a joint venture	(257)	(15)
— Financial statements of foreign operations	(1,586)	(14)
Net movement in exchange difference	(3,913)	5,782
Other comprehensive income for the period, net of tax	(2,132)	11,238
Total comprehensive income for the period, net of tax	17,229	80,222
Total comprehensive income attributable to:		
Equity holders of the Company	10,773	68,334
Non-controlling interests	6,456	11,888
	17,229	80,222

The notes on pages 17 to 48 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30th June 2016 — Unaudited

	<i>Notes</i>	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Non-current assets			
Intangible assets	<i>8</i>	1,439	1,439
Property and equipment	<i>8</i>	6,766	5,071
Available-for-sale financial assets	<i>10</i>	81,396	48,380
Interests in associates and a joint venture	<i>9</i>	283,310	294,671
Other assets		11,107	7,987
Loans receivable	<i>11</i>	46,560	77,392
		430,578	434,940
Current assets			
Loan receivable	<i>11</i>	30,452	—
Available-for-sale financial assets	<i>10</i>	344,433	283,498
Financial assets designated at fair value through profit or loss	<i>12</i>	78,065	65,280
Financial instruments held-for-trading	<i>13</i>	21,412	16,220
Trade and other receivables	<i>14</i>	509,702	296,048
Pledged bank deposits	<i>15</i>	15,079	15,074
Bank balances and cash	<i>15</i>	158,743	208,678
		1,157,886	884,798
Current liabilities			
Trade and other payables	<i>16</i>	142,468	193,805
Borrowings	<i>17</i>	550,831	280,672
Taxation payable		10,761	8,934
		704,060	483,411
Net current assets		453,826	401,387
Total assets less current liabilities		884,404	836,327

Condensed Consolidated Statement of Financial Position

As at 30th June 2016 — Unaudited

	<i>Notes</i>	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Capital and reserves			
Share capital	18	64,121	64,121
Other reserves		475,828	477,861
Retained earnings		167,620	154,814
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Total equity attributable to equity holders of the Company		707,569	696,796
Non-controlling interests		10,520	61,666
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TOTAL EQUITY		718,089	758,462
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Non-current liabilities			
Bonds issued	19	86,000	76,000
Financial liabilities at fair value through profit or loss	20	54,646	—
Borrowings	17	25,669	—
Deferred tax liability		—	1,865
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		166,315	77,865
<hr/>			
		884,404	836,327

The notes on pages 17 to 48 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2016 — 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 2016	64,121	421,419	43,059	14,560	(1,177)	154,814	696,796	61,666	758,462
Total comprehensive income for the period	—	—	—	1,781	(3,814)	12,806	10,773	6,456	17,229
Distribution to non-controlling interest	—	—	—	—	—	—	—	(57,602)	(57,602)
At 30th June 2016	64,121	421,419	43,059	16,341	(4,991)	167,620	707,569	10,520	718,089
At 1st January 2015	64,121	421,419	42,879	47,947	(848)	114,228	689,746	53,734	743,480
Total comprehensive income for the period	—	—	—	5,456	5,784	57,094	68,334	11,888	80,222
Capital contribution from non-controlling interest	—	—	—	—	—	—	—	3,139	3,139
At 30th June 2015	64,121	421,419	42,879	53,403	4,936	171,322	758,080	68,761	826,841

The notes on pages 17 to 48 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2016 — Unaudited

	Notes	Six months ended 30th June	
		2016 HK\$'000	2015 HK\$'000
OPERATING ACTIVITIES			
Profit before taxation		26,217	74,942
Adjustments for:			
Depreciation	8	1,051	1,077
Fair value (gains)/losses, net:			
— Financial assets designated at fair value through profit or loss	3	(65)	(5,180)
— Financial instruments held-for-trading	3	1,690	(14,140)
— Financial liabilities at fair value through profit or loss	3	46	—
Interest expense	4(c)	5,719	3,920
Share of losses/(profits) of associates and a joint venture	9	1,562	(32,950)
Loss on disposal of property and equipment	8	—	4
Net gains on disposal of financial assets held-for-trading	3	(4,291)	—
Net (gains)/losses on disposal of financial assets designated at fair value through profit or loss	3	(4,920)	511
Net losses on disposal of available-for-sale financial assets	3	3,073	—
Interest income from debt securities	3	(13,945)	(10,891)
Increase in pledged bank deposits		(5)	(6)
Decrease in fixed deposits		3,000	—
Operating profit before working capital changes		19,132	17,287
Increase in other assets		(3,120)	(1,615)
Decrease in loan receivable		—	70,000
(Increase)/decrease in trade and other receivables		(207,684)	24,992
Decrease in trade and other payables		(51,513)	(98,214)
Cash (outflow)/inflow from operations		(243,185)	12,450
Hong Kong profits tax paid		—	(430)
Overseas tax paid		(6,757)	(161)
Net cash (outflow)/inflow from operating activities		(249,942)	11,859

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2016 — Unaudited

	Notes	Six months ended 30th June	
		2016 HK\$'000	2015 HK\$'000
INVESTING ACTIVITIES			
Purchase of property and equipment	8	(2,746)	(302)
Proceed from disposal of property and equipment		—	1
Capital injection in an investment in associate		(3,500)	—
Purchase of available-for-sale financial assets		(127,109)	(21,623)
Proceed from disposal of available-for-sale financial assets		39,991	12
Purchase of financial assets at fair value through profit or loss		(78,000)	(4,474)
Proceed from disposal of financial assets designated at fair value through profit or loss		70,200	—
Purchase of financial instruments held-for trading		(23,102)	—
Proceed from disposal of financial instruments held-for-trading		20,511	3,963
Interest received from debt securities		7,975	3,549
Dividends from associates		2,762	—
Placement of bank deposits with original maturity over three months		—	1,000
Net cash outflow used in investing activities		(93,018)	(17,874)
FINANCING ACTIVITIES			
Proceeds from bank loans		388,669	45,000
Repayment of bank loans		(106,000)	(86,000)
Repayment of borrowing under a securities sales agreement		—	101,400
Proceed/(Repayment) of margin loans from a broker		13,159	(41,532)
Issuance of redeemable units to unitholders classified as financial liabilities at fair value through profit or loss		54,600	—
Issuance of a new bond		10,000	—
Distribution to non-controlling interests		(57,602)	—
Interest paid		(5,543)	(2,766)
Net cash inflow from financing activities		297,283	16,102
Net (decrease)/increase in cash and cash equivalents		(45,677)	10,087
Cash and cash equivalents at beginning of the period		205,678	131,957
Effect of foreign exchange rate changes, net		(1,258)	(14)
Cash and cash equivalents at the end of the period	15	158,743	142,030
Analysis of balances of cash and cash equivalents:			
Bank balances — general accounts and cash in hand	15	158,743	142,030

The notes on pages 17 to 48 form part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 30th August 2016.

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 2015 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”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost convention except for certain available-for-sale financial assets, financial assets designated at fair value through profit or loss, and financial instruments held-for-trading, 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 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December 2015.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements to 2012–2014 Cycle	Amendments to a number of HKFRSs

The application of the above new 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 2016 — Unaudited

3. REVENUE, OTHER INCOME, OTHER GAINS, NET AND SEGMENT INFORMATION

	Unaudited	
	Six months ended 30th June	
	2016	2015
	HK\$'000	HK\$'000 (Restated)
Revenue		
Fees and commission	42,788	52,207
Interest income	8,625	6,934
Underwriting income and placing commission	1,466	19,564
Management fee and service fee income	20,894	3,366
	73,773	82,071
Other income		
Loan interest income	3,400	4,001
Interest income from debt securities classified as:		
— Available-for-sale financial assets	10,248	7,362
— Financial assets designated at fair value through profit or loss	3,697	3,529
Other income	733	2,370
	18,078	17,262
Other gains, net		
Net exchange losses	(584)	(150)
Net gains on disposal of financial instruments held-for-trading	4,291	—
Net gains/(losses) on disposal of financial assets designated at fair value through profit or loss	4,920	(511)
Net losses on disposal of available-for-sale financial assets	(3,073)	—
Gain from changes in fair value of financial assets designated at fair value through profit or loss	65	5,180
(Loss)/gain from changes in fair value of financial instruments held-for-trading	(1,690)	14,140
Loss from changes in fair value of financial liabilities at fair value through profit or loss	(46)	—
	3,883	18,659
	95,734	117,992

Note: Certain numbers are regrouped to align with the presentation of segment in December 2015. The revised segment presentation has no impact to the total revenue, other income and other gains.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

3. REVENUE, OTHER INCOME, OTHER GAINS, NET 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 reportable segments. No operating segments have been aggregated to form the following reportable segments.

1. Asset management — provision of advisory and managing private funds and auxiliary services and other related investment income.
2. Corporate finance — provision of corporate finance and advisory services to companies listed or seeking listing in Hong Kong and other unlisted corporates.
3. Brokerage — provision of brokering services in securities, equity linked products, unit trusts, stock options commodities and futures contracts traded in Hong Kong and selected overseas markets, underwriting, placing and margin financing services to those broking clients, and acting as an agent for the sale of savings plans, general and life insurance and other investment linked insurance products.

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 unallocated head office and corporate assets. Segment liabilities include trade creditors, accruals and borrowings attributable to the operating activities of the individual segments with exceptions of unallocated head office and corporate liabilities.

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.

To conform with the latest presentation of the revenue and the results of brokerage segment for the year ended 31st December 2015 as set out in the 2015 Annual Report, the comparative segment information for the six months ended 30th June 2015 has been restated correspondingly.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

3. REVENUE, OTHER INCOME, OTHER GAINS, NET AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

Six months ended 30th June 2016 — Unaudited

	Asset management HK\$'000	Corporate finance HK\$'000	Brokerage HK\$'000	Total HK\$'000
Revenue from external customers	24,373	12,739	31,904	69,016
Revenue from an associate (note)	4,482	—	—	4,482
Inter-segment revenue	—	—	231	231
Reportable segment revenue	28,855	12,739	32,135	73,729
Reportable segment results (EBIT)	34,691	1,698	180	36,569

Six months ended 30th June 2015 — Unaudited

	Asset management HK\$'000	Corporate finance HK\$'000	Brokerage HK\$'000 (Restated)	Total HK\$'000
Revenue from external customers	9,681	22,065	45,711	77,457
Revenue from an associate (note)	4,594	—	—	4,594
Inter-segment revenue	—	—	72	72
Reportable segment revenue	14,275	22,065	45,783	82,123
Reportable segment results (EBIT)	38,794	9,363	9,785	57,942

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

3. REVENUE, OTHER INCOME, OTHER GAINS, NET AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

	Asset management HK\$'000	Corporate finance HK\$'000	Brokerage HK\$'000	Total HK\$'000
As at 30th June 2016 — Unaudited				
Reportable segment assets	643,010	14,088	568,849	1,225,947
Reportable segment liabilities	420,088	2,578	271,573	694,239
As at 31st December 2015 — Audited				
Reportable segment assets	573,978	15,072	357,778	946,828
Reportable segment liabilities	315,178	4,913	160,240	480,331

Reconciliations of reportable revenue

	Unaudited Six months ended 30th June	
	2016 HK\$'000	2015 HK\$'000
Revenue		
Reportable segment revenue	73,729	82,123
Elimination of inter-segment revenue	(231)	(72)
Unallocated head office and corporate revenue	275	20
Consolidated revenue	73,773	82,071

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

3. REVENUE, OTHER INCOME, OTHER GAINS, NET AND SEGMENT INFORMATION (Continued)

Reconciliations of reportable results

	Unaudited	
	Six months ended 30th June	
	2016	2015
	HK\$'000	HK\$'000
Results		
Reportable segment profit	36,569	57,942
Elimination of inter-segment profits	(84)	—
	36,485	57,942
Share of (losses)/profits of associates and a joint venture, net	(1,562)	32,950
Finance costs	(5,719)	(3,920)
Unallocated head office and corporate expenses	(2,987)	(12,030)
	26,217	74,942
Consolidated profit before taxation	26,217	74,942
Income tax	(6,856)	(5,958)
	19,361	68,984
Profit for the period	19,361	68,984

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

3. REVENUE, OTHER INCOME, OTHER GAINS, NET AND SEGMENT INFORMATION (Continued)

Reconciliations of reportable assets and liabilities

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Assets		
Reportable segment assets	1,225,947	946,828
Elimination of inter-segment receivables	(479)	(5,288)
	1,225,468	941,540
Interests in associates and a joint venture	283,310	294,671
Unallocated head office and corporate assets	79,686	83,527
Consolidated total assets	1,588,464	1,319,738
Liabilities		
Reportable segment liabilities	694,239	480,331
Elimination of inter-segment payables	(13,109)	(24,671)
	681,130	455,660
Unallocated head office and corporate liabilities	189,245	105,616
Consolidated total liabilities	870,375	561,276

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

(a) Staff costs

	Unaudited Six months ended 30th June	
	2016 HK\$'000	2015 HK\$'000
Salaries and allowances	31,367	34,670
Defined contribution plans	995	804
	32,362	35,474

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

4. PROFIT BEFORE TAXATION (Continued)

(b) Other operating expenses

	Unaudited Six months ended 30th June	
	2016 HK\$'000	2015 HK\$'000
Depreciation	1,051	1,077
Equipment rental expenses	2,417	2,380

(c) Finance costs

	Unaudited Six months ended 30th June	
	2016 HK\$'000	2015 HK\$'000
Interest on borrowings — repayable on demand and within one year	3,811	2,407
Interest on borrowings — repayable more than one year but not more than two years	307	—
Interest on bonds issued — repayable in more than two years but not more than five years	1,601	1,513

5. INCOME TAX

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

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

5. INCOME TAX (Continued)

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

	Unaudited	
	Six months ended 30th June	
	2016	2015
	HK\$'000	HK\$'000
Current taxation:		
— Hong Kong Profits Tax	3,922	2,327
— PRC Enterprise Income Tax	4,799	443
Deferred taxation:		
— Hong Kong Profits Tax	(1,865)	3,188
	6,856	5,958

6. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2016 (2015: nil).

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$12,806,000 (2015: HK\$57,094,000) and the number of 641,205,600 ordinary shares (2015: 641,205,600 ordinary shares) in issue during the period, calculated as follows:

Earnings attributed to equity holders of the Company

	Unaudited	
	Six months ended 30th June	
	2016	2015
	HK\$'000	HK\$'000
Earnings for the period attributable to equity holders of the Company	12,806	57,094

Number of ordinary shares

	Unaudited	
	Six months ended 30th June	
	2016	2015
Issued ordinary shares at 1st January and 30th June	641,205,600	641,205,600

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

7. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

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

8. 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 2016 — unaudited					
Net book value at 1st January 2016 — audited	120	913	406	1,439	5,071
Additions	—	—	—	—	2,746
Depreciation charge	—	—	—	—	(1,051)
Net book value at 30th June 2016 — unaudited	120	913	406	1,439	6,766
Year ended 31st December 2015 — audited					
Net book value at 1st January 2015 — audited	120	913	406	1,439	4,990
Additions	—	—	—	—	2,218
Depreciation charge	—	—	—	—	(2,132)
Written-off	—	—	—	—	(5)
Net book value at 31st December 2015 — audited	120	913	406	1,439	5,071

9. INTERESTS IN ASSOCIATES AND A JOINT VENTURE

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Interests in associates	262,672	273,956
Interest in a joint venture	20,638	20,715
	283,310	294,671

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

9. INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

Interests in associates

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Share of net assets at 1st January	273,956	297,976
Capital injection in investment in an associate	3,500	—
Share of (losses)/profits for the period/year, net	(1,742)	18,221
Share of other comprehensive income for the period/year	(10,280)	(45,607)
Dividend income from investment in an associate	(2,762)	—
Gain on share of increase in net assets arising from capital injection of new investors	—	3,366
	(11,284)	(24,020)
Share of net assets at 30th June/31st December	262,672	273,956

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 2016	31st December 2015	
Sino-Rock Investment Management Company Limited	18,000,000 ordinary shares of HK\$1 each	Hong Kong	27.6%	27.6%	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	11.96%	11.96%	Investment fund
Cinda Culture Investment Management Limited	100 units of US\$1 each	Cayman Islands	49%	49%	Asset management
信達海勝(深圳)基金管理有限公司	RMB10,000,000 of registered capital	PRC	30%	—	Private equity investment and fund management

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

9. INTERESTS IN ASSOCIATES AND A JOINT VENTURE (Continued)

Interest in a joint venture

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Share of net assets at 1st January	20,715	20,254
Share of profit for the period/year	180	1,449
Share of other comprehensive income for the period/year	(257)	(988)
	(77)	461
Share of net assets at 30th June/31st December	20,638	20,715

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

	Particulars of shares capital held	Country of establishment	Effective equity interest to the Group		Principal activity
			30th June 2016	31st December 2015	
Jian Xin Jin Yuan (Xiamen) Equity Investment Management Limited	RMB17,500,000 of registered capital	PRC	35%	35%	Private equity investment and fund management

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Non-current:		
Unlisted equity investments:		
— equity securities	1	3,190
— private equity funds	7,884	6,684
Unlisted investment funds	35,005	—
Other unlisted investments	38,506	38,506
	81,396	48,380
Current:		
Listed debt investment:		
— debt securities with fixed interest	300,807	244,680
Unlisted equity investment:		
— an equity fund	40,476	38,818
— equity securities	3,150	—
	344,433	283,498
	425,829	331,878

The Group's non-current unlisted equity investments and other unlisted investments are measured at cost less impairment at the end of the reporting period as 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 and stated its transaction costs.

The cost of unlisted investment funds were approximate to their fair value as at 30th June 2016.

As at 30th June 2016, above listed debt securities with fair value of HK\$164,898,000 (31st December 2015: HK\$162,755,000) out of the total HK\$300,807,000 (31st December 2015: HK\$244,680,000) were held by financial institutions under the securities sale agreement entered during the period (note 17(c)). As at 30th June 2016, the remaining listed debt securities with fair value of HK\$135,909,000 (31st December 2015: HK\$81,925,000) were placed in a broker to secure the margin loan from that broker for margin financing as disclosed in note 17.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

An analysis of the maturity profile of listed debt securities of the Group analysed by the remaining period at the end of the reporting period to the contractual maturity date is as follows:

	Within 1 year HK\$'000	Between 1 to 2 years HK\$'000	Between 2 to 5 years HK\$'000	Indefinite HK\$'000	Total HK\$'000
30th June 2016 — unaudited	—	11,770	230,134	58,903	300,807
31st December 2015 — audited	—	11,801	161,463	71,416	244,680

11. LOANS RECEIVABLE

During the period, the Group advanced a loan of HK\$30,452,000 (31st December 2015: HK\$30,832,000) to an independent third party with minimum guaranteed return of 20%, and a maturity date in February 2017.

As at 30th June 2016, also the Group continued to have advanced an unsecured, non-interest bearing loan of HK\$46,560,000 (31st December 2015: HK\$46,560,000) to a private entity in which the Group had 18.6% equity interest, being classified as available-for-sale financial assets with 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.

In 2015, the directors of the Company reviewed the recoverability of the outstanding loans receivable. An impairment provision of HK\$1,440,000 was provided based on the Group's evaluation of collectability. No further impairment provision was made during the period.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

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

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Debt securities (note (a))	—	65,280
Convertible bond (note (b))	78,065	—
	78,065	65,280

Note:

- (a) The debt securities represented a secured note, together with warrants disclosed in note 13, acquired in 2013, 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. During the current period, the secured note was expired and redeemed at a consideration of HK\$70,200,000, a realised gain of HK\$4,920,000.
- (b) A convertible bond was subscribed in May 2016 with principal amount of HK\$78,000,000 and bore fixed interest rate of 8% per annum payable semi-annually. Upon the closing date, the Group can either redeem the bond or exercise the right to subscribe equity securities from the issuers. The fair value of the entire convertible bonds of HK\$78,065,000 as at 30th June 2016 was estimated by an independent professional valuer.

13. FINANCIAL INSTRUMENTS HELD-FOR-TRADING

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Derivatives — warrants	—	16,220
Listed equity securities	21,412	—
	21,412	16,220

In 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 12.

During the current period, the warrant was expired and redeemed at a realised gain of HK\$4,291,000.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

14. TRADE AND OTHER RECEIVABLES

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Trade receivables from clients arising from		
— corporate finance	7,157	2,539
— securities broking	32,125	42,003
Margin and other trade related deposits with brokers and financial institutions arising from		
— commodities and futures broking	21,674	28,195
— securities broking	6,238	796
Margin loans arising from securities broking	385,096	112,455
Trade receivables from clearing houses arising from securities broking	14,121	23,519
Less: impairment allowance for trade receivables arising from corporate finance		
— corporate finance (<i>note (c)</i>)	(500)	(500)
Total trade receivables (<i>notes (a) and (b)</i>)	465,911	209,007
Deposits	288	5,213
Prepayments and other receivables (<i>note (d)</i>)	43,585	81,910
Less: impairment allowance for other receivables (<i>note (c)</i>)	(82)	(82)
Total trade and other receivables	509,702	296,048

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

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 2016, the designated accounts with SEOCH and HKFECC not dealt with in these condensed consolidated financial statements amounted to HK\$5,705,146 (31st December 2015: HK\$5,165,381) and HK\$13,332,701 (31st December 2015: HK\$9,300,416) respectively.

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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

14. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) (Continued)

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

(b) As at 30th June 2016, the aging analysis of the trade receivables arising from corporate finance and underwriting services based on date of invoice at the reporting date was as follows:

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Current	4,589	30
30–60 days	71	1,113
Over 60 days	2,497	1,396
	7,157	2,539

Except for the above, the Group's trade receivables from clients arising from securities broking included an overdue balance of HK\$6,629,309 (31st December 2015: HK\$4,634,623). Majority of them is past due within 30 days. The Group has not provided for impairment loss as the balances are either subsequently settled after the reporting date or fully collateralized by listed securities.

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

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
At 1st January	582	582
Reversal of impairment loss	—	—
At 30th June 2016/31st December 2015	582	582

(d) Other receivables for the Group included interest receivables of HK\$13,732,601 (2015: HK\$7,761,449) and a shareholder loan advanced to an associate of HK\$4,000,000 (2015: HK\$4,000,000), which is unsecured, non-interest bearing and repayable on demand. As at 31st December 2015, there was a deposit balance of HK\$34,154,158 (30th June 2016: nil) with a broker. Management of the Group expects to recover these amounts within 12 months from the end of the reporting period and accordingly these amounts are classified as current asset.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

15. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Cash in hand	20	20
Bank balances		
— pledged deposits	15,079	15,074
— general accounts	158,723	208,658
	173,802	223,732
	173,822	223,752
By maturity		
Bank balances		
— Current and savings accounts	154,723	205,658
— Fixed deposits (maturing within three months)	19,079	15,074
— Fixed deposit (maturing over three months)	—	3,000
	173,802	223,732

As at 30th June 2016, bank deposits amounting to HK\$15,079,194 (31st December 2015: HK\$15,073,536) which include principal of HK\$15,000,000 (31st December 2015: HK\$15,000,000) plus accrued interest have been pledged to banks as security for the provision of securities broking facilities for a total amount of HK\$170 million (31st December 2015: HK\$170 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 2016, segregated trust accounts not dealt with in these condensed consolidated financial statements amounted to HK\$436,184,394 (31st December 2015: HK\$638,094,633).

As at 30th June 2016, the bank balances and deposits bore interest from 0.01% to 0.5% per annum (2015: 0.01% to 0.5%).

Cash and cash equivalents

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Analysis of balances of cash and cash equivalents		
Cash in hand and at bank (exclude pledged bank deposits)	154,743	208,678
Less: fixed deposits (with original maturing over 3 months)	—	(3,000)
Cash and cash equivalents at the end of the period/year	154,743	205,678

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

16. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Trade payables to margin clients arising from securities broking	31,444	26,383
Trade payables to securities trading clients arising from securities broking	46,196	65,630
Margin and other deposits payable to clients arising from commodity and futures broking	21,669	28,172
Trade payables to brokers arising from securities broking	739	1,793
Trade payables to clearing houses arising from securities broking	11,605	4,669
Total trade payables	111,653	126,647
Accruals and other payables	30,815	67,158
Total trade and other payables	142,468	193,805

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

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

17. BORROWINGS

	<i>Note</i>	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Non-current			
Bank loan	(a)	25,669	—
Current			
Bank loans	(a)	363,000	106,000
Margin loan from a broker	(b)	86,431	73,272
Borrowing under a securities sale agreement	(c)	101,400	101,400
		550,831	280,672
		576,500	280,672

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For the six months ended 30th June 2016 — Unaudited

17. BORROWINGS (Continued)

Notes:

- (a) At 30th June 2016 and 31st December 2015, the bank loans were repayable and carried interest with reference to HIBOR as follows:

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Within one year	363,000	106,000
More than one year	25,669	—
	388,669	106,000

At 30th June 2016, the Company has the bank loans of HK\$238,669,000 (31st December 2015: HK\$106,000,000) with the aggregate banking facilities of HK\$506,000,000 (31st December 2015: HK\$306,000,000). An intermediate holding company of the Company (“the Guarantor”) provide a corporate guarantee to support these banking facilities of HK\$306,000,000 (31st December 2015: HK\$306,000,000).

The banking facilities are subject to the fulfilment of covenants relating to certain of the Guarantor’s and the Company’s balance sheet ratios. If the Guarantor and the Company were to breach the covenants, the drawn down facility would become payable on demand.

In addition, a subsidiary engaging in securities brokering has aggregate banking facilities of HK\$320,000,000 (31st December 2015: HK\$320,000,000). Amongst these banking facilities of HK\$170,000,000 (31st December 2015: HK\$170,000,000) was secured by pledged deposits with principal of HK\$15,000,000 (31st December 2015: HK\$15,000,000). As at 30th June 2016, the Group has drawn HK\$150,000,000 (31st December 2015: nil) from these banking facilities.

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

- (b) At 30th June 2016, the margin loan from a broker was secured by the Group’s debt securities of HK\$135,909,000 (31st December 2015: HK\$81,925,000) (note 10) with no determined maturity and carried interest with reference to LIBOR.
- (c) In 2015, the Group entered into a securities sale agreement (note 10) with a financial institution in which the Group sold a portfolio of debt securities it held to the financial institution in exchange for a cash consideration of HK\$101,400,000. Under the agreement, the Group is required to repurchase the debt securities at HK\$101,400,000 plus interest calculated with reference to LIBOR upon its maturity in April 2016. The Group has renewed the agreement on 28th April 2016 at a fixed rate of 2.3086% upon its with a new maturity in April 2017. As at 30th June 2016, the borrowing under securities sale agreement was collateralised by the Group’s debt securities of HK\$164,898,000 (31st December 2015: HK\$162,755,000).

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Within one year	101,400	101,400

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

18. SHARE CAPITAL

	Issued and fully paid	
	No. of shares '000	Nominal Value HK\$'000
Authorized share capital		
Ordinary shares	1,000,000	100,000
Issued and fully paid		
Ordinary shares		
At 1st January 2015 and at 31st December 2015 — Audited	641,206	64,121
At 30th June 2016 — Unaudited	641,206	64,121

19. BONDS ISSUED

Bonds issued represented a number of fixed rate 5-year coupon bonds at a rate of 4% per annum, payable semi-annually, and with an aggregated principal amount of HK\$86,000,000 (31st December 2015: HK\$76,000,000). The exposure and the contractual maturity dates of which are as follows:

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
In more than 2 years but not more than 5 years	86,000	76,000

The bonds are non-secured, non-guaranteed and issued to independent third parties without any early redemption options. The carrying amounts of bonds issued approximate their fair values.

20. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

As part of the Group's normal course of business, the Group set up an investment fund that issues redeemable units to unrelated third party investors. Pursuant to the relevant offering memorandums and subscription agreements, the third party investors can redeem the invested units for cash after the end of commitment period in November 2017 (extendable for further 18 months). As of 30 June 2016, the redeemable units held by third party investors were classified as a financial liability in the condensed consolidated statement of financial position, with changes in fair value recognised in statement of profit or loss.

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 net basis, or to realise the balance simultaneously.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

21. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(Continued)

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's condensed consolidated statement of financial position; or
- not offset in the Group's condensed consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC") and brokers, the Group has a legally enforceable right to set off the money obligation receivable and payable with HKSCC and brokers on the same settlement date and the Group intends to settle on a net basis. In addition, the Group has a legally enforceable right to set off the trade receivables and payable with brokerage clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

Other balances with HKSCC and brokerage clients that are not to be settled on the same date, or can only be set-off in an event of default are presented in gross.

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

	Gross amounts of recognised financial liabilities offset in the condensed consolidated statement of financial position HK\$'000	Gross amounts of recognised financial assets HK\$'000	Net amounts of financial assets presented in the condensed consolidated statement of financial position HK\$'000	Related amounts not offset in the condensed consolidated statement of financial position Financial instruments/ cash pledged collateral (note 3) HK\$'000	Net amount HK\$'000
As at 30th June 2016					
Financial assets by counterparty					
Trade receivables from:					
— Margin clients (note 1)	450,864	(65,768)	385,096	(384,860)	236
— Clearing houses (note 2)	118,255	(104,134)	14,121	—	14,121
	569,119	(169,902)	399,217	(384,860)	14,357
As at 31st December 2015					
Financial assets by counterparty					
Trade receivables from:					
— Margin clients (note 1)	164,556	(52,101)	112,455	(112,170)	285
— Clearing houses (note 2)	115,611	(92,092)	23,519	—	23,519
	280,167	(144,193)	135,974	(112,170)	23,804

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For the six months ended 30th June 2016 — Unaudited

21. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(Continued)

	Gross amounts of recognised financial liabilities offset in the condensed consolidated statement of financial position HK\$'000	Gross amounts of recognised financial assets offset in the condensed consolidated statement of financial position HK\$'000	Net amounts of financial liabilities presented in the condensed consolidated statement of financial position HK\$'000	Related amounts not offset in the condensed consolidated statement of financial position Financial instruments/cash pledged collateral (note 3) HK\$'000	Net amount HK\$'000
As at 30th June 2016					
Financial liabilities by counterparty					
Trade payables from:					
— Margin clients (note 1)	(97,212)	65,768	(31,444)	—	(31,444)
— Clearing houses (note 2)	(115,739)	104,134	(11,605)	—	(11,605)
	(212,951)	169,902	(43,049)	—	(43,049)
As at 31st December 2015					
Financial liabilities by counterparty					
Trade payables from:					
— Margin clients (note 1)	(78,484)	52,101	(26,383)	—	(26,383)
— Clearing houses (note 2)	(96,761)	92,092	(4,669)	—	(4,669)
	(175,245)	144,193	(31,052)	—	(31,052)

Notes:

- Under the agreement 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.
- 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.
- 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 2016 — Unaudited

22. CONTINGENT LIABILITIES

22.1 Outstanding litigation cases

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.

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 above. Based on the merits of this case, the directors considered that it was unlikely that any material claim against the Company will crystallise and hence no provision has been made.

22.2 Financial guarantees issued

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\$320 million (31st December 2015: HK\$320 million). In addition, the Company has issued corporate guarantees for a total principal amount of HK\$320 million (31st December 2015: HK\$320 million) for these facilities. As at 30th June 2016, the subsidiary has utilised the banking facilities of HK\$150 million (31st December 2015: nil).

23. LEASE AND CAPITAL COMMITMENTS

(a) Lease commitments

At 30th June 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Within one year	16,893	7,607
After one year but within five years	31,520	209
	48,413	7,816

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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

23. LEASE AND CAPITAL COMMITMENTS (Continued)

(b) Capital commitments

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

	Unaudited 30th June 2016 HK\$'000	Audited 31st December 2015 HK\$'000
Contracted but not provided for	377	530

24. FINANCIAL RISK MANAGEMENT

24.1 Financial risk factors

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

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

(a) Market risk

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

Foreign exchange risk

The Group is exposed to foreign exchange risk primarily arising from financial assets and financial liabilities denominated in foreign currency. The currencies giving rise to this risk are primarily Renminbi and the United States Dollars. The RMC reviews the exposures from time to time to cope with changes in volatility in the market.

Equity price risk

The Group is exposed to equity price changes arising from (i) warrants and listed securities classified as financial instruments held-for-trading (see note 13) and (ii) unlisted equity fund classified as available-for-sale financial asset (see note 10). The sensitivity analysis of such warrants set out in note 24.2 below.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

24. FINANCIAL RISK MANAGEMENT (Continued)

24.1 Financial risk factors (Continued)

(a) Market risk (Continued)

Interest rate risk

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the financial instrument subject to floating interest rate. Financial assets subject to cash flow interest rate risk mainly include margin loans arising from securities broking and bank balances. Financial liabilities subject to floating interest rates are bank loans and margin loan from a broker. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group.

Fair value interest rate risk

At 30th June 2016 and 31st December 2015, the Group is also exposed to fair value interest rate risk in relation to debt securities with fixed interest classified as available-for-sale financial assets (note 10) and financial assets designated as fair value through profit or loss (note 12). The Group does not have a fair value interest rate hedging policy. However, management is closely monitoring its exposure arising from debt securities investments by regularly performing quantitative analysis, including periodic sensitivity analysis.

(b) Credit risk

The Group's credit risk is primarily attributable to its debt securities in available-for-sale financial assets, pledged bank deposits, bank balances and cash, loans receivable, trade and other receivables and financial assets designated at fair value through profit or loss. It has policies in place to ensure that credits are granted to customers with an appropriate credit history and/or collateral deposited with the Group.

For loans receivable, individual credit evaluations are performed on all customers requiring such credit. These evaluations focus on the customer's past history of making payments when due and current ability to pay, value of collateral held (if any) and take into account information specific to the customer and the guarantor (in case provided) as well as pertaining to the economic environment in which the customer operates. The Group and the Company are exposed to the concentration of credit risk from two (31st December 2015: two) independent counterparties. In view of estimated fair value of the shares held as collateral and the sound financial position of those independent counterparties, the Directors of the Company consider the concentration of credit risk is remote.

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

24. FINANCIAL RISK MANAGEMENT (Continued)

24.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

For commodities and futures broking, an initial margin will be collected before opening of trading positions. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and only brokers having sound credit ratings will be accepted. The open positions of the margin clients of trading of commodities and futures contracts can be closed at the Group's discretion in margin shortfall situation to settle any margin call requirements imposed by their respective commodities and futures contracts transactions.

The Group's pledged bank deposits, bank balances and cash are deposited in respectable and large commercial banks. The credit risk of pledged bank deposits, bank balances and cash are considered to be manageable.

For debt securities and convertible bond in financial assets designated at fair value through profit or loss, the Group structures the levels of credit risk it undertakes by placing limits on the amount of advance in relation to any borrower or issuer. Such risks were mitigated by obtaining collateral and corporate and personal guarantees, which were subject to periodic review.

Part of the available-for-sale financial assets are listed debt securities with fixed interest. The Group has a policy in place of spreading the aggregate value of transactions concluded amongst approved counterparties with an appropriate credit quality. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group primarily invested in rated debt securities with credit ratings of at least B+ or equivalent as determined by Standard & Poor's, Moody's or Fitch. Any exception shall be approved by the management of the Group. As at 30th June 2016, over 82% (31st December 2015: 79%) of the debt securities invested by the Company are B+ or above, 18% (31st December 2015: 21%) of the debt securities invested by the Company are B. The management of the Group reviews the portfolio of debt securities on a regular basis to ensure there is no significant concentration risk. In this regards, the Directors of the Company consider that the credit risk relating to investments in debt securities is closely monitored.

(c) Liquidity risk

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

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

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24. FINANCIAL RISK MANAGEMENT (Continued)

24.2 Fair values 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	Unaudited	Audited	Fair value hierarchy	Valuation technique(s) key input(s)
	Fair value	Fair value		
	30th June	31st December		
	2016	2015		
	HK\$'000	HK\$'000		
(a) Financial assets designated at fair value through profit or loss Debt securities	—	65,280	Level 3	Note (a)
(b) Financial instruments held-for-trading Derivatives — warrants	—	16,220	Level 3	Note (b)
(c) Financial assets designated at fair value through profit or loss Convertible bond	78,065	—	Level 3	Note (c)
(d) Financial instruments held-for-trading Listed equity securities	21,412	—	Level 1	Quoted prices in an active market
(e) Available-for-sale financial assets Debt securities	300,807	244,680	Level 1	Quoted prices in an active market
(f) Available-for-sale financial assets — Equity fund	40,476	38,818	Level 2	Adjusted NAV of equity fund
(g) Available-for-sale financial assets — Unlisted investment funds	35,005	—	Level 2	Adjusted NAV of equity fund
(h) Financial liabilities at fair value through profit or loss	(54,646)	—	Level 2	Adjusted NAV of equity fund

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2016 — Unaudited

24. FINANCIAL RISK MANAGEMENT (Continued)

24.2 Fair values measurements of financial instruments (Continued)

There were no transfer between level 1 and level 2 in both current and prior years.

Notes:

(a) Debt component

In prior years, 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.

Derivatives component

In prior years, 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 notes were redeemed in current period.

(b) Warrants

In prior years, 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 29% as at 31st December 2015 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.

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.

The warrants were redeemed in the current period.

(c) Convertible bond

The fair value of the convertible bond is derived by Binomial Option Pricing 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 which are also the unobservable input. The discount rate of 15.12% 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. The volatility of 41.58% was used in the valuation model. The relationship of it to the fair value is the higher the volatility the higher 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 convertible bond would decrease by HK\$2,510,000/increase by HK\$3,745,000. If the volatility to the valuation model were 5% higher/lower while all other variables were held constant, the carrying amount of the convertible bond would increase by HK\$1,362,000/decrease by HK\$1,391,000.

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For the six months ended 30th June 2016 — Unaudited

24. FINANCIAL RISK MANAGEMENT (Continued)

24.2 Fair values measurements of financial instruments (Continued)

Notes: (Continued)

(c) Convertible bond (Continued)

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.

Reconciliation of Level 3 fair value measurements of financial instruments

	Debt securities HK\$'000	Warrants HK\$'000	Convertible Bonds HK\$'000	Total HK\$'000
At 1st January 2015 — audited	55,000	22,000	—	77,000
Unrealised gain recognised in profit or loss	10,280	(5,780)	—	4,500
At 31st December 2015 — audited	65,280	16,220	—	81,500
At 1st January 2016 — audited	65,280	16,220	—	81,500
Addition	—	—	78,000	78,000
Realized gain recognised in profit or loss	4,920	4,291	—	9,211
Unrealised gain recognised in profit or loss	—	—	65	65
Disposal	—	(20,511)	—	(20,511)
Expiry	(70,200)	—	—	(70,200)
At 30th June 2016 — unaudited	—	—	78,065	78,065

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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	
	2016 HK\$'000	2015 HK\$'000
Broking commission for securities dealing <i>(note (a))</i>	5	210
Service fee income <i>(note (b))</i>	4,482	4,594
Placing commission <i>(note (c))</i>	—	4,687
Fund management fee income <i>(note (d))</i>	14,357	446
Rental expenses <i>(note (e))</i>	(175)	—
Interest expenses <i>(note (f))</i>	(126)	—
Distribution to non-controlling interest <i>(note (g))</i>	57,602	—

- (a) In 2016 and 2015, the Group received commission income from its directors and fellow subsidiaries for providing securities broking services.
- (b) In 2016 and 2015, the Group received service fee income from its associates providing administrative supporting and consulting services.
- (c) In 2015 the Group received placing commission from its fellow subsidiaries and intermediate holding company for placing securities.
- (d) In 2016, the Group received fund management fee income from its connected persons for providing advisory services. In 2015, the Group received fund management fee income from its intermediate holding company for providing advisory services.
- (e) During the current period, the Group paid rental expenses to its fellow subsidiaries for use of premises office.
- (f) During the current period, the Group paid interest expenses to its fellow subsidiaries for obtaining short-term financing.
- (g) During current period, the Group distributed cash of HK\$57,602,000 to the non-controlling interest of the CRC Fund, which is its fellow subsidiary.

Notes to Condensed Consolidated Financial Statements

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25. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

25.1 Material related party transactions (Continued)

- (h) The Group is indirectly controlled by China Cinda Asset Management Co., Ltd. (“China Cinda”), which is a state-owned financial enterprise established in the People’s Republic of China (the “PRC”) by the Ministry of Finance (the “MOF”) and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (“SEHK”). For the current period and prior years, the Group undertakes some transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to making bank deposits, receiving banking facilities, renting properties and rendering and obtaining other services. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.
- (i) Compensation of key management personnel are disclosed in note 25.2.

25.2 Compensation of key management personnel

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

	Six months ended 30th June	
	2016 HK\$'000	2015 HK\$'000
Basic salaries, discretionary bonus, housing benefits and benefits in kind	7,172	7,653
Defined contribution plans	60	68
	7,232	7,721

26. UPDATE INFORMATION REGARDING THE DIRECTORS’ EMOLUMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

As mentioned in the Company’s 2015 Annual Report, the emolument of certain Directors has yet to be finalized. The Remuneration Committee of the Company finalized directors’ emoluments by approving the bonuses for two executive Directors, Zhao Hongwei and Gong Zhijian for an amount/additional amount of HK\$690,800 and HK\$533,800 respectively in its meeting held on 30th August 2016. The bonuses were paid to Zhao Hongwei and Gong Zhijian on 30th August 2016.

For the avoidance of doubt, the bonuses paid to Zhao Hongwei and Gong Zhijian on 30th August 2016 were for the year ended 31st December 2015 and were already provided for in the year concerned and had no impact on the results of 2016.