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

(Incorporated in Bermuda with limited liability)
Stock Code : 111

2016
Annual Report

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

Contents

Corporate Information

Registered office	Clarendon House 2 Church Street Hamilton, HM 11 Bermuda
Head office and principal place of business	45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
Authorised representatives	Gong Zhijian Lau Mun Chung
Company secretary	Lau Mun Chung
Bermuda principal share registrar and transfer office	MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM 08 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Auditors	Ernst & Young *Certified Public Accountants* 22nd Floor, CITIC Tower 1 Tim Mei Avenue Central Hong Kong

Management Discussion and Analysis

MARKET CONDITIONS

The global financial market continued to be volatile in 2016. After the US Federal Reserve (Fed) announced an interest rate rise of 0.25% in mid-December 2015, the economic statistics of the United States showed a mixed performance. In particular, employment recovery slowed down in the second quarter, raising expectations that the Fed will raise interest rates at a slower pace, which boosted a rally in commodity prices with a 15% rise in copper prices. Though US dollar has been significantly strengthened during the second half of the year, New York oil futures shot up to US$50 per barrel in late November and gained 45% on the year as the OPEC agreed to cut production. Price of spot gold soared to nearly US$1,380 per ounce in the beginning of the third quarter, almost 30% higher over the end of 2015, before moderating to below US$1,200 per ounce due to renewed US dollar strength and decrease in ETF gold holdings, closing the year 2016 with an 8.1% rise. The US Dollar Index was lifted by hopes of some policies to be put in place by the new president after the election. In the last quarter, the chances of a Fed rate hike went up and triggered a growing flow of capital back to the United States, which however powered the Dow Jones index to surpass the 20,000 mark.

In Europe, in view of the Brexit referendum results and the lack of room for Euro rate cuts, the markets were worried 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. The stock markets of Germany and France fell by nearly 10% in the first half of the year. After the Brexit referendum, the UK manufacturing data showed the local economic activities remained largely intact. The UK stock market finished the year 14% higher while the average growth of the stock markets of Germany and France was 6%. Following a slump to a three-decade low against US dollar, the British pound continued to slide and ended the year with a 16% decline as the Bank of England announced a 25 basis point rate cut in the third quarter and expanded its quantitative easing programme to £435 billion with a bias to more easing.

In China, despite the complicated external and domestic economic environment, the Chinese economy still achieved steady growth when compared to other economies and remained a driving force for the global economic growth. The rising momentum in China's export in the second half of the year, coupled with a series of initiatives by the Central Government such as debt-for-equity swaps and "One Belt, One Road", helped further stabilise the domestic economy. The Chinese economy achieved an annual growth rate of 6.7% in line with expectation, contributing over 30% to the global economic growth. The A-share market also rebounded in the second half of the year with improving turnover and the Shanghai Composite Index finished 6% higher at 3,103.64 at the end of December as compared to 2,929.6 at the end of June.

Looking back at Hong Kong, constrainted by various factors brought by the United States and Mainland China, the Hong Kong stock market, unlike last year's boom, went down at the start and fought to finish higher in 2016. The Hang Seng Index picked up slightly after bottomed at 18,279 in February, while sank again to 19,600 in the end of second quarter due to the dramatic volatility in the global financial market caused by the Brexit. In the third quarter, the Hang Seng Index rebounded above 24,000, driven by the southbound capital of mainland investors to invest in the undervalued and high-yield blue chips through the Stock Connect since late August, as well as the announcement of Shenzhen-Hong Kong Stock Connect by the mainland regulators in August. In the fourth quarter, the sentiment in Hong Kong stock market was dampened by the expectation on a faster pace of interim rate hikes in the United States, the US Dollar Index soaring over the 100 resistance and hitting its thirteen-and-half year high in mid-November, and there were some capital outflows from the emerging markets. As at the end of 2016, the Hang Seng Index edged up slightly by 0.4% compared to the end of 2015 while the average daily trading value of Hong Kong stock market decreased by approximately 40% from last year to HK$66.9 billion in 2016. As for equity fund-raising activities in Hong Kong, initial public offering (IPO) plummeted in both the number and the amount of proceeds raised due to profound uncertainties. The year 2016 saw only 126 IPOs, raising HK$195.3 billion, down by 26% as compared to last year.

Management Discussion and Analysis

Overall Performance

2016 was a challenging year for the brokerage and corporate finance business with invisible improvement in the Hong Kong economy, a significant decline in trading volume of the Hong Kong stock market and a lackluster performance in the IPO market. In light of such backdrop, the Group slightly adjusted its operating strategies by focusing more on its asset management business. As a result, the Group successfully maintained steady results compared to the preceding year, mainly due to significant growth in the asset management business. The total income of the Group in 2016 was HK$209.64 million (2015: HK$202.61 million), representing a slight increase of 3%. In particular, revenue increased by 6% over last year to HK$158.36 million (2015: HK$149.93 million); and other income and gains decreased by only 3% to HK$51.28 million (2015: HK$52.68 million) compared with last year. In respect of expenses, due to high inflationary pressure in Hong Kong, operating costs (excluding commission expenses) increased by 7% compared with the preceding year. Share of profit from associates and a joint venture was HK$12.40 million (2015: profit of HK$19.67 million), representing a decrease of 37% from last year. The decrease was mainly due to the decrease in the fair value of some financial assets held. As a result, profit for the year was HK$49.51 million (2015: HK$54.64 million), and profit attributable to equity holders was HK$41.08 million (2015: HK$40.59 million), a slight increase of 1%.

Asset Management

Building on effort and input over the past years, the Group strived to push forward its asset management business and achieved growth in segment revenue despite the subdued sentiment in the investment market. The Group continued to expand the assets under management, and focused on managing private equity funds with unique alternatives opportunities for investors. The Group established several structured private equity funds targeting different sectors and formed a special opportunity investment management company focusing on non-performing assets with a partner. Moreover, the seed money injected in the fixed income fund saw satisfactory growth, which included debt investments and investments in other structured products. As for the funds currently under management of the Group, the retail fund, in which the Group had invested a certain amount of capital, performed well, the principal of investment amount was returned on schedule in the first half of the year, and obtained desirable 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 were settled with returns accounted for in the current year.

The asset management segment recorded a revenue of HK$59.79 million (2015: HK$34.63 million), up by 73% year-on-year. The revenue was mainly derived from management fee, performance 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 segment recorded a profit of HK$70.62 million (2015: profit of HK$53.55 million). Profits from associates were deeply affected by unfavourable market environment, with a decrease in fair value of certain financial assets held by an associate. Meanwhile, the Group's investment in an absolute return fund recorded a slight loss amid the poor market conditions. As a result, the Group recorded share of profit from associates amounting to HK$12.40 million (2015: HK$19.67 million).

Management Discussion and Analysis

Brokerage

Though the overall market trading volume decreased significantly by nearly 40% in 2016, the Group's revenue from brokerage business decreased by only 1% to HK$81.31 million (2015: HK$82.54 million). The trading volume and commission income of the Group recorded decrease in line with the overall market. However, the Group proactively expanded its margin financing business under prudent risk control, which resulted in a year-on-year growth of 117% in margin interest income and a year-on-year increase of 301% in balance of margin loan as at the end of 2016. However, competition in brokerage business remains intense. According to the data of the Stock Exchange, the market share of small and medium brokerage firms continued to decline while the total number of brokerage firms increased to 572 as at the end of 2016 from 531 at the beginning of 2016. Despite the extremely low commission rate, new entrants kept on tapping into this market. In response to the market competition, the Group enhanced its customer service by launching a new company website for facilitating business and strengthened customer service, and optimised its customer service process so as to attract more clients with quality services. The brokerage business segment recorded a profit for the year of HK$7.46 million (2015: HK$7.95 million), a decrease of 6% year on year.

Corporate Finance

Amid considerable uncertainties, the Hong Kong IPO market suffered a major setback in terms of both number of IPO and amount of fund raised in 2016 as compared to last year. Excluding the sizable IPOs, such as Postal Savings Bank of China, China Resources Pharmaceutical Group Limited and China Zheshang Bank Co., LTD, etc. the aggregate proceeds of small IPOs raising less than HK$1 billion that small and medium players can participate, decreased by 32% as compared to last year. Nevertheless, many institutions set up corporate-finance departments in Hong Kong despite the uncertain market conditions, which resulted in severe competition and downward pressure on fees. Coupled with the rising costs, the profit margin of the industry kept declining. The corporate finance segment could only complete one sponsorship project in the year which raised approximately HK$100 million. During the year, the segment recorded a revenue of HK$17.53 million (2015: HK$31.21 million), a decrease by 44% year on year, and a segment loss of HK$3.65 million (2015: profit of HK$4.53 million).

Financial Resources

The Group has maintained sound financial position throughout the year, with all subsidiaries licensed by the Securities and Futures Commission ("SFC") keeping liquid capital in excess of regulatory requirements. The Group has been seeking different funding sources in view of the capital need for business expansion. The Group has available credit facilities from authorised institutions of HK$1.43 billion, of which HK$510 million was secured by the guarantee given by the holding company of the Group. As at 31st December 2016, HK$522 million was utilized by the Group. Furthermore, the aggregate principal amount of fixed-rate medium-term bonds of the Group outstanding at the end of the year was HK$86 million.

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 dollar is pegged with. The Group only exposes to the fluctuation in the exchange rate of Renminbi ("RMB") against HK Dollar since income from its operations in China and certain financial assets were denominated in RMB. No hedging has been made against the fluctuation in the value of RMB as the size of the assets held is not material enough to make hedging economically feasible.

Management Discussion and Analysis

Remuneration and Human Resources Development

During the year, the Group continues to recruit and retain personnel of high calibre to support its business need and to meet the tight regulatory requirements. Employees are remunerated by a fixed monthly salary and a discretionary bonus calculated in accordance to the performance of both the Group and the staff. Incentive schemes are in place to motivate frontline staff. Performance of supporting staff are appraised at least twice a year to provide a basis for deciding bonus. The Group adopted a multi-dimension appraisal policy. The Group also provides regulatory training to the staff and the account executives to update their knowledge. Education allowance was also provided to staff for attending relevant pre-approved courses.

The Group's staff remuneration committee comprising the top management regularly reviews the remuneration policy and determines the remuneration package of each staff member. The remuneration package of executive directors is determined by the Group's Remuneration Committee, which is mainly comprised of independent non-executive directors.

Contingent Liabilities

The Group continues to provide corporate guarantees to its subsidiaries to secure banking and trade facilities. As at 31st December 2016, the probability of any material claims against the Group was remote. Outstanding litigations and indemnity given by the Group will be considered case-by-case. In case of economic outflows, the Group will make appropriate provision.

Looking Forward

In spite of the uncertainties in global economy and downward pressure on the Hong Kong economy, the Group is well prepared for the uncertain business environment in the coming year. As China Cinda Group further penetrate into the international market, and in view of the strategy to expand business in the financial sector after acquiring the Nanyang Commercial Bank, the Group will further enhance its cooperation with China Cinda Group in exploring business in both domestic and oversea capital markets, so as to achieve further synergy effects and strengthen the Group's role as the only overseas cross-border asset management and financial business platform of China Cinda Group. Meanwhile, the Group also participates in the financing activities of China Cinda Group in the capital market, including the issuance of RMB preferred shares in October 2016 and the recent US dollar debt issuance. Leveraging on our relationship and the internationalization strategy of China Cinda Group, we will continue to reinforce the role of the Group as the overseas financial platform of China Cinda Group.

The Group will continue to expand its three core businesses – asset management, brokerage and corporate finance businesses. The focus of growth is the asset management business. We continue to capture opportunities in special opportunities investments and set up special opportunity funds. Meanwhile, the Group will make full use of the platform and information advantages of China Cinda Group to further expand and develop new products, such as cross-border merger and acquisition funds, bond funds, non-performing assets funds, structured funds and asset securitisation funds, with a view to growing our customer base of institutional clients and high-net-worth clients.

In respect of the brokerage business, the Group will moderately expand its margin financing scale. In addition, we will proactively develop institutional and high-net-worth clients and build up synergy amount customers. We will utilize the client resources of different platforms within the China Cinda Group to collaborate with the Group's members in Mainland. We will use margin and underwriting services to drive the growth of the entire brokerage business so as to enhance the overall income and with a hope to step up to a higher level in the industry. For corporate finance, based on the foundation we already built on IPO business, we strive to set up an all-round bond business by establishing a financial product division to cover both the primary issuance and secondary dealing markets. Leveraging on the foundation already established by the Group, we look forward to boosting our results in the coming years.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Gong Zhijian, aged 50, was appointed as an executive director, the Managing Director and the acting Chairman of the Company on 2nd December 2008, 19th January 2015 and 29th November 2016 respectively. He is the Chairman of the Nomination Committee of the Company. He is also a director of certain subsidiaries of the Company, a director of JianXinJinYuen (Xiamen) Equity Investment Management Limited (a joint venture company of the Company), a director of Cinda Plunkett International Holdings Limited and Cinda International Investment Holdings Limited (both are the associated company of the Company), a director of China Cinda Foundation Management Company Limited and 華建國際實業（深圳）有限公司 (both are the subsidiaries of China Cinda (HK) Holdings Company Limited, a substantial shareholder of the Company). Mr. Gong has worked and held management positions in China Construction Bank Corporation (Xiamen Branch), the Accounts Department of China Construction Bank Corporation (Head Office), China Construction Bank Corporation (Shenzhen Branch) and China Cinda (HK) Holdings Company Limited.

Mr. Gong graduated from Lujiang University and Zhongnan University of Economics and Law in 1987 and 2004 respectively. He has nearly 30 years of experience in commercial banking, investment banking, corporate finance and accounting management.

Mr. Lau Mun Chung, aged 52, was appointed as an executive director of the Company on 3rd March 2007. He is the Deputy General Manager of the Group, a director and/or a secretary of certain subsidiaries of the Company and the Company Secretary of the Company. Mr. Lau graduated from the University of Hong Kong with a Bachelor Degree in Social Science in 1986 and received his Master Degree in Laws (Corporate and Financial Law) in the same university in 2013. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Prior to joining the Group in 1999, Mr. Lau had already gained extensive experience in accounting, finance and taxation.

NON-EXECUTIVE DIRECTORS

Mr. Chow Kwok Wai, aged 50, was appointed as a non-executive director of the Company on 2nd December 2008. He is a member of the Remuneration Committee of the Company. Mr. Chow is currently a Deputy General Manager and the Company Secretary of Silver Grant International Industries Limited the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 171). Mr. Chow has worked in Price Waterhouse, which is now known as PricewaterhouseCoopers, and accumulated valuable audit experience there. Mr. Chow received his Bachelor Degree in Social Sciences from the University of Hong Kong in 1990. He is a fellow member of the Association of Chartered Certified Accountants, a fellow CPA of the Hong Kong Institute of Certified Public Accountants and a fellow member and a registered Certified Tax Adviser of The Taxation Institute of Hong Kong. Mr. Chow has over 20 years of experience in accounting, financial management and corporate finance. He is also an independent non-executive director of Lijun International Pharmaceutical (Holding) Co., Ltd. the shares of which are listed on the Stock Exchange (stock code: 2005), and an independent non-executive director of Youyuan International Holdings Limited the shares of which are also listed on the Stock Exchange (stock code: 2268).

Ms. Zheng Yi, aged 38, was appointed as a non-executive director of the Company on 28th July 2016. Ms. Zheng graduated from Griffith University with a master degree of Banking Finance in 2005. She has joined China Cinda Asset Management Co., Ltd. ("China Cinda"), the issued shares of which are listed on the Stock Exchange (stock code: 1359) and the ultimate holding company of the Company, since 2005, and has been appointed as the manager or senior deputy manager of various departments thereof, and is currently acting as the director of group management department of China Cinda.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Muk Ming, aged 52, was appointed as an independent non-executive director of the Company on 2nd December 2008. He is the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Hung is a Certified Public Accountant (Practising) and is a Fellow CPA of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Directors, an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is a Certified Tax Adviser and a member of The Taxation Institute of Hong Kong. Mr. Hung received his Bachelor Degree in Social Sciences from the University of Hong Kong in 1990, and a Master Degree in Corporate Governance from the Hong Kong Polytechnic University in 2008. He has over 20 years of experience in the accounting and audit sector. Mr. Hung is an independent non-executive director of Silver Grant International Industries Limited the shares of which are listed on the Stock Exchange (stock code: 171), an independent non-executive director of Century Sage Scientific Holdings Limited the share of which are listed on the Stock Exchange (stock code: 1450) and an independent non-executive director of China Animation Characters Company Limited the shares of which are listed on the Stock Exchange (stock code: 1566).

Mr. Xia Zhidong, aged 63, was appointed as an independent non-executive director of the Company on 28th July 2016. He is the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. Mr. Xia worked as deputy director of Chinese Academy of Fiscal Sciences from 1985 to 1988. He worked as senior management or director of various well-known financial institution and accounting firms including China Construction Bank, Ernst & Young, Tin Wah CPA Limited (天華會計師事務所) and Grant Thornton. He is currently the external director of China Qingling Motors (Group) Limited (中國慶鈴汽車（集團）公司) since 2014, the independent director of China Jingu International Trust Co., Ltd (中國金谷國際信託有限責任公司) since 2014, and the independent director of Citic-prudential Fund Management Limited (信誠基金管理有限公司) since 2005. He graduated from Tianjin University of Finance and Economics with a Bachelor degree of Finance in 1982 and completed his master degree of Finance of Chinese Academy of Fiscal Sciences in 1985. He was a qualified accountant and senior qualified accountant in the People's Republic of China since 1995.

Mr. Liu Xiaofeng, aged 54, was appointed as an independent non-executive director of the Company on 28th July 2016. He is a member of the Audit Committee and the Nomination Committee of the Company. Mr. Liu has over 23 years of experience in corporate finance and has worked with various international financial institutions since 1993, including NM Rothschild & Sons, NM Rothschild & Sons (Hong Kong) Limited, JP Morgan Chase, DBS Asia Capital Limited, China Resources Capital Holdings Company Limited. He was an independent non-executive director of Haier Electronics Group Company Limited (stock code: 1169) since June 2007 up to June 2014, and is currently an independent non-executive director of Kunlun Energy Company Limited (stock code: 135) since April 2004 and an independent non-executive director of Honghua Group Limited (stock code: 196) since January 2008, the issued shares of all of which are listed on the Stock Exchange. He is also currently an independent director of UBS Securities Co., Ltd. Mr. Liu obtained a Master's degree and a Ph.D. from the Faculty of Economics, University of Cambridge in 1988 and 1994 respectively, a Master of Science degree in Development Studies from the University of Bath, England, in 1987, and a Bachelor of Economics degree from Southwest University of Finance and Economics, China (previously known as Sichuan Institute of Finance and Economics, China) in 1983.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Ms. Lau Yuk Ping, aged 51, is the Deputy General Manager of the Group responsible for overseeing the divisions of compliance and internal audit function, human resources, administration and settlement of the Group. Prior to joining the Group in August 1999, Ms. Lau worked in the compliance division of the Stock Exchange. Ms. Lau holds a Bachelor Degree in Business from Monash University, Australia and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. She has over 20 years of experience in regulatory and compliance matters.

Mr. Liu Jialin, aged 54, is the Managing Director of the Group's asset management department responsible for overseeing the operation of various funds. He is also a shareholder and a director of Cinda Plunkett International Holdings Limited, an associated company of the Company, an independent non-executive director of Far East Horizon Limited the shares of which are listed on the Stock Exchange (stock code: 3360) and an independent non-executive director of China Merchants Securities Co., Ltd. the shares of which are listed on the Stock Exchange (stock code: 6099). Prior to joining the Group in February 2011, Mr. Liu worked for Morgan Stanley group of companies and once served as a member of the Management Committee and Asia Executive Committee as well as a Managing Director in the Fixed Income Division in Hong Kong between 1992 to 2007. In 2008, Mr. Liu established Shelter Cove Capital Limited. Mr. Liu has over 20 years of experience in finance and securities industry.

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

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and code provisions set out from time to time in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange" and "Listing Rules", respectively) under Appendix 14 (the Corporate Governance Code and Corporate Governance Report ("CG Code")).

Throughout the financial year 2016, the Group has complied with all the code provisions set out in the CG Code save for the deviation 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 Tongsan and Mr. Chen Gongmeng, the independent non-executive directors of the Company, 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.

- Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhao Hongwei serves as the Chairman until his resignation effective from the conclusion of the meeting of the board of directors ("Directors") of the Company (the "Board") held on 29th November 2016. Immediately following his resignation, Mr. Gong Zhijian, the Managing Director of the Company was appointed as the acting Chairman. The Board considers that this arrangement, however, will not impair the balance of power and authority between the Board and the management of the Company as a majority of the Board members are represented by the non-executive Directors and independent non-executive Directors and the Board meets regularly to consider major matters affecting the business and operation of the Group and all Directors are properly and promptly briefed on such matters with adequate, complete and reliable information. The Board will seek to identify a suitable candidate to the position of the Chairman.

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

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

BOARD OF DIRECTORS

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

Composition

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

Corporate Governance Report

The Board comprises the following Directors:

Executive Directors
Zhao Hongwei (the then Chairman) (resigned effective from 29th November 2016)
Gong Zhijian (Managing Director, and appointed as acting Chairman effective from 29th November 2016)
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)

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

Members of the Board, who come from different backgrounds, have a diverse range of financial and professional expertise. The biographical particulars of all Directors are disclosed in the section "Biographical Details of Directors and Senior Management". None of the Directors has any financial, business, family or other material/relevant relationship with one another. The list of Directors is also available on the websites of the Company and the Stock Exchange from time to time.

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

Chairman and Chief Executive Officer

The Chairman is primarily responsible for leading the Board and ensuring that it functions effectively and smoothly whereas the Managing Director is responsible for the overall operation of the Group and performs the role of Chief Executive Officer. Directors are encouraged to participate actively in all Board and committee meetings.

Mr. Zhao Hongwei serves as the Chairman since 19th January 2015 and ceased upon his resignation effective from 29th November 2016. Immediately following his resignation, Mr. Gong Zhijian, the Managing Director was appointed as acting Chairman.

Corporate Governance Report

NEDs and INEDs

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

The current two NEDs and the three INEDs are appointed for a term of two years and are subject to rotation in accordance with the provisions in the bye-laws of the Company. The Board has received annual written confirmation from all the INEDs for the year 2016 and is satisfied that all of them were acting independently throughout the year. No INED has served the Company for more than nine years.

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

Board Meetings

The Board meets regularly and at other time when necessary. All Directors have access to relevant and timely information. They can seek independent professional advice at the Company's expenses when the situation required. They also have access to the advice and services of the Company Secretary, who is responsible for providing Directors with Board papers and related materials, and ensuring that Board procedures are followed. Where queries are raised by Directors, steps would be taken to respond as promptly and as fully as possible.

The attendance of the Directors at the Board meetings and general meetings held during the financial year 2016 was set out below:

Name of Director	Number of Board meetings attended	Number of general meetings attended
Executive Directors		
Mr. Zhao Hongwei (resigned effective from 29th November 2016)	4/4	2/2
Mr. Gong Zhijian	4/4	2/2
Mr. Lau Mun Chung	4/4	2/2
NEDs		
Mr. Chow Kwok Wai	4/4	2/2
Ms. Zheng Yi (appointed on 28th July 2016)	2/2	0/0
INEDs		
Mr. Wang Tongsan (resigned effective from 28th July 2016)	2/2	0/2
Mr. Chen Gongmeng (resigned effective from 28th July 2016)	1/2	0/2
Mr. Hung Muk Ming	4/4	2/2
Mr. Xia Zhidong (appointed on 28th July 2016)	2/2	0/0
Mr. Liu Xiaofeng (appointed on 28th July 2016)	2/2	0/0

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

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

Corporate Governance Report

During the year, the Chairman of the Board held a meeting with the NED and the INEDs on 29th March 2016 without the presence of the executive Directors.

Board papers are sent to all Directors to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

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

Rotation of Directors

The bye-laws of the Company provide that every Director, including the Chairman and/or the Managing Director of the Company, shall retire by rotation at least once every three years. Directors appointed by the Board during the year shall hold office only until the first general meeting (in the case of filling a casual vacancy) or until the next following annual general meeting (in the case of an addition to the existing Board), at which time they shall retire and be eligible for re-election by the shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its code of conduct for Directors dealing in its shares. All Directors confirmed that they had complied with the required standards at all times throughout the financial year 2016.

REMUNERATION COMMITTEE

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

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

The Remuneration Committee held one meeting in the financial year 2016. The following is the attendance record:

Name of Committee Members	**Number of meeting attended**	**Attendance rate**
Mr. Hung Muk Ming (as Chairman for the period from 1st January 2016 to 27th July 2016 and as a member thereafter)	1/1	100%
Mr. Xia Zhidong (appointed as Chairman effective from 28th July 2016)	0/0	–
Mr. Chow Kwok Wai	1/1	100%
Mr. Chen Gongmeng (resigned effective from 28th July 2016)	1/1	100%

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

Directors' Remuneration

Each executive Director is entitled to a director's fee determined by the Remuneration Committee. Executive Directors Mr. Gong Zhijian and Mr. Lau Mun Chung as well as the then executive Director, Mr. Zhao Hongwei have entered into service contracts with the Company, the terms of which were approved by the Remuneration Committee. The director's service contracts provide the executive Directors with a fixed monthly salary determined in accordance with the Director's qualification, experience and the prevailing market conditions together with a discretionary bonus decided with reference to the Group's financial performance, the individual's performance during the year and the market conditions. NEDs and the INEDs are entitled to a director's fee decided by the Board. The Board confirms that no Directors or their associates (as defined in the Listing Rules) are involved in determining their own remuneration.

NOMINATION COMMITTEE

The Nomination Committee comprises three members including two INEDs, Mr. Xia Zhidong and Mr. Liu Xiaofeng, and one executive Director, Mr. Gong Zhijian. It is chaired by Mr. Gong Zhijian.

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

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

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

3. assess the independence of INEDs on its appointment or when their independence is called into question; and

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

The Nomination Committee held two meetings in the financial year 2016. The following is the attendance record. Full minutes and related materials of the meetings are kept by a designated secretary.

Name of Committee Members	Number of meeting attended	Attendance rate
Mr. Wang Tongsan (the then Chairman, resigned effective from 28th July 2016)	1/1	100%
Mr. Zhao Hongwei (a member, was appointed as Chairman on 28th July 2016 and resigned effective from 29th November 2016)	2/2	100%
Mr. Gong Zhijian (appointed as Chairman on 29th November 2016)	0/0	–
Mr. Chen Gongmeng (resigned effective from 28th July 2016)	1/1	100%
Mr. Xia Zhidong (appointed on 28th July 2016)	1/1	100%
Mr. Liu Xiaofeng (appointed on 28th July 2016)	1/1	100%

Corporate Governance Report

TRAINING FOR DIRECTORS

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

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

	Number of seminar attended
Executive Directors	
Mr. Zhao Hongwei (resigned effective from 29th November 2016)	1/1
Mr. Gong Zhijian	1/1
Mr. Lau Mun Chung	1/1
NEDs	
Chow Kwok Wai	0/1
Zheng Yi	0/1
INEDs	
Mr. Wang Tongsan (resigned effective from 28th July 2016)	0/0
Mr. Chen Gongmeng (resigned effective from 28th July 2016)	0/0
Mr. Hung Muk Ming	0/1
Mr. Xia Zhidong	1/1
Mr. Liu Xiaofeng	1/1

INSURANCE COVER FOR DIRECTORS

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

Corporate Governance Report

AUDITORS' REMUNERATION

Ernst & Young ("EY") was appointed as auditor of the Company on 10th June 2015 subsequent to the resignation of Deloitte Touche Tohmatsu ("Deloitte"). The financial statements for the year ended 31st December 2013 and 31st December 2014 were audited by Deloitte.

During the year, the fees paid/payable to EY are set out below:

Category of services	**Fee paid/payable**
	HK$
Audit service	849,000
Non-audit service	547,000
Total	1,396,000

AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are INEDs. The Committee is chaired by Mr. Hung Muk Ming who possesses appropriate professional qualifications and experience in accounting and financial management. The other members are Mr. Xia Zhidong and Mr. Liu Xiaofeng.

A written terms of reference is in place and is updated when necessary. The major roles and functions of the Audit Committee include:

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

2. reviewing the financial reporting process;

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

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

5. reviewing and approving connected transactions; and

6. monitoring the appointment and remuneration of the auditor.

The Audit Committee held two meetings during 2016. Representative from the executive Directors and a deputy general manager who supervises, among others, the compliance and internal audit department ("CAIA") of the Group are answerable in the Audit Committee meetings. During the year, two private sessions between the auditor and the INEDs were held immediately after the Audit Committee meeting in March and August 2016 respectively. Full minutes and related materials of the meetings are kept by a designated secretary. The following is the attendance record of the meetings held by the Audit Committee during the year:

Name of Committee Members	Number of meetings attended	Attendance rate
Mr. Hung Muk Ming *(Chairman)*	2/2	100%
Mr. Wang Tongsan (resigned effective from 28th July 2016)	1/1	100%
Mr. Chen Gongmeng (resigned effective from 28th July 2016)	1/1	100%
Mr. Xia Zhidong (appointed on 28th July 2016)	1/1	100%
Mr. Liu Xiaofeng (appointed on 28th July 2016)	1/1	100%

A summary of the work performed by the Audit Committee during the financial year 2016 is listed below:

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

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

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

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

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

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

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

ACCOUNTABILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for the preparation of financial statements for the Company which gives a true and fair view of the state of affairs of the Company as at 31st December 2016, and its profit and the cash flows for the year ended. The financial statements are prepared on the assumption of going concern and are in accordance with the statutory requirements and applicable accounting and financial reporting standards. The Directors also ensure that the publication of the financial statements of the Group is done in a timely manner.

The statements of the Directors and the auditor of the Company regarding their respective responsibilities on the financial statements of the Company are set out in the Independent Auditors' Report on pages 35 to 38 of this annual report.

Corporate Governance Report

INTERNAL CONTROL AND RISK MANAGEMENT

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

The Directors have also reviewed from time to time adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting function.

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

OTHER CORPORATE GOVERNANCE PRACTICE

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

The Risk Management Committee (the "RMC") is accountable to the EMC. The RMC is responsible for dealing with all risk management issues of the Group and reviewing clients' complaints. It is chaired by the deputy general manager who is responsible for overseeing the CAIA.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

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

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

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

SHAREHOLDERS' RIGHT

(1) Procedures for shareholders to convene a special general meeting ("SGM") and putting forward proposals at shareholders' meeting

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

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

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

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

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

(2) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's office in Hong Kong at 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong.

Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

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

COMPANY SECRETARY

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

Mr. Lau Mun Chung who is a certified public accountant (as defined in the Professional Accountants Ordinance) was appointed Company Secretary of the Company since 25th May 2000. During the financial year 2016, Mr. Lau had received no less than 15 hours of relevant professional training.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to actively contributing to the community and fostering a caring culture. To achieve this end, the Group has organised various social services activities and encourages staff to participate in voluntary works. In addition, the Company has become a Silver Member of WWF-Hong Kong since October 2011 in order to support environmental conservation and education works. The Company has been awarded the 10 years plus Caring Company logo starting from 2015/16 in recognition of its contribution to community service continuously. Furthermore, the Company was awarded the Hong Kong Awards for Environmental Excellence under the sector of Servicing and Trading (Merit) for eight consecutive years. As a corporate citizen, the Group will continue to uphold its corporate social responsibility.

The Environmental, Social and Governance Report was set out in pages 21 to 26 of this annual report.

Environmental, Social and Governance Report

To comply with the requirements set forth in Appendix 27 Environmental, Social and Governance ("ESG") Reporting Guide of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "ESG" Guide), Cinda International Holdings Limited (the "Company", and together with its subsidiaries, the "Group") hereby presents this Environmental, Social and Governance Report ("ESG Report") for the year ended 31st December 2016.

The board of directors of the Company (the "Board") is responsible for our ESG strategy and reporting including evaluating and determining our ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Group has established an ESG working team to engage the management and employees across different departments in order to identify relevant ESG issues and to assess their materiality to the Group's business as well as the Company's stakeholders, through reviewing our operations and internal discussions. Disclosures relating to the material ESG issues identified have been included in this ESG Report pursuant to the ESG Guide.

The Group strives to create positive values to shareholders and clients, we are also committed to fulfill our corporate social responsibility through working with the key stakeholders including the employees and clients. The Group believes that the stakeholders' interest must be taken into account in order to enhance our relationship with the society, employees, clients and other stakeholders.

The Group is principally engaged in the provision of financial services. The Group's direct environmental impact is immaterial as we are primarily an office-based company with relatively low energy, power and water consumption. We also encourage our clients and our suppliers to adopt the same principles and to invest in socially responsible vehicles.

As a listed company and being the holding company of certain licensed corporations licensed under the Securities and Futures Ordinance, Cap 571 (the "SFO"), we keep full attention to the continuous development of the regulatory environment and have established a practice in gathering the changes of laws and regulations ensuring that our directors, responsible officers, licensed representatives and other employees attend necessary training programmes so they are equipped to perform their duties.

We are conscious that there are less fortunate individuals in societies and are always looking for effective ways to help those who are less fortunate such as supporting money-raising events organized by various charitable organizations.

Environmental, Social and Governance Report

A. ENVIRONMENTAL

A.1 Emissions

The Group is principally engaged in the provision of asset management, corporate financial advisory services, securities broking, commodities and futures broking, financial planning and insurance broking, we do not have significant air emissions and we do not generate hazardous waste, so the main contributor to the Group's carbon footprint is indirect greenhouse gas (GHG) emissions from electricity consumption, which is mainly attributed to the use of lighting system, air-conditioning and office equipment. The electricity consumption for our Hong Kong offices is as follows:

Type of emissions	**2016**	2015
Electricity consumption (kWh)	**357,591**	379,467

The Group applies energy saving measures in the workplace including installation of an energy-saving lighting system with different zoning, setting optimal temperature on the air-conditioning, switching off the lighting and air-conditioning after office hours and a separate room for server/systems with independent air conditioner. The Group also requests employees to switch off their computers and other office equipment when they are not in use. Reminders/signage are posted elsewhere especially near the appliances to remind our employees to switch off the appliances after use. In addition, we encourage the use of teleconferencing to reduce the frequency of business travels.

A.2 Use of Resources

Our Group conserves resources for environmental and operating efficiency purposes. To pursue our environmental commitment, an environmental policy and a purchasing policy are in place. We have implemented various initiatives throughout our operations such as deploying energy-efficient devices which carry Energy Label issued by the Electrical and Mechanical Services Department, minimizing the use of paper, reducing water consumption and encouraging the use of public transport. Through actively monitoring and managing the use of resources, we aim to reduce our operating costs as well as our carbon footprints.

The Group's water consumption is minimal and the Group encourages the employees to reduce the use of papers by assessing the necessity of printing and where appropriate to use duplex printing and reuse any single-side printed papers. We encourage paperless by facilitating the use of electronic means for communication such as intranet, email, internal workflow system. For clients, we encourage them to subscribe for e-statement and to place orders electronically. To achieve this end, we have upgraded our trading system, introduced mobile applications, and revamped our website so that our clients can open an account and conduct trading by electronic means efficiently and conveniently. The Group is committed to continue to reduce our paper consumption and waste. The plain paper consumption for our Hong Kong offices is as follows:

Use of resources	**2016**	2015
Plain papers (pc)	**877,000**	923,500

A.3 The Environment and Natural Resources

Although the core business of our Group has remote impact on the environment and natural resources, as an ongoing commitment to good corporate citizenship, we recognize the responsibility in minimizing the negative environmental impact of our business operations and our investments, in order to achieve a sustainable development for generating long-term values to our stakeholders and community as a whole.

We regularly assess the environmental risks of our business, and adopt preventive measures as necessary to reduce the risks and ensure the compliance of relevant laws and regulations.

B. SOCIAL

B1. Employment

Employees are our valuable assets. We strive to attract and retain talents and reconcile economical imperatives with well-beings, aiming at reinforcing satisfaction, loyalty and commitment of human capital. We have developed a written human resources policy and employee handbook to govern the recruitment, promotion, discipline, working hours, leaves and other benefits of our employees, in accordance with the relevant laws and regulations.

The level of compensation of our employees is reviewed annually on a performance basis with reference to the market standard. A wide range of benefits including comprehensive medical (including dental) and life insurance, tuition aid, special leave entitlements, and mandatory provident fund are also provided to employees. The medical insurance even covers the family members of the employees. Social and recreational activities are organized for the employees in achieving work-life balance.

The Company respects cultural and individual diversity. We believe that no one should be treated less favourably on his/her personal characteristics (i.e. gender, pregnancy, marital status, disability, family status, race and religion, etc.). Opportunities for employment, training and career development are equally opened to all qualified employees.

As at 31st December 2016, the Group had a total number of 110 employees, of which 56 were male and 54 were female. As regards the disability, the Company did not record the health status of the employees and no employee was recorded as disabled. During 2016, a total of 19 employees have been promoted, of which 10 were male and 9 were female.

Employee's age distribution

	18–25	26–35	36–45	46–55	56 and above
2016	2.73%	49.09%	26.36%	13.64%	8.18%

Distribution of annual turnover

	18–25	26–35	36–45	46–55	56 and above
2016	3.45%	48.28%	34.48%	10.34%	3.45%

There were no non-compliance cases noted in relation to employment laws and regulations for the year ended 31st December 2016.

B2. Health and Safety

We are committed to providing and maintaining a safe, healthy, and hygienic workplace for all employees, and all other persons likely to be affected by our operations and activities.

Health and safety standards are given prime consideration in our operations, and regulatory compliance is strongly upheld. Employees at every level are committed to, and accountable for, the delivery of the safety initiatives contained in the employee handbook of the Company, with a view to maintaining a vigorous and injury-free culture. Appropriate measures are taken to continuously improve the safety and health aspects in workplace.

There were no non-compliance cases noted in relation to health and safety laws and regulations during the year ended 31st December 2016.

B3. Development and Training

The Group is subjected to various ordinances, rules and guidelines such as, but not limited to, the SFO, the Personal Data (Privacy) Ordinance, Cap 486, Main Board Listing Rules and Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the Securities and Futures Commission ("SFC"). The Group pays full attention to the continuous development and updates of relevant laws and regulations, our Compliance and Internal Audit Department ("CAIA") and Company Secretarial Department are responsible for gathering of the relevant regulatory changes and works closely with different departments to determine the continuous professional training required for relevant staff and directors to update their knowledge and skills to maintain their professional competence.

Besides, we acknowledge the importance of training for the development of our employees as well as our Group. We encourage and support our employees in personal and professional training through sponsoring training programmes, seminars, workshops and conferences, regular sharing sessions, peer learning and on-the-job coaching, as well as reimbursement for external training courses fares. We believe this is a mutually beneficial practice for achieving both personal and corporate goals as a whole.

B4. Labour Standards

The Group strictly complies with the Employment Ordinance, Cap 57 and fully understands that employing under-aged or forced labour is prohibited. The Group reviews the job applicant's identity information during the recruitment process and the applicant is also required to provide document proofs of academic qualifications and working experience for verifications. The employment policies of the Group also protect the right of free choice of employment by any person and ensure that all the employment relationship is established on a voluntary basis.

There were no non-compliance cases noted in relation to labour standards laws and regulations during the year ended 31st December 2016.

B5. Supply Chain Management

We encourage suppliers (mainly professional service providers) to maintain a high standard on business ethics and conducts, with satisfactory environmental and social performance. During the selection and evaluation processes of vendors of administrative supplies and services, we adopt a fair basis with defined assessment criteria to ensure that only suppliers with no conflict of interest are qualified. The evaluation and assessment of the suppliers include but not limited to the professional qualification, services/products quality, financial status, integrity, sociality responsibility, etc. When the evaluation result of a supplier is not satisfactory, the respective supplier will be removed from the approved list.

B6. Product Responsibility

Responsible Investment

The Company's goal is to maximize shareholders' value in medium to long term. We believe that ESG factors have influence to financial performance of individual company, in both positive and negative ways. Hence, in the process of creating returns, ESG is integrated into not only our operations but also our investment processes for long-term value creation. As a responsible investor, we aim to incorporate ESG aspects in our analysis and investment decisions, and continue to monitor the ESG performance of our investments.

Quality of Services

As a holding company of certain number of licensed corporations, the Group is committed to comply with all relevant laws and regulations under the regulatory regime of the financial service industry, in particular, all applicable provisions of the SFO and its supplementary rules and regulations as well as the codes and guidelines issued by SFC. Moreover, one of the Group companies is a member of The Hong Kong Confederation of Insurance Brokers ("CIB"), the Group complies with the relevant code and conduct and guidelines issued by CIB.

Protection of Clients' Data

The Group emphasizes the importance of protecting our clients' personal data and we adhere to the provisions of the Personal Data (Privacy) Ordinance, Cap 486 when collecting, processing and using clients' personal data.

There were no non-compliance cases noted in relation to our data privacy during the year ended 31st December 2016.

B7. Anti-corruption

We aim to maintain the highest standards of openness, uprightness and accountability and all our employees are expected to observe the highest standards of ethical, personal and professional conduct. We do not tolerate corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of our business operations.

In addition to the code of conduct on anti-bribery and anti-corruption mentioned in the employee handbook and the Group's code of conduct, employees are encouraged to direct access to the top management or the head of CAIA whenever irregularities or fraudulent activities are suspected. Ongoing review of the effectiveness of the internal control systems is conducted on a regular basis in preventing the occurrence of corruption activities.

There were no non-compliance cases noted in relation to corruption related laws and regulations during the year ended 31st December 2016.

B8. Community Investment

As a corporate citizen, we promote social contributions amongst the members of our Group to the local communities in which we operate. We place great emphasis on cultivating social responsibility awareness among our staff and encourage them to better serve our community at work and during their personal time. We have become a Silver Member of WWF-Hong Kong since October 2011 to support environmental conservation and education works. We will try to maximize our social investments in order to create a more favourable environment for our community and our business.

AWARDS

The Company has been awarded:

- 10 years plus Caring Company logo starting from 2015/16
- the Hong Kong Awards for Environmental Excellence under the sector of Servicing and Trading (Merit) for eight consecutive years since 2008
- HSBC Living Business Green Achievement Award for three consecutive years (Certificate of Merit for 2016, Certificate of Excellence for 2015 and Certificate of Merit for 2014)
- HSBC Living Business Caring for People Award (Certificate of Merit) for 2016 and 2015
- HSBC Living Business Community Engagement Award (Certificate of Merit) for 2016

Report of the Directors

The board (the "Board") of directors (the "Directors") of Cinda International Holdings Limited (the "Company") have pleasure in submitting their annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December 2016.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATION

The principal activity of the Company is investment holdings. The activities of the subsidiaries are set out in Note 1 to the financial statements. An analysis of the Group's performance for the year by business segments is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 39.

No interim dividend has been declared for the year (2015: Nil). The Directors do not recommend the payment of a final dividend in respect of the year ended 31st December 2016 (2015: Nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31st December 2016 is set out in the sections headed "Management Discussion and Analysis" and "Corporate Governance Report" on pages 3 to 6 and 10 to 20 respectively of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed in this annual report, the Company is not aware of any principal risks and uncertainties in this annual report.

SHARE CAPITAL

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

BONDS ISSUED

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

As at 31st December 2016, the Company issued the bonds to ten individuals for an aggregate principal of HK$86,000,000 at the interest rate of 4% per annum in which an aggregate principal of HK$34,000,000 will mature in 2018, HK$42,000,000 will mature in 2019 and the remaining of HK$10,000,000 will mature in 2021. Details of the corporate bonds of the Company are set out in Note 28 to the financial statements.

Report of the Directors

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 43 and in Note 25 to the financial statements.

Distributable reserves of the Company as at 31st December 2016 calculated under the Company Act 1981 of Bermuda (as amended) amounted to HK$69,657,000 (2015: HK$67,082,000). Details are set out in Note 25 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$35,000 (2015: HK$35,000).

PROPERTY AND EQUIPMENT

Movements in property and equipment of the Group during the year are set out in Note 13 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on page 128.

DIRECTORS

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

Chairman
Mr. Zhao Hongwei (resigned effective from 29th November 2016)
Mr. Gong Zhijian (Managing Director, appointed as acting Chairman on 29th November 2016)

Executive Director
Mr. Lau Mun Chung

Non-executive Directors
Mr. Chow Kwok Wai
Ms. Zheng Yi (appointed on 28th July 2016)

Independent Non-executive Directors
Mr. Wang Tongsan (resigned effective from 28th July 2016)
Mr. Chen Gongmeng (resigned effective from 28th July 2016)
Mr. Hung Muk Ming
Mr. Xia Zhidong (appointed on 28th July 2016)
Mr. Liu Xiaofeng (appointed on 28th July 2016)

In accordance with bye-law 86(2) of the Company, Ms. Zheng Yi, Mr. Xia Zhidong and Mr. Liu Xiaofeng appointed by the Board on 28th July 2016 shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with bye-law 87 of the Company, Mr. Chow Kwok Wai shall retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

DIRECTORS' SERVICE CONTRACT

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

DIRECTORS' INTERESTS IN CONTRACTS

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

PERMITTED INDEMNITY PROVISION

The Company's bye-laws provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any Directors. A Directors Liability Insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

CONTINUING CONNECTED TRANSACTION

Pursuant to an agreement dated 18th December 2015 (the "New Master Agreement") entered between the Company and China Cinda Asset Management Co., Ltd. ("China Cinda") (a substantial shareholder of the Company which indirectly holds 63% of the issued share capital of the Company) (together with its associates, the "China Cinda Group"), the Group has agreed to provide (i) brokerage services for securities, futures and options trading; placing and underwriting and sub-underwriting services for securities ("Category I Transactions"); (ii) corporate finance advisory service ("Category II Transactions"); and (iii) asset management services ("Category III Transactions"), to the China Cinda Group; as well as to (iv) pay advisory fee to the China Cinda Group for their provision of corporate finance advisory services to the Group ("Category IV Transactions"), for a term of 1 year commencing from 1st January 2016 and ending on 31st December 2016. The proposed annual caps in respect of each category of transactions contemplated under the New Master Agreement for the year ending 31st December 2016 were set as HK$9,990,000 for each of the Category I, Category II, Category III and Category IV Transactions respectively.

In light of the development of the business of the Group and that of the China Cinda Group during the first quarter of 2016, including but not limited to the updated business plan or proposed projects to be conducted by China Cinda Group, and the expected increase of transaction volume between China Cinda Group and the Group taking into account of the acquisition of certain equity interest in Nanyang Commercial Bank, Limited by China Cinda Group, the Company and China Cinda agreed to amend the New Master Agreement by entering into the supplemental agreement to amend certain terms of the New Master Agreement and to revise the proposed annual caps.

On 31st March 2016, the Company and China Cinda entered into the supplemental agreement to the New Master Agreement (the "Supplemental Agreement"). Pursuant to the Supplemental Agreement, the terms and the proposed annual caps amended as follows:

Terms: Original term under the New Master Agreement:

– One year commencing from 1st January 2016 up to 31st December 2016 (both days inclusive).

– The Company and China Cinda are entitled to extend the New Master Agreement on or before 31st December 2016 and to take such action as may be appropriate to comply with the Listing Rules.

New term under the New Master Agreement as amended by the Supplemental Agreement:

– Three years commencing from 1st January 2016 up to 31st December 2018 (both days inclusive).

– The Company and China Cinda are entitled to extend the New Master Agreement on or before 31st December 2018 and to take such actions as may be appropriate to comply with the Listing Rules.

Proposed annual caps:

The originally proposed annual caps:

	For the year ending 31st December 2016 *(HK$)*
Category I Transactions	9,990,000
Category II Transactions	9,990,000
Category III Transactions	9,990,000
Category IV Transactions	9,990,000

The revised annual caps:

	For the year ending 31st December 2016 *(HK$)*	**For the year ending 31st December 2017** *(HK$)*	**For the year ending 31st December 2018** *(HK$)*
Category I Transactions	23,000,000	46,000,000	67,000,000
Category II Transactions	15,000,000	15,000,000	15,000,000
Category III Transactions	90,000,000	150,000,000	200,000,000

Category IV Transactions for the year ending 31st December 2016 under the New Master Agreement remains unchanged at HK$9,990,000, and the annual caps for Category IV Transactions for the years ending 31st December 2017 and 2018, also at HK$9,990,000 each, were provided under the Supplemental Agreement in light of the revision of the terms of the New Master Agreement.

The Supplemental Agreement, the transactions contemplated thereunder and the proposed annual caps were approved by the independent shareholders at the special general meeting held on 26th May 2016.

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Directors have received a letter from the auditor containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

Facility Agreement I

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 ("Old Facility Agreement"). Pursuant to the Old Facility Agreement, 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 Old Facility Agreement 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 Old Facility Agreement. The final maturity date of the Old Facility Agreement was 31st March 2016.

On 29th August 2016, the Company as borrower entered into a new facility agreement with the same licensed bank relating to a HK$360,000,000 revolving term loan facility ("Facility Agreement I"). Facility Agreement I supersede and replace the Old Facility Agreement. Pursuant to 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); 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 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 Facility Agreement I. The final maturity date of Facility Agreement I is 31st May 2017.

As at 31st December 2016, HK$183,541,000 has been drawn under Facility Agreement I.

Facility Agreement II

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 Facility Agreement II, it shall be an event of default if China Cinda ceases to maintain 51% shareholdings of the Company (whether directly or indirectly) during the lending period. If an event of default under 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 Facility Agreement II. The maturity date of Facility Agreement II was 14th January 2017.

As at 31st December 2016, nil balance has been drawn under Facility Agreement II.

Facility Agreement III

On 7th July 2016, the Company as borrower entered into a facility agreement with another licensed bank in Hong Kong in relation to a HK$300,000,000 revolving term loan facility ("Facility Agreement III"). Pursuant to Facility Agreement III, it shall be an event of default if China Cinda ceases to directly or indirectly own at least 50% of the issued share capital of the Company in case written consent is not obtained from the bank. If an event of default under Facility Agreement III occurs, all the obligations of the Company to the bank shall become immediately due and payable on the bank's demand. The final maturity date of Facility Agreement III shall be the date falling 3 years from 7th July 2016.

As at 31st December 2016, HK$150,000,000 has been drawn under Facility Agreement III.

Facility Agreement IV

On 27th October 2016, Cinda International Securities Limited ("CISL", a wholly-owned subsidiary of the Company), as borrower and the Company, as guarantor, entered into a facility agreement with another licensed bank in Hong Kong in relation to a HK$150,000,000 revolving loan facility ("Facility Agreement IV"). As one of the conditions of the loan facility, China Cinda (HK) shall maintain majority and beneficially ownership and control in CISL. Upon the breach of any of the aforesaid conditions, the loan facility is repayable in full on demand by the bank. The loan facility is subject to an annual review by the bank.

As at 31st December 2016, HK$20,000,000 has been drawn under Facility Agreement IV.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st December 2016, the Directors of the Company who held office and their respective associates did not hold any interest or short position in the shares and underlying shares or debentures of the Company, its holding company, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register of directors' interests and short positions required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

INFORMATION ON SHARE OPTION

The share option scheme adopted in the annual general meeting of the Company held on 29th May 2006 was 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.

Report of the Directors

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

As at 31st December 2016, so far as was known by the Directors and the chief executives of the Company, the following are details of the persons (other than Directors or chief executives of the Company) who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which need to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position

Name of substantial shareholder	Capacity	Number of shares or underlying shares held	Approximate percentage of the Company's issued share capital
Sinoday Limited	Beneficial owner	403,960,200 *(Note)*	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.

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

– the largest customer	13.29%
– the five largest customers combined	34.95%

Report of the Directors

As at 31st December 2016, the largest customer is a corporation controlled by the ultimate holding company of the Company. The remaining four largest customers consisted of the ultimate holding company of the Company, a corporation controlled by the ultimate holding company of the Company, and an associate of the Company. Saved as disclosed, at no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the top five customers.

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

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year ended 31st December 2016. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31st December 2016.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The financial statements of the Company for the year ended 31st December 2016 have been audited by Ernst & Young ("EY"). EY were appointed as auditor of the Company at the annual general meeting of the Company held on 10th June 2015 for the financial year ended 31st December 2015 upon the retirement of Deloitte Touche Tohmatsu who have acted as auditor of the Company for the financial year ended 31st December 2013 and 31st December 2014.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report was set out in pages 21 to 26 of this annual report.

By order of the Board

Gong Zhijian
Chairman

Hong Kong, 30th March 2017

Independent Auditor's Report

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

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

OPINION

We have audited the consolidated financial statements of Cinda International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 39 to 127, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgments, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matters	How our audit addressed the key audit matters
Impairment assessment on loans receivable and margin loans arising from securities broking	
Refer to summary of significant accounting policies in note 2 and the disclosures on loans receivable and margin loans arising from securities broking and the related credit risk in note 18, 22 and 37.1(b) to the financial statements. As at 31 December 2016, gross loans receivable and margin loans arising from securities broking (included as part of the trade and other receivables) amounted to approximately HK$77.1 million and HK$450.5 million respectively. No impairment allowances was provided for loans receivable and margin loans arising from securities broking. The assessment of impairment for loans receivable and margin loans arising from securities broking involved significant management judgements and estimates on the amount of losses already incurred as at 31 December 2016. The Group's methodology and assumptions used for estimating both the amount and timing of future cash flows require the regular review of individual outstanding amount which depends on individual circumstances or market condition. Impairment allowances on individually assessed accounts were determined by an evaluation of the incurred loss as at 31 December 2016 on a case-by-case basis. The assessment normally encompasses the nature and value of the collateral held and the anticipated receipts.	We obtained an understanding of the Group's methodology and assumptions used for estimating the impairment allowances on loans receivable and margin loans arising from securities broking. Our procedures to assess the Group's impairment allowance included the following: • For loans receivable, we formed an independent view on the level of provisions recognised by the Group through reviewing the borrowers' detailed information about their financial performance, recoverable cash flows and valuation of collateral. • For margin loans arising from securities broking, we evaluated the control procedures performed by the Group and checked each individual account to determine whether there was any shortfall by comparing the loan outstanding with the value of collateral. We also reviewed the valuation of the collateral.
Valuation of level 3 financial instruments	
Refer to summary of significant accounting policies in note 2, critical accounting estimates and judgements in note 4 and the disclosure on the fair value hierarchy and related disclosures in note 20, 21 and 37.2 to the financial statements. The Group has applied valuation techniques to determine the fair value of financial instruments that were not quoted in active markets. These valuation techniques, in particular those that include significant unobservable inputs, involved of subjective judgements and assumptions. With different valuation techniques, inputs and assumptions applied, the valuation results could vary significantly. As at 31 December 2016, the Group's financial assets measured at fair value and financial liabilities measured at fair value which were categorised as level 3 financial instruments amounted to approximately HK$85.44 million and HK$58.52 million respectively, represented 16.4% and 100% of the Group's financial assets measured at fair value and financial liabilities measured at fair value, respectively.	We evaluated and tested the design and operating effectiveness of key controls related to the valuation of financial instruments, including independent price verification and approval. We focused on the valuation methodologies and assumptions of financial instruments that were classified as level 3 financial instruments. We involved our valuation specialists in evaluating the valuation techniques, inputs and assumptions through comparison with the valuation techniques that are commonly used in the market and the validation of observable inputs using external market data. We assessed the Group's disclosures on the fair value hierarchy and its related disclosures in note 37.2 to the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Shu Hing.

Ernst & Young
Certified Public Accountants
Hong Kong

30th March 2017

Consolidated Statement of Profit or Loss

For the year ended 31st December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	5	**158,357**	149,926
Other income	5	**36,788**	33,237
Other gains, net	5	**14,494**	19,447
		209,639	202,610
Staff costs	6	**82,519**	75,361
Commission expenses		**15,270**	23,171
Operating leases for land and buildings		**19,027**	17,613
Other operating expenses	7	**27,864**	32,279
Finance costs	8	**13,327**	7,861
		158,007	156,285
		51,632	46,325
Share of profits of associates and a joint venture, net	16	**12,395**	19,670
Profit before taxation		**64,027**	65,995
Income tax	9	**(14,521)**	(11,360)
Profit for the year		**49,506**	54,635
Attributable to:			
Equity holders of the Company		**41,080**	40,586
Non-controlling interests		**8,426**	14,049
		49,506	54,635
Basic and diluted earnings per share attributable to equity holders of the Company	11	**HK6.41 cents**	HK6.33 cents

The notes on pages 45 to 127 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2016

	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**49,506**	54,635
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss		
Change in fair value of available-for-sale financial assets	**21,166**	12,521
Reclassification adjustments for (gain)/loss on disposal of available-for-sale financial assets	**(3,276)**	710
Share of an associate's investment revaluation reserve relating to available-for-sale financial assets:		
– Change in fair value, net of deferred tax	**10,076**	(49,157)
– Release of investment revaluation reserve to profit or loss on share dilution in an associate	**–**	2,539
Net movement in investment revaluation reserve	**27,966**	(33,387)
Share of an associate's exchange difference	**(6,956)**	3,550
Release of exchange difference to profit or loss on share dilution in an associate	**–**	(1,250)
Exchange differences on translation of:		
– Financial statements of a joint venture	**(1,172)**	(1,168)
– Financial statements of foreign operations	**(4,186)**	(1,847)
Net movement in exchange difference	**(12,314)**	(715)
Item that would not be reclassified subsequently to profit or loss		
Share of a joint venture's capital reserve	**68**	180
Net movement in capital reserve	**68**	180
Other comprehensive income for the year	**15,720**	(33,922)
Total comprehensive income for the year	**65,226**	20,713
Total comprehensive income attributable to:		
Equity holders of the Company	**57,307**	7,050
Non-controlling interests	**7,919**	13,663
	65,226	20,713

The notes on pages 45 to 127 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31st December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Intangible assets	*12*	**1,439**	1,439
Property and equipment	*13*	**7,223**	5,071
Available-for-sale financial assets	*14*	**55,756**	48,380
Interests in associates and a joint venture	*16*	**312,642**	294,671
Other assets	*17*	**10,974**	7,987
Loans receivable	*18*	**–**	77,392
		388,034	434,940
Current assets			
Loans receivable	*18*	**77,115**	–
Available-for-sale financial assets	*14*	**380,050**	283,498
Financial assets designated at fair value through profit or loss	*20*	**85,443**	65,280
Financial instruments held-for-trading	*21*	**36,360**	16,220
Trade and other receivables	*22*	**639,126**	296,048
Pledged bank deposits	*23*	**15,084**	15,074
Bank balances and cash	*23*	**181,570**	208,678
		1,414,748	884,798
Current liabilities			
Trade and other payables	*26*	**237,272**	193,805
Borrowings	*27*	**622,613**	280,672
Taxation payable	*19(a)*	**7,786**	8,934
		867,671	483,411
Net current assets		**547,077**	401,387
Total assets less current liabilities		**935,111**	836,327

Consolidated Statement of Financial Position

As at 31st December 2016

	Notes	2016 HK$'000	2015 HK$'000
Capital and reserves			
Share capital	24	**64,121**	64,121
Other reserves		**494,088**	477,861
Retained earnings		**195,894**	154,814
Total equity attributable to equity holders of the Company		**754,103**	696,796
Non-controlling interests	15	**10,722**	61,666
TOTAL EQUITY		**764,825**	758,462
Non-current liabilities			
Bonds issued	28	**86,000**	76,000
Financial liabilities at fair value through profit or loss	29	**58,517**	–
Borrowings	27	**24,541**	–
Deferred tax liability	19(b)	**1,228**	1,865
		170,286	77,865
		935,111	836,327

Approved and authorised for issue by the Board of Directors on 30 March 2017 and are signed on its behalf by:

Gong Zhijian
Executive Director

Lau Mun Chung
Executive Director

The notes on pages 45 to 127 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2016

		Attributable to equity holders of the Company								
		Share capital	**Share premium**	**Capital reserve**	**Investment revaluation reserve**	**Exchange reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st January 2015		64,121	421,419	42,879	47,947	(848)	114,228	689,746	53,734	743,480
Profit for the year		–	–	–	–	–	40,586	40,586	14,049	54,635
Other comprehensive income		–	–	180	(33,387)	(329)	–	(33,536)	(386)	(33,922)
Total comprehensive income for the year		–	–	180	(33,387)	(329)	40,586	7,050	13,663	20,713
Distribution to non-controlling interest	*38(i)*	–	–	–	–	–	–	–	(5,731)	(5,731)
Balance at 31st December 2015		64,121	421,419	43,059	14,560	(1,177)	154,814	696,796	61,666	758,462
Balance at 1st January 2016		**64,121**	**421,419**	**43,059**	**14,560**	**(1,177)**	**154,814**	**696,796**	**61,666**	**758,462**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**41,080**	**41,080**	**8,426**	**49,506**
Other comprehensive income		**–**	**–**	**68**	**27,966**	**(11,807)**	**–**	**16,227**	**(507)**	**15,720**
Total comprehensive income for the year		**–**	**–**	**68**	**27,966**	**(11,807)**	**41,080**	**57,307**	**7,919**	**65,226**
Distribution to non-controlling interest	*38(i)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(58,863)**	**(58,863)**
Balance at 31st December 2016		**64,121**	**421,419**	**43,127**	**42,526**	**(12,984)**	**195,894**	**754,103**	**10,722**	**764,825**

The notes on pages 45 to 127 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2016

	Notes	2016 HK$'000	2015 HK$'000
Net cash (outflow)/inflow from operating activities	34	**(278,014)**	63,403
Investing activities			
Purchase of property and equipment	13	**(4,388)**	(2,218)
Capital injection in investments in associates	16(a)	**(6,320)**	–
Purchase of equity securities upon exercise of warrants		**–**	(9,000)
Purchase of financial instruments held-for-trading		**(53,702)**	(4,500)
Interest received from debt securities		**7,464**	21,573
Proceeds from disposal of financial instruments held-for-trading	21	**43,834**	27,941
Purchase of available-for-sale financial assets		**(244,472)**	(200,462)
Purchase of financial assets designated at fair value through profit or loss		**(78,000)**	–
Proceeds from disposal of available-for-sale financial assets		**146,440**	130,752
Proceeds from disposal of financial assets designated at fair value through profit or loss		**70,200**	–
Advance of a loan to a third-party investee		**–**	(30,832)
Dividends from associates		**2,760**	–
Withdrawal of fixed deposits with maturity over three months	23	**3,000**	1,000
Repayment of available-for-sale financial assets		**12,483**	–
Net cash outflow from investing activities		**(100,701)**	(65,746)
Financing activities			
Interest paid		**(12,987)**	(6,523)
Proceeds from bank loans	27	**532,696**	291,000
Repayment of bank loans	27	**(106,000)**	(271,000)
Proceeds from borrowing under a securities sales agreement	27	**101,400**	101,400
Repayment from borrowing under a securities sales agreement		**(101,400)**	–
Proceeds from margin loan from a broker		**13,058**	–
Repayment of margin loan from a broker		**(73,272)**	(31,946)
Issuance of a new bond	28	**10,000**	–
Distribution to non-controlling interest	38(i)	**(58,863)**	(5,731)
Capital contribution from financial liabilities at fair value through profit or loss		**54,600**	–
Distribution to financial liabilities at fair value through profit or loss		**(2,308)**	–
Net cash inflow from financing activities		**356,924**	77,200
(Decrease)/increase in cash and cash equivalents		**(21,791)**	74,857
Cash and cash equivalents at the beginning of the period		**205,678**	131,957
Effect of foreign exchange rate changes, net		**(2,317)**	(1,136)
Cash and cash equivalents at the end of the period	23	**181,570**	205,678
Analysis of balances of cash and cash equivalents:			
Bank balances – general accounts and cash in hand	23	**181,570**	205,678

The notes on pages 45 to 127 form part of these financial statements.

Notes to the Financial Statements

1 CORPORATE AND GROUP INFORMATION

The principal activity of the Company is investment holding.

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

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

Information about subsidiaries

The following is the list of subsidiaries at 31st December 2016 and 2015:

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ share capital held	Interest held directly		Interest held indirectly	
				2016	2015	**2016**	2015
Cinda International Capital Limited	Hong Kong	Corporate finance services	14,000,100 ordinary shares of HK$1 each, and 21,000,000 non-voting deferred shares of HK$1 each	**–**	–	**100%**	100%
Cinda International Securities Limited	Hong Kong	Securities broking and margin financing services	150,000,100 ordinary shares of HK$1 each, and 50,000,000 non-voting deferred shares of HK$1 each	**–**	–	**100%**	100%
Cinda International Futures Limited	Hong Kong	Commodities and futures broking	40,000,100 ordinary shares of HK$1 each, and 10,000,000 non-voting deferred shares of HK$1 each	**–**	–	**100%**	100%
Cinda International Asset Management Limited	Hong Kong	Asset management	20,500,100 ordinary shares of HK$1 each, and 2,000,000 non-voting deferred shares of HK$1 each	**100%**	–	**–**	100%
Cinda Asset Management (Cayman) Limited	Cayman Islands	Fund management	1 ordinary share of US$1 each	**–**	–	**100%**	100%
Cinda International Wealth Management Advisor Limited	Hong Kong	Financial planning and insurance broking	13,500,000 ordinary shares of HK$1 each	**–**	–	**100%**	100%
Chinacorp Nominees Limited	Hong Kong	Provision of administrative support services	100 ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each	**–**	–	**100%**	100%
Cinda Strategic (BVI) Limited	British Virgin Islands	Investment holding	50,000 ordinary shares of US$1 each	**100%**	100%	**–**	–

Notes to the Financial Statements

1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries (*continued*)

The following is the list of subsidiaries at 31st December 2016 and 2015: *(continued)*

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ share capital held	Interest held directly		Interest held indirectly	
				2016	2015	**2016**	2015
Cinda (BVI) Limited	British Virgin Islands	Investment holding	7 ordinary shares of US$1 each	**100%**	100%	**–**	–
Cinda International Direct Investment Limited	British Virgin Islands	Investment holding	1,000 ordinary shares of US$1 each	**100%**	100%	**–**	–
Cinda International Research Limited	Hong Kong	Provision of research services	1,000,000 ordinary shares of HK$1 each	**–**	–	**100%**	100%
Cinda International Nominees Limited	Hong Kong	Provision of administrative support services	100,000 ordinary shares of HK$1 each	**–**	–	**100%**	100%
Cinda International Consultant Limited	Hong Kong	Investment holding	120,000 ordinary shares of HK$1 each	**100%**	100%	**–**	–
Cinda International Capital Management Limited	British Virgin Islands	Investment holding	1 ordinary share of US$1 each	**100%**	–	**–**	100%
信達國際（上海）投資諮詢有限公司	PRC	Provision of consultancy services	RMB20,000,000	**100%**	–	**–**	100%
Cinda Resources Investment Limited	Cayman Islands	Asset management	1 ordinary share of US$1 each	**–**	–	**100%**	100%
Cinda International Strategic Limited	Hong Kong	Investment	100,000 ordinary shares of HK$1 each	**–**	–	**100%**	100%
Cinda International Investment Management Limited (formerly known as Cinda International FX Limited)	Hong Kong	Dormant	100 ordinary shares of HK$1 each, and 100,000,000 non-voting deferred shares of HK$1 each	**–**	–	**100%**	100%
Cinda Agriculture Investment Limited	Cayman Islands	Dormant	1 ordinary share of US$1 each	**–**	–	**100%**	100%
Rainbow Stone Investments Limited	British Virgin Islands	Investment holding	1 ordinary share of US$1 each	**–**	–	**100%**	100%
Cinda General Partner Limited	Cayman Islands	Asset management	1 ordinary share of US$1 each	**–**	–	**100%**	100%

1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries (*continued*)

The following is the list of subsidiaries at 31st December 2016 and 2015: *(continued)*

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ share capital held	Interest held directly		Interest held indirectly	
				2016	2015	**2016**	2015
Cinda Asia Investments Limited	Cayman Islands	Winding up in progress	1 ordinary share of US$1 each	–	–	**100%**	100%
福建海峽文化產業股權投資管理有限公司	PRC	Private equity investment and fund management	RMB10,000,000	–	–	**55%**	55%
Cinda Retail and Consumer Fund L. P.	Cayman Islands	Investment	US$273,078	–	–	**38.89% *(Note 1)***	38.89% *(Note 1)*
Cinda Agriculture Industry Investments Fund L.P.	Cayman Islands	Striking off in progress	US$2	–	–	**50%**	50%
Cinda International Finance Limited	Hong Kong	Money lender	1,000,000 ordinary shares of HK$1 each	–	–	**100%**	100%
Full Creation Investments Ltd.	British Virgin Islands	Investment holding	1 ordinary share of US$1 each	–	–	**100%**	100%
Cinda International GP Management Limited	Cayman Islands	Asset management	1 ordinary share of US$1 each	–	–	**100%**	100%
信達匯理（深圳）投資諮詢有限公司	PRC	Provision of consultancy services	RMB4,000,000	–	–	**100%**	100%
Wisdom Fortune Investments Limited	British Virgin Islands	Investment holding	1 ordinary share of US$1 each	–	–	**100%**	100%
信達領先（深圳）股權投資基金管理有限公司	PRC	Provision of consultancy services	RMB2,600,000	–	N/A	**100%**	N/A
Special Praise Investments Ltd.	British Virgin Islands	Investment holding	1 ordinary share of US$1 each	**100%**	N/A	–	N/A
Stayreal Investments Ltd.	British Virgin Islands	Investment holding	1 ordinary share of US$1 each	**100%**	N/A	–	N/A
Cinda Advance Investment (HK) Limited	Hong Kong	Dormant	1 ordinary share of HK$1 each	–	N/A	**100%**	N/A
Jianda Value Investment Fund L. P.	Cayman Islands	Investment	US$10,000,000	**30%**	N/A	–	N/A

1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries (*continued*)

The following is the list of subsidiaries at 31st December 2016 and 2015: *(continued)*

Notes:

(1) Notes 4.5 and 15 describe the details of CRC Fund. Notes 38(i) and 38(k) describe CRC Fund's transactions with the CRC Fund's non-controlling interest.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 30th March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for certain financial instruments are measured at their fair value as explained in the accounting policies set out below. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Basis of consolidation (*continued*)

Investments in associates and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint venture are eliminated to the extent of the Group's investments in the associates or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint venture is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Segment reporting

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

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.5 Foreign currency translation (*continued*)

(c) Group companies *(continued)*

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

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

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

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

2.6 Property and equipment

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

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

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

Leasehold improvements	Over the lease periods or 5 years if shorter
Furniture and fixtures	20%
Office and computer equipment	20%
Computer software	Over the useful life or 5 years if shorter
Motor vehicles	25%

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Intangible assets

(a) Trading rights

Trading rights held in The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited (the "Stock Exchange trading rights" and "Futures Exchange trading right" respectively) are classified as intangible assets. Trading rights have an indefinite useful life and are carried at cost less accumulated impairment losses (see note 2.8). The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights are considered by the management of the Group as having an indefinite useful life because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

The useful life of the trading rights is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is account for on a prospective basis.

(b) Club membership

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

2.8 Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Impairment of assets (*continued*)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.9 Financial instruments

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

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

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

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling it in the near term; or

– on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument as defined by HKAS 39.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract to be designated as at FVTPL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial instruments (*continued*)

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains/(losses)' line item. Fair value is determined in the manner described in note 37.2.

Financial assets under this category are carried at fair value. Changes in the fair value exclude any interest earned (which is included in "other income") and are included in the consolidated statement of profit or loss in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in the statement of profit or loss.

(b) Loan and note receivables

Loan and note receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities more than 12 months after the end of the reporting period which are classified as non-current assets. Loan and note receivables are carried at amortised cost using the effective interest methods less impairment losses, if any (see note 2.10(b)). Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate.

(c) Available-for-sale financial assets

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial instruments (*continued*)

(c) Available-for-sale financial assets *(continued)*

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

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

(d) Derivative financial instruments

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

(e) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial instruments (*continued*)

(f) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings, bond issued and financial liabilities at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

(g) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Financial instruments (*continued*)

(h) Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Trade and other receivables

(a) Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Effective interest method

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

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

2.11 Cash and cash equivalents

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

2.12 Trade and other payables

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

2.13 Share capital

Ordinary shares are classified as equity.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Income tax

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Income tax (*continued*)

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

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

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

  - the same taxable entity; or

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

2.15 Employee benefits

(a) Pension obligations

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

The Group's contribution to the MPF Scheme is based on 5% of the monthly relevant income of each employee up to a maximum monthly relevant income of HK$30,000 since 1st June 2014 in accordance with the Mandatory Provident Fund Schemes Ordinance. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(b) Equity-settled share-based transactions

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.15 Employee benefits (*continued*)

(b) Equity-settled share-based transactions (*continued*)

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

2.16 Provisions, contingent liabilities and contingent assets

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

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

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

2.17 Financial guarantees issued

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Revenue recognition

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

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

Brokerage commission income arising from the brokerage insurance products is recognised when services are rendered.

Underwriting commission and management fee income are recognised when the relevant work or service has been rendered.

Revenue from corporate finance and investment advisory services is recognised in accordance with the terms of agreement for the underlying transactions and/or when the relevant work or service has been rendered.

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

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

2.19 Leases

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

Operating lease

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Dividend distribution

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

2.21 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Finance costs

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

2.23 Borrowings

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

Effective interest method

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

2.24 Fiduciary activities

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

2.25 Offsetting financial assets and financial liabilities

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

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's 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*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and amendments included in the *Annual Improvements 2012–2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

4.1 Income taxes

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

4.2 Deferred tax assets

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences arising from depreciation of non-current assets. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised. Management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Further details are available in note 19(b) to the financial statements.

4.3 Litigation

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

4.4 Estimation of fair values

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

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

Note 15 describes that CRC Fund, which was set up in prior year, is a subsidiary of the Group although the Group has only 38.89% ownership interest in CRC Fund as at 31 December 2016 and 2015. The Group is the investment manager, general partner and limited partner of CRC Fund. The Group considered that it has the power to direct the relevant activities of CRC Fund taking into account (a) 38.89% ownership in CRC Fund, and (b) its roles as the investment manager and general partner of CRC Fund which give it wide ranging discretion in directing CRC Fund's relevant activities, pursuant to the agreement entered into between the Group and the other limited partner, a fellow subsidiary of the Group. Accordingly, the Group has accounted for CRC Fund as a subsidiary.

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

Note 16(a) describes that CPIAAR Fund is an associate of the Group. The assessment was made taking into account (a) the Group has 12.08% (2015: 11.96%) ownership in CPIAAR Fund, (b) the Group has significant influence over the investment manager of CPIAAR Fund and (c) the Group is the investment advisor which holds the license to perform regulatory activities – asset management under the SFO of CPIAAR Fund, which give it significant influence over CPIAAR Fund.

Details of CPIAAR Fund are set out in note 16(a).

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

JXJY is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Pursuant to the shareholder agreement between the parties to the joint arrangement, the decisions about the relevant activities of JXJY require the unanimous consent of these parties. Furthermore, there are no contractual arrangements or any other facts and circumstances that give the parties to the joint arrangement rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, JXJY is classified as a joint venture of the Group. See note 16(b) for details.

4.8 Control over Jianda Value Investment Fund L.P. ("Jianda Fund")

Jianda Fund, which was set up in current year, is a subsidiary of the Group although the Group has only 30% ownership interest in Jianda Fund as at 31st December 2016. The Group is the investment manager, general partner and one of the limited partners of Jianda Fund. The Group considered that it has the power to direct the relevant activities of Jianda Fund taking into account (a) 30% ownership in Jianda Fund, and (b) its roles as the investment manager and general partner of Jianda Fund which give it wide ranging discretion in directing Jianda Fund's relevant activities, pursuant to the agreement entered into between the Group and the other limited partners. Accordingly, the Group has accounted for Jianda Fund as a subsidiary.

Jianda Fund, as part of the normal course of business, issues redeemable units to unrelated third party limited partners. Pursuant to the relevant offering memorandums, the third party investors can redeem the invested units for cash after the end of commitment period. As of 31 December 2016, the redeemable unit held by third party investors were classified as a financial liability in the consolidated statement of financial position, with changes in fair value recognised in statement of profit or loss.

5 REVENUE, OTHER INCOME, OTHER GAINS AND SEGMENT INFORMATION

	2016 HK$'000	2015 HK$'000
Revenue		
Fees and commission		
– Asset management	**15,636**	10,286
– Corporate finance	**17,530**	13,413
– Brokerage	**41,895**	57,352
– Others	**2**	1,647
	75,063	82,698
Underwriting income and placing commission		
– Corporate finance	**–**	17,782
– Brokerage	**13,667**	12,083
	13,667	29,865
Interest income		
– Asset management	**878**	120
– Corporate finance	**1**	11
– Brokerage	**25,459**	12,997
– Others	**12**	10
	26,350	13,138
Management fee and service fee income		
– Asset management	**43,277**	24,225
	43,277	24,225
	158,357	149,926
Other income		
Loan interest income	**6,727**	6,002
Interest income from debt securities classified as:		
– Available-for-sale financial assets	**16,302**	14,723
– Financial assets designated at fair value through profit or loss	**8,064**	7,118
Investment income	**3,000**	641
Dividend income	**248**	–
Others	**2,447**	4,753
	36,788	33,237

5 REVENUE, OTHER INCOME, OTHER GAINS AND SEGMENT INFORMATION *(continued)*

	2016 HK$'000	2015 HK$'000
Other gains, net		
Net exchange losses	**(3,061)**	(760)
Net gains on disposal of financial instruments held-for-trading	**4,512**	14,441
Net gains on disposal of financial assets designated at fair value through profit or loss	**4,920**	–
Net gain/(losses) on disposal of available-for-sale financial assets	**1,145**	(811)
Gain/(loss) from changes in fair value of financial instruments classified as held-for-trading	**5,760**	(5,780)
Gain from changes in fair value of financial assets designated at fair value through profit or loss	**7,443**	10,280
Deemed gain/(loss) on share dilution in an associate:		
– Gain on share of increase in net assets arising from capital injection of new investors	**–**	3,366
– Release of investment revaluation reserve from other comprehensive income to profit or loss	**–**	(2,539)
– Release or exchange reserve from other comprehensive income to profit or loss	**–**	1,250
Loss from changes in fair value of financial liabilities at fair value through profit or loss	**(6,225)**	–
	14,494	19,447
	209,639	202,610

5 REVENUE, OTHER INCOME, OTHER GAINS AND SEGMENT INFORMATION *(continued)*

Segment information

The Group manages its businesses by divisions. Under HKFRS 8 *Operating Segments*, and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has identified the following 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 and 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 exception 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.

The Group's majority of revenue is related to activities conducted in Hong Kong.

5 REVENUE, OTHER INCOME, OTHER GAINS AND SEGMENT INFORMATION *(continued)*

Segment information (*continued*)

Year ended 31st December 2016

	Asset Management *HK$'000*	Corporate finance *HK$'000*	Brokerage *HK$'000*	Total *HK$'000*
Revenue from external customers	**50,606**	**17,531**	**81,021**	**149,158**
Revenue from an associate *(note)*	**9,185**	**–**	**–**	**9,185**
Inter-segment revenue	**–**	**–**	**289**	**289**
Reportable segment revenue	**59,791**	**17,531**	**81,310**	**158,632**
Reportable segment results (EBIT)	**70,616**	**(3,650)**	**7,455**	**74,421**
Interest income from bank deposits	**101**	**1**	**1,173**	**1,275**
Interest expense	**(4,028)**	**(721)**	**(5,268)**	**(10,017)**
Depreciation for the year	**(108)**	**(42)**	**(846)**	**(996)**
Reportable segment assets	**674,458**	**14,409**	**727,438**	**1,416,305**
Additions to non-current segment assets during the year	**570**	**99**	**4,054**	**4,723**
Reportable segment liabilities	**442,756**	**1,299**	**490,718**	**934,773**

Note: This represents service fee income received by the Group from an associate. See note 38(b).

Year ended 31st December 2015

	Asset Management *HK$'000*	Corporate finance *HK$'000*	Brokerage *HK$'000*	Total *HK$'000*
Revenue from external customers	25,370	31,206	82,432	139,008
Revenue from an associate *(note)*	9,261	–	–	9,261
Inter-segment revenue	–	–	108	108
Reportable segment revenue	34,631	31,206	82,540	148,377
Reportable segment results (EBIT)	53,549	4,531	7,947	66,027
Interest income from bank deposits	39	11	1,222	1,272
Interest expense	(4,302)	(626)	(2,259)	(7,187)
Depreciation for the year	(51)	(24)	(908)	(983)
Reportable segment assets	573,978	15,072	357,778	946,828
Additions to non-current segment assets during the year	100	–	3,052	3,152
Reportable segment liabilities	315,178	4,913	160,240	480,331

Note: This represents service fee income received by the Group from an associate. See note 38(b).

5 REVENUE, OTHER INCOME, OTHER GAINS AND SEGMENT INFORMATION *(continued)*

Reconciliations of reportable revenue

	2016 HK$'000	2015 HK$'000
Revenue		
Reportable segment revenue	**158,632**	148,377
Elimination of inter-segment revenue	**(289)**	(108)
Unallocated head office and corporate revenue	**14**	1,657
Consolidated revenue	**158,357**	149,926

Reconciliations of reportable results

	2016 HK$'000	2015 HK$'000
Results		
Reportable segment profit (EBIT)	**74,421**	66,027
Elimination of inter-segment profits (EBIT)	**(8,304)**	(6,627)
	66,117	59,400
Share of profits of associates and a joint venture, net	**12,395**	19,670
Finance costs	**(13,327)**	(7,861)
Unallocated head office and corporate expense	**(1,158)**	(5,214)
Consolidated profit before taxation	**64,027**	65,995
Income tax	**(14,521)**	(11,360)
Profit for the year	**49,506**	54,635

5 REVENUE, OTHER INCOME, OTHER GAINS AND SEGMENT INFORMATION *(continued)*

Reconciliations of reportable assets and liabilities

	2016	2015
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**1,416,305**	946,828
Elimination of inter-segment receivables	**(3,567)**	(5,288)
	1,412,738	941,540
Interests in associates and a joint venture	**312,642**	294,671
Unallocated head office and corporate assets	**77,402**	83,527
Consolidated total assets	**1,802,782**	1,319,738
Liabilities		
Reportable segment liabilities	**934,773**	480,331
Elimination of inter-segment payables	**(7,506)**	(24,671)
	927,267	455,660
Unallocated head office and corporate liabilities	**110,690**	105,616
Consolidated total liabilities	**1,037,957**	561,276

5 REVENUE, OTHER INCOME, OTHER GAINS AND SEGMENT INFORMATION *(continued)*

Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers (including its associates) and (ii) the Group's property and equipment, intangible assets and interests in associates and a joint venture ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment; and the location of the core operations in the case of other specified non-current assets.

	Revenue from external customers		**Specified non-current assets**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**112,710**	123,201	**93,433**	91,338
Mainland China	**45,647**	26,725	**227,871**	209,843
	158,357	149,926	**321,304**	301,181

Information about major customer:

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2016	2015
	HK$'000	*HK$'000*
A customer from asset management segment	**21,049**	16,850

6 STAFF COSTS

	2016 HK$'000	2015 HK$'000
Salaries and allowances	**80,458**	73,768
Defined contribution plans	**2,061**	1,593
	82,519	75,361

Staff costs include directors' emoluments as set out in note 31.

7 OTHER OPERATING EXPENSES

	2016 HK$'000	2015 HK$'000
Auditors' remuneration	**1,416**	1,306
Depreciation	**2,233**	2,132
Equipment rental expenses	**5,284**	4,959
Loss on disposal of property and equipment	**–**	5
(Reversal of) /impairment loss on loan receivable *(note 18)*	**(1,440)**	1,440
Bad debt written off	**80**	–
Bad debt recovery	**(125)**	–

8 FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on borrowings – repayable on demand and within one year	**9,290**	4,789
Interest on borrowings – repayable more than one year but not more than two years	**713**	–
Interest on bonds issued – repayable in more than two years but not more than five years	**3,324**	3,072
	13,327	7,861

9 INCOME TAX

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

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

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

	2016 ***HK$'000***	2015 *HK$'000*
Current taxation – Hong Kong		
– Charge for current year	**5,891**	5,126
– Over provision in prior year	**(330)**	(140)
Current taxation – PRC		
– Charge for current year	**9,520**	5,172
– Under provision in prior year	**77**	460
	15,158	10,618
Deferred taxation		
– Hong Kong	**(637)**	742
	14,521	11,360

Reconciliation between tax expense and accounting profit at applicable domestic tax rates in each individual jurisdiction where the Company and its subsidiaries operate:

	2016 ***HK$'000***	2015 *HK$'000*
Profit before taxation	**64,027**	65,995
Statutory tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned	**10,564**	10,889
Tax effect of share of profits of associates and a joint venture	**(2,045)**	(3,245)
Tax effect of income not subject to taxation purposes	**(2,442)**	(4,971)
Tax effect of expenses not deductible for taxation purposes	**3,518**	4,897
Utilisation of previously unrecognised tax losses and other temporary differences	**(180)**	(867)
Tax losses for which no deferred income tax assets were recognised	**1,793**	3,039
Effect of higher tax rate enacted by PRC tax authority	**3,313**	1,298
Others	**–**	320
Income tax expenses	**14,521**	11,360

Notes to the Financial Statements

10 DIVIDENDS

The directors do not recommend the payment of the final dividend for the year ended 31st December 2016 (2015: nil).

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of HK$41,080,000 (2015: HK$40,586,000) and the number of 641,205,600 ordinary shares (2015: 641,205,600 ordinary shares) in issue during the year, calculated as follows:

(i) Earnings attributable to equity holders of the Company

	2016 ***HK$'000***	2015 *HK$'000*
Earnings for the year attributable to equity holders of the Company	**41,080**	40,586

(ii) Number of ordinary shares

	2016	2015
Issued ordinary shares at 1st January and at 31st December	**641,205,600**	641,205,600

(b) Diluted earnings per share

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

12 INTANGIBLE ASSETS

	Stock Exchange trading rights *HK$'000*	**Futures Exchange trading right** *HK$'000*	**Club membership** *HK$'000*	**Total** *HK$'000*
Cost and carrying amount				
At 1st January 2015, 31st December 2015 and 31st December 2016	913	406	120	1,439

13 PROPERTY AND EQUIPMENT

	Leasehold Improvements HK$'000	Furniture & fixtures HK$'000	Office & computer equipment and computer software HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1st January 2015	4,071	2,169	18,827	2,336	27,403
Additions	20	23	1,736	439	2,218
Disposals	–	(9)	(1,880)	(950)	(2,839)
Exchange difference	3	–	1	–	4
At 31st December 2015 and 1st January 2016	4,094	2,183	18,684	1,825	26,786
Additions	106	90	4,192	–	4,388
Disposals	–	(52)	(1,682)	–	(1,734)
Exchange difference	(8)	(1)	(1)	–	(10)
At 31st December 2016	4,192	2,220	21,193	1,825	29,430
Accumulated depreciation					
At 1st January 2015	4,071	2,053	14,329	1,960	22,413
Charge for the year	2	65	1,933	132	2,132
Disposals	–	(9)	(1,875)	(950)	(2,834)
Exchange difference	3	–	1	–	4
At 31st December 2015 and 1st January 2016	4,076	2,109	14,388	1,142	21,715
Charge for the year	29	51	1,921	232	2,233
Disposals	–	(52)	(1,682)	–	(1,734)
Exchange difference	(21)	7	7	–	(7)
At 31st December 2016	4,084	2,115	14,634	1,374	22,207
Net book value					
At 31st December 2016	108	105	6,559	451	7,223
At 31st December 2015	18	74	4,296	683	5,071

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 *HK$'000*	2015 *HK$'000*
Non-current:		
Unlisted equity investments:		
– equity securities	**1**	3,190
– private equity funds	**7,422**	6,684
Unlisted investment funds	**22,310**	–
Other unlisted investments	**26,023**	38,506
	55,756	48,380
Current:		
Listed debt investment:		
– debt securities with fixed interest	**282,255**	244,680
Unlisted equity investment:		
– an equity fund	**50,163**	38,818
– equity securities	**3,012**	–
Unlisted investment funds	**44,620**	–
	380,050	283,498
	435,806	331,878

The Group's non-current unlisted equity investments, non-current other unlisted investments and current unlisted equity securities 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 31st December 2016.

As at 31st December 2016, listed debt securities with fair value of HK$166,527,000 (31st December 2015: HK$162,755,000) out of the total HK$282,255,000 (2015: HK$244,680,000) were held by financial institutions under a securities sales agreement entered during the year (note 27(c)). As at 31st December 2016, the remaining listed debt securities with fair value of HK$115,728,000 (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 27(b).

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*
31st December 2016	11,738	–	211,109	59,408	282,255
31st December 2015	–	11,801	161,463	71,416	244,680

15 PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTEREST

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

Name of subsidiary	Place of incorporation	Principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
			2016	2015	**2016**	2015	**2016**	2015
					HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
CRC Fund	Cayman Islands	Hong Kong	**61.11%**	61.11%	**5,722**	12,704	**1,505**	54,646
Immaterial non-controlling interests of 福建海峽文化產業股權投資管理公司							**9,217**	7,020
							10,722	61,666

CRC Fund was set up in prior year with a fellow subsidiary of the Group where the Group's subsidiary is the general partner, limited partner and investment manager of CRC Fund. The Directors considered that the Group has control over CRC Fund on the basis as set out in note 4.5 to these consolidated financial statements.

15 PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTEREST *(continued)*

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

	2016 *HK$'000*	2015 *HK$'000*
CRC Fund		
Current assets		
– Financial assets designated at fair value through profit or loss	–	49,220
– Financial instruments held-for-trading	–	32,280
– Other current assets	**4,075**	10,538
	4,075	92,038
Current liabilities	**(1,612)**	(755)
Non-current liabilities	–	(1,865)
Total equity	**2,463**	89,418
Equity attributable to owners of the Company	**958**	34,772
Non-controlling interest	**1,505**	54,646

15 PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTEREST *(continued)*

	2016	2015
	HK$'000	*HK$'000*
Other income	**2,958**	7,119
Other gains		
– net loss from changes in fair value of financial instruments held-for-trading	**–**	(5,780)
– net gain from changes in fair value of financial assets at fair value through profit or loss	**–**	10,280
– net gain on disposal of financial assets designated at fair value through profit or loss	**4,920**	14,915
– net gain on disposal of financial instruments held-for-trading	**4,921**	–
Profit and total comprehensive income for the year	**9,363**	20,793
Profit and total comprehensive income attributable to non-controlling interest	**5,722**	8,089
Distribution to non-controlling interest	**58,863**	5,731
Net cash outflow from operating activities	**(4,665)**	(1,991)
Net cash inflow from investing activities	**23,469**	21,985
Net cash outflow from financing activities	**(24,026)**	(17,035)
Net cash inflow	**(5,222)**	2,959

16 INTERESTS IN ASSOCIATES AND A JOINT VENTURE

	2016 *HK$'000*	2015 *HK$'000*
Interests in associates	**292,693**	273,956
Interest in a joint venture	**19,949**	20,715
	312,642	294,671

(a) Interests in associates

	2016 *HK$'000*	2015 *HK$'000*
Share of net assets at 1st January	**273,956**	297,976
Capital injection in investment in associates	**6,320**	–
Share of profit for the year, net	**12,057**	18,221
Share of other comprehensive income for the year	**3,120**	(45,607)
Gain on share of increase in net assets arising from capital injection of new investors *(note 1)*	**–**	3,366
Dividend income from an associate	**(2,760)**	–
	18,737	(24,020)
Share of net assets at 31st December	**292,693**	273,956

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

(a) Interests in associates (*continued*)

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

Name	Particulars of issued shares held	Place of incorporation	Effective equity interest to the Group 2016	2015	Principal activities
Sino-Rock Investment Management Company Limited ("Sino-Rock") *(note 1)*	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 ("CPHL")	4,000,000 ordinary shares of HK$1 each	Cayman Islands	**40%**	40%	Fund management
Cinda Plunkett International Asia Absolute Return Fund ("CPIAAR Fund") *(note 2)*	100,000 units of US$100 each	Cayman Islands	**12.08%**	11.96%	Investment fund
Cinda Culture Investment Management Limited ("CCIM") *(note 3)*	100 ordinary shares of US$1 each	Cayman Islands	**49%**	49%	Asset management
信達海勝 (深圳) 基金管理有限公司	Registered capital of RMB3,000,000	PRC	**30%**	–	Private equity investment and fund management
Cinda International Investment Holdings Limited	6,000,000 Class-A shares	British Virgin Islands	**47%**	–	Investment holding

Notes:

1. In 2015, Sino-Rock issued additional new shares to 2 strategic investors. As a result, the Group's shareholding in Sino-Rock was diluted from 40% to 27.6%. The new injection of capital to Sino-Rock has resulted in a deemed disposal gain to the Group of HK$3,366,000, a release of HK$2,539,000 investment revaluation reserve to profit or loss and a release of HK$1,250,000 exchange difference to profit or loss on share dilution.

2. It is considered that the Group had significant influence over the CPIAAR Fund through the Group's significant influence over the investment manager of CPIAAR Fund who has wide discretion over the relevant activities of CPIAAR Fund. Note 4.6 provides more details about the management judgment.

3. CCIM was incorporated in 2015 with net liabilities value of HK$24,461 (2015: HK$33,193). No additional disclosure was considered meaningful from the perspective of directors.

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

(a) Interests in associates (*continued*)

Summarised consolidated financial information of associates

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

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

Sino-Rock

	2016 *HK$'000*	2015 *HK$'000*
Current assets		
– Financial assets at fair value through profit or loss	–	110,061
– Bank balances and cash	**343,636**	694,963
– Other current assets	**260,593**	154,115
	604,229	959,139
Non-current assets		
– Available-for-sale financial assets	**448,589**	233,524
– Other non-current assets	**78,432**	336,334
	527,021	569,858
Current liabilities	**(369,959)**	(797,391)
Non-current liabilities	**(33,150)**	(46,847)
Net assets	**728,141**	684,759

	2016 *HK$'000*	2015 *HK$'000*
Other income, gains and losses	**30,305**	94,276
Profit for the year	**42,081**	54,302
Other comprehensive income for the year	**11,306**	(106,751)
Total comprehensive income for the year	**53,387**	(52,449)
Group's effective interest on profit for the year	**11,614**	22,490
Group's effective interest on other comprehensive income for the year	**3,120**	(45,067)

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

(a) Interests in associates (*continued*)

Summarised consolidated financial information of associates *(continued)*

Sino-Rock *(continued)*

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

	2016 *HK$'000*	2015 *HK$'000*
Net assets of Sino-Rock	**728,141**	684,759
Proportion of the Group's ownership interest in Sino-Rock	**27.6%**	27.6%
Carrying amount of the Group's interest in Sino-Rock	**200,967**	188,993

CPIAAR Fund

	2016 *HK$'000*	2015 *HK$'000*
Current assets		
– Financial assets at fair value through profit or loss	**563,086**	547,457
– Bank balances and cash	**11**	4
– Other current assets	**312,921**	298,891
	876,018	846,352
Current liabilities		
– Other current liabilities	**(197,200)**	(159,404)
	(197,200)	(159,404)
Net assets	**678,818**	686,948
Capital contribution by new investors	**–**	234,807

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

(a) Interests in associates (*continued*)

Summarised consolidated financial information of associates *(continued)*

CPIAAR Fund *(continued)*

	2016 *HK$'000*	2015 *HK$'000*
Revenue, other gains and losses, net	**85,228**	(40,435)
Loss and total comprehensive income for the year	**(8,310)**	(58,003)
Group's share of loss for the year	**(156)**	(6,505)

	2016 *HK$'000*	2015 *HK$'000*
Net assets of CPIAAR Fund	**678,833**	686,948
Proportion of the Group's ownership interest in CPIAAR Fund	**12.08%**	11.96%
Carrying amount of the Group's interest in CPIAAR Fund	**82,003**	82,159

CPHL

The Group recognised a profit of HK$1,227,000 (31st December 2015: HK$2,236,000) from the interest in CPHL for the year ended 31st December 2016.

信達海勝(深圳)基金管理有限公司

The Group recognised a loss of HK$628,000 (31st December 2015: nil) from the interest in 信達海勝(深圳)基金管理有限公司 for the year ended 31st December 2016.

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

(b) Interest in a joint venture

	2016	2015
	HK$'000	*HK$'000*
Share of net assets at 1st January	**20,715**	20,254
Share of profit for the year	**338**	1,449
Share of other comprehensive income for the year	**68**	180
Translation difference	**(1,172)**	(1,168)
	(766)	461
Share of net assets at 31st December	**19,949**	20,715

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

Name	**Particulars of share capital held**	**Country of establishment**	**Effective equity interest to the Group**		**Principal activity**
			31st December 2016	31st December 2015	
JianXinJinYuan (Xiamen) Equity Investment Management Limited ("JXJY")	RMB17,500,000 of registered capital	PRC	**35%**	35%	Private equity investment and fund management

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

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

Summarised financial information of a joint venture

Summarised financial information in respect of the Group's material joint venture is set out below. The joint venture has a reporting date of 31st December and is accounted for using the equity method in these consolidated financial statements.

	2016 ***HK\$'000***	2015 *HK\$'000*
Non-current assets	**35,125**	28,278
Current assets	**25,184**	35,643
Current liabilities	**(3,307)**	(4,734)
Net assets	**57,002**	59,187

	2016 ***HK\$'000***	2015 *HK\$'000*
Revenue	**6,695**	5,462
Profit for the year	**968**	4,139
Other comprehensive income for the year	**194**	514
Total comprehensive income for the year	**1,162**	4,653
Group's effective interest on profit for the year	**338**	1,449
Group's effective interest on total comprehensive income for the year	**406**	1,629

17 OTHER ASSETS

	2016 *HK$'000*	2015 *HK$'000*
Stock Exchange stamp duty deposit	**250**	500
Stock Exchange Fidelity Fund deposit	**100**	100
Stock Exchange Compensation Fund deposit	**100**	100
Guarantee Fund deposits with the Hong Kong Securities Clearing Company Limited	**2,056**	100
Clearing link deposits with Hong Kong Securities Clearing Company Limited	**249**	248
Statutory deposits and deposits with the Hong Kong Futures Exchange Limited ("HKFE")	**1,643**	1,560
Reserve fund deposit with the SEHK Options Clearing House Limited ("SEOCH")	**1,678**	1,592
Rental deposits	**4,795**	22
Others	**103**	3,765
	10,974	7,987

18 LOANS RECEIVABLE

As at 31st December 2016, the Group continued to have advanced a loan of HK$29,115,000 (31st December 2015: HK$30,832,000) to an independent third party with minimum guaranteed return of 20%, and the amount was fully settled in January 2017.

As at 31st December 2016, the Group have advanced an unsecured, non-interest bearing loan of HK$48,000,000 (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.

During the year, the directors of the Company reviewed the recoverability of the outstanding loans receivable. A reversal of impairment provision of HK$1,440,000 was made based on the Group's evaluation on collectability.

19 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation payable

	2016 *HK$'000*	2015 *HK$'000*
Provision for		
Hong Kong Profits Tax for the year	**3,126**	4,110
PRC Corporate Income Tax for the year	**4,660**	4,824
	7,786	8,934

(b) Deferred income tax

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

	Unrealised gain on investments *HK$'000*	**Accelerated tax depreciation** *HK$'000*	**Tax losses** *HK$'000*	**Total** *HK$'000*
At 1st January 2015	1,122	2,807	(2,807)	1,122
Charged/(credited) to consolidated statement of profit or loss	743	265	(265)	743
At 31st December 2015 and 1 January 2016	1,865	3,072	(3,072)	1,865
Charged/(credited) to consolidated statement of profit or loss	(637)	(2,635)	2,635	(637)
At 31st December 2016	1,228	437	(437)	1,228

The Group has unrecognised tax losses and temporary differences arising from depreciation of property and equipment in excess of related depreciation allowances as at 31st December 2016 of HK$101,350,000 (2015: HK$91,652,000) and HK$72,000 (2015: HK$76,000) respectively. These tax losses have no expiry date.

No deferred tax asset is recognised as the directors consider that it is not probable that future assessable profit will be available to utilise the recognised deferred tax assets.

20 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 *HK$'000*	2015 *HK$'000*
Debt securities *(note (a))*	–	65,280
Convertible bond *(note (b))*	**85,443**	–
	85,443	65,280

Notes:

(a) The debt securities represented a secured note, together with warrants disclosed in note 21, 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 year, the secured note was expired and redeemed at a consideration of HK$70,200,000 with a realized gain of HK$4,920,000 recognised.

(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 bond of HK$85,443,000 as at 31st December 2016 was estimated by an independent professional valuer.

21 FINANCIAL INSTRUMENTS HELD-FOR-TRADING

	2016 *HK$'000*	2015 *HK$'000*
Derivatives–warrants *(note (a))*	–	16,220
Listed equity securities	**36,360**	–
	36,360	16,220

Note:

(a) 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 20. During the year, the warrants were expired and redeemed with realized gain of HK$4,291,000.

22 TRADE AND OTHER RECEIVABLES

	2016 *HK$'000*	2015 *HK$'000*
Trade receivables from clients arising from		
– corporate finance	**3,679**	2,539
– securities broking	**59,103**	42,003
Margin and other trade related deposits with brokers and financial institutions arising from *(note (d))*		
– commodities and futures broking	**27,604**	28,195
– securities broking	**7,862**	796
Margin loans arising from securities broking *(note (e))*	**450,506**	112,455
Trade receivables from clearing houses arising from securities broking	**42,663**	23,519
Less: Impairment allowance for trade receivable arising from corporate finance *(note (c))*	**(500)**	(500)
Total trade receivables *(notes (a) and (b))*	**590,917**	209,007
Deposits	**536**	5,213
Prepayments and other receivables *(note (f))*	**47,755**	81,910
Less: Impairment allowance for other receivables *(note (c))*	**(82)**	(82)
Total trade and other receivables	**639,126**	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.

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 institutions are at specific agreed terms. The settlement terms of trade receivables from corporate finance clients are usually 30 days from the date of invoice.

The margin clients of the 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.

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.

22 TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(b) As at 31st December 2016, the aging analysis of trade receivables arising from corporate finance based on the date of invoice of the reporting date was as follows:

	2016	2015
	HK$'000	*HK$'000*
Current	**–**	30
30–60 days	**430**	1,113
Over 60 days	**3,249**	1,396
	3,679	2,539

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

	2016	2015
	HK$'000	*HK$'000*
At 1st January	**582**	582
Provision of impairment loss	**–**	–
At 31st December	**582**	582

Other than the above, the Group's trade and other receivables (excluding margin clients) included overdue balances of HK$6,128,865 (31st December 2015: HK$4,634,623). The majority of these overdue balances were past due within 60 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.

(d) The Group executes client trades on overseas securities, commodities and futures contracts with local or overseas brokers as appropriate. Trade receivables at 31st December 2016 and 2015 comprised securities, commodities and futures broking with brokers and are current in nature.

(e) The margin clients of the securities broking business are required to pledge their shares to the Group for credit facilities for securities trading. The amount of credit facilities granted to them is determined by the discounted value of shares acceptable by the Group after making reference in industry practices. As at 31st December 2016, the fair value of shares accepted as collateral amounted to HK$3,381,380,215 (2015: HK$434,404,770) and the fair value of the majority of client's listed securities is higher than the carrying amount of those individual loans to margin client. Special approvals from the Group were granted to those clients whose fair values of collaterals were less than the carrying amount of their individual loans by considering their historical repayment records, credit quality of those margin clients and other factors affecting the market prices of collaterals. Credit risks from those margin clients were therefore considered minimal.

The Group is allowed to use client's securities up to the amount of 140% of the loans to margin clients as collateral of the Group's bank facilities (with client's consent). However, no securities held as collateral have been repledged to secure the Group's bank facilities for the year ended 31st December 2016 and 31st December 2015.

(f) Other receivables for the Group included 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.

(g) The Group maintains designated accounts with the SEOCH and HKFE Clearing Corporation Limited ("HKFECC") as a result of its normal business transactions. At 31st December 2016, the designated accounts with SEOCH and HKFECC not otherwise dealt with in these accounts amounted to HK$3,923,011 (2015: HK$5,165,381) and HK$8,025,761 (2015: HK$9,300,416) respectively.

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

(i) The effective interest rate charged on trade receivables from clients arising from securities broking subsequent to settlement date and margin loans ranged from 8% to 13% per annum (2015: 8% to 13%). The effective interest rate for margins and other trade related deposits is 0.01% per annum (2015: 0.01%).

23 PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	2016 *HK$'000*	2015 *HK$'000*
Cash in hand	**20**	20
Bank balances		
– pledged deposits	**15,084**	15,074
– general accounts	**181,550**	208,658
	196,654	223,752
By maturity		
Bank balances		
– current and savings accounts	**177,550**	205,658
– fixed deposits (maturing within three months)	**19,084**	15,074
– fixed deposits (maturing over three months)	**–**	3,000
	196,634	223,732

As at 31st December 2016, bank deposits amounting to HK$15,084,000 (31st December 2015: HK$15,074,000) which included principal of HK$15,000,000 (31st December 2015: HK$15,000,000) plus accrued interest that have been pledged to banks as security for the provision of securities broking facilities for a total amount of HK$170,000,000 (31st December 2015: HK$170,000,000).

Certain subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. As at 31st December 2016, segregated trust accounts not dealt with in these consolidated financial statements amounted to HK$635,351,640 (2015: HK$638,094,633).

As at 31st December 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

	2016 *HK$'000*	2015 *HK$'000*
Analysis of balances of cash and cash equivalents		
Cash in hand and at bank (exclude pledged bank deposits)	**181,570**	208,678
Less: Fixed deposits (with original maturing over three months)	**–**	(3,000)
Cash and cash equivalents at the end of the year	**181,570**	205,678

24 SHARE CAPITAL

	2016 Number of shares	2016 Amount HK$'000	2015 Number of shares	2015 Amount HK$'000
Authorized share capital				
Ordinary shares	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid				
Ordinary shares				
At 1st January	**641,205,600**	**64,121**	641,205,600	64,121
At 31st December	**641,205,600**	**64,121**	641,205,600	64,121

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

Capital management

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

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

24 SHARE CAPITAL *(continued)*

Capital management (*continued*)

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose, the Group defines net debt as total debt (which includes interest-bearing borrowings and bonds issued, trade and other payables), less cash and cash equivalents. Adjusted capital comprises all components of equity, less unaccrued proposed dividends.

Further, the Group strived to maintain highly liquid assets to prepare for any unexpected sudden changes in the market. As at the end of the reporting period, the current ratio was 163% (2015: 183%).

The net debt-to-adjusted capital ratios at 31st December 2016 and 2015 are as follows:

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
Current liabilities:			
Trade and other payables	26	**237,272**	193,805
Borrowings	27	**622,613**	280,672
		859,885	474,477
Non-current liabilities:			
Bonds issued	28	**86,000**	76,000
Borrowings		**24,541**	–
Total debt		**970,426**	550,477
Less: Cash and cash equivalents	23	**(196,654)**	(205,678)
Adjusted net debt		**773,772**	344,799
Total equity and adjusted capital		**764,825**	758,462
Adjusted net debt-to-capital ratio		**101.17%**	45.46%

25 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Intangible assets		**120**	120
Available-for-sale financial assets		**26,023**	41,695
Investments in subsidiaries		**323,081**	265,305
Investment in an associate		**78,000**	78,000
Loan receivable		**–**	30,832
		427,224	415,952
Current assets			
Loan receivable		**29,115**	–
Other receivables		**16,221**	44,309
Available-for-sale financial assets		**335,430**	283,498
Financial instruments held-for-trading		**36,360**	–
Amounts due from subsidiaries		**531,046**	333,254
Bank balances		**10,321**	17,663
		958,493	678,724
Current liabilities			
Other payables		**97,525**	10,909
Borrowings		**491,458**	280,672
Amounts due to subsidiaries		**155,537**	174,473
		744,520	466,054
Net current assets		**213,973**	212,670
Total assets less current liabilities		**641,197**	628,622
Capital and reserves			
Share capital		**64,121**	64,121
Other reserves		**527,024**	509,134
Accumulated loss		**(35,948)**	(20,633)
TOTAL EQUITY		**555,197**	552,622
Non-current liabilities			
Bonds issued		**86,000**	76,000
		641,197	628,622

Gong Zhijian
Executive Director

Lau Mun Chung
Executive Director

25 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Reserves

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

	The Company					
	Share premium *HK$'000*	**Capital reserve** *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Contributed surplus** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1st January 2015	421,419	22,468	(1,007)	53,023	(21,417)	474,486
Profit for the year	–	–	–	–	784	784
Other comprehensive income	–	–	13,231	–	–	13,231
Total comprehensive income for the year	–	–	13,231	–	784	14,015
At 31st December 2015	421,419	22,468	12,224	53,023	(20,633)	488,501
Loss for the year	–	–	–	–	(15,315)	(15,315)
Other comprehensive income	–	–	17,890	–	–	17,890
Total comprehensive income for the year	–	–	17,890	–	(15,315)	2,575
At 31st December 2016	**421,419**	**22,468**	**30,114**	**53,023**	**(35,948)**	**491,076**

Notes:

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

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

26 TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables to margin clients arising from securities broking	**14,349**	26,383
Trade payables to securities trading clients arising from securities broking	**58,677**	65,630
Margin and other deposits payable to clients arising from commodity and futures broking	**27,505**	28,172
Trade payables to brokers arising from securities broking	**6,690**	1,793
Trade payables to clearing houses arising from securities broking	**408**	4,669
Total trade payables	**107,629**	126,647
Accruals and other payables	**129,643**	67,158
Total trade and other payables	**237,272**	193,805

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

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

27 BORROWINGS

	2016 HK$'000	2015 HK$'000
Non-current		
Bank loan *(note (a))*	**24,541**	–
Current		
Bank loan *(note (a))*	**497,000**	106,000
Margin loan from a broker *(note (b))*	**13,058**	73,272
Borrowing under a securities sales agreement *(note (c))*	**101,400**	101,400
Amount due to a fellow subsidiary *(note (d))*	**11,155**	–
	622,613	280,672
	647,154	280,672

27 BORROWINGS *(continued)*

(a) At 31st December 2016, the bank loan was repayable and carried interest with reference to HIBOR as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Within one year	**497,000**	106,000
More than one year	**24,541**	–
	521,541	106,000

At 31st December 2016, bank loans of HK$401,541,000 (31st December 2015: HK$106,000,000) was drawn under the aggregated banking facilities of HK$1,010,000,000 (31st December 2015: HK$306,000,000). An intermediate holding company of the Company ("the Guarantor") provided a corporate guarantee to support these banking facilities of HK$510,000,000 (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$420,000,000 (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 31st December 2015 and 2016, the Group has not drawn any balance from these banking facilities.

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

(b) At 31st December 2016, the margin loan from a broker was secured by the Group's debt securities of HK$115,728,000 (31st December 2015: HK$81,925,000), with no determined maturity and carried interest with reference to LIBOR.

(c) In 2015, the Group entered into a securities sale agreement 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 new maturity in April 2017. As at 31st December 2016, the borrowing under securities sale agreement was collateralised by the Group's debt securities of HK$166,527,000 (31st December 2015: HK$162,755,000).

	2016 ***HK$'000***	2015 *HK$'000*
Within one year	**101,400**	101,400

(d) Amount due to a fellow subsidiary is unsecured, interest bearing at a fixed rate per annum and repayable within one year.

28 BOND ISSUED

Bonds issued represented a number of fixed rate 5-year coupon bonds at fixed interest 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:

	2016 *HK$'000*	2015 *HK$'000*
In more than one year 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.

29 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, the third party investors can redeem the invested units for cash after the end of commitment period. As of 31 December 2016, the redeemable units held by third party investors were classified as a financial liability in the consolidated statement of financial position, with changes in fair value recognized in consolidated statement of profit or loss.

30 DEFINED CONTRIBUTION PLANS – MPF SCHEME

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

	2016 *HK$'000*	2015 *HK$'000*
Employer's contributions charged to consolidated statement of profit or loss	**2,061**	1,593

31 DIRECTORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation.

The remuneration of the directors for the year ended 31st December 2016 is set out below:

Name of Director	Fee *HK$'000*	Basic salaries *HK$'000*	Housing allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Employer's contribution to pension scheme *(note)* *HK$'000*	Total *HK$'000*
Executive Directors						
Zhao Hongwei[1]	275	1,973	352	–	12	2,612
Gong Zhijian	240	1,416	384	–	12	2,052
Lau Mun Chung	240	2,160	–	1,080	18	3,498
Non-executive Director						
Chow Kwok Wai	240	–	–	–	–	240
Independent Non-executive Directors						
Wang Tongsan[2]	–	–	–	–	–	–
Chen Gongmeng[2]	140	–	–	–	–	140
Hung Muk Ming	240	–	–	–	–	240
Xia Zhidong[3]	103	–	–	–	–	103
Liu Xiaofeng[3]	103	–	–	–	–	103
	1,581	5,549	736	1,080	42	8,988

1 Resigned effective from 29th November 2016
2 Resigned effective from 28th July 2016
3 Appointed effective from 28th July 2016

Note: The evaluation of the performance of certain Executive Directors has not yet been finalised and the discretionary bonuses payable are not finalised and the final amount will be disclosed in due course. The discretionary bonus of certain executive directors are payable by instalments.

Notes to the Financial Statements

31 DIRECTORS' EMOLUMENTS *(continued)*

The remuneration of the directors for the year ended 31st December 2015 is set out below:

Name of Director	Fee	Basic salaries	Housing allowances and benefits in kind	Discretionary bonuses	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(restated)		(restated)
Executive Directors						
Chen Xiaozhou[1]	15	–	–	–	–	15
Zhao Hongwei	300	2,016	384	828	18	3,546
Gong Zhijian	240	1,416	384	1,151	18	3,209
Lau Mun Chung	240	1,610	–	780	18	2,648
Non-executive Director						
Chow Kwok Wai	240	–	–	–	–	240
Independent Non-executive Directors						
Wang Tongsan	240	–	–	–	–	240
Chen Gongmeng	240	–	–	–	–	240
Hung Muk Ming	240	–	–	–	–	240
	1,755	5,042	768	2,759	54	10,378

1 Resigned effective from 19th January 2015

Note: The evaluation of the performance of the Executive Directors for the year ended 31st December 2015 was finalised in 2016 and the amount was restated accordingly. The discretionary bonus of certain executive directors are payable by instalments.

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

(a) Key management personnel's emoluments

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

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

	Group	
	2016	2015
	HK$'000	*HK$'000*
		(restated)
Basic salaries, discretionary bonuses, housing allowances and benefits in kind	**19,158**	20,192
Defined contribution plans	**105**	143
	19,263	20,335

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

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

	Number of individuals	
	2016	2015
		(restated)
Emolument bands		
HK$nil–HK$1,000,000	**9**	6
HK$1,000,001–HK$1,500,000	**1**	1
HK$1,500,001–HK$2,000,000	**–**	2
HK$2,000,001–HK$2,500,000	**2**	1
HK$2,500,001–HK$3,000,000	**2**	1
HK$3,000,001–HK$3,500,000	**2**	2
HK$3,500,001–HK$4,000,000	**–**	1
	16	14

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two directors (2015: three) whose emoluments are reflected in note 31. The emoluments payable to the remaining three (2015: two) individuals during the year are as follows:

	2016 ***HK$'000***	2015 *HK$'000* (restated)
Basic salaries, discretionary bonuses, housing allowances and benefits in kind	**10,054**	5,961
Defined contribution plans	**54**	36
	10,108	5,997

The emoluments of the remaining three (2015: two) individuals fell within the following bands:

	Number of individuals	
	2016	2015 (restated)
Emolument bands		
HK$nil–HK$1,000,000	**–**	–
HK$1,000,001–HK$1,500,000	**–**	–
HK$1,500,001–HK$2,000,000	**–**	–
HK$2,000,001–HK$2,500,000	**–**	–
HK$2,500,001–HK$3,000,000	**1**	1
HK$3,000,001–HK$3,500,000	**1**	1
HK$3,500,001–HK$4,000,000	**–**	–
HK$4,000,001–HK$4,500,000	**1**	–
	3	2

33 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

During the years ended 31st December 2016 and 2015, no share options were granted.

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before taxation to net cash inflow from operating activities:

	2016 *HK$'000*	2015 *HK$'000*
Profit before taxation	**64,027**	65,995
Depreciation	**2,233**	2,132
Fair value (gain)/loss, net:		
– Financial instruments classified as held-for-trading	**(5,760)**	5,780
– Financial instruments designated as fair value through profit or loss	**(7,443)**	(10,280)
– Financial liabilities at fair value through profit or loss	**6,225**	–
Net gains on disposal of financial instruments held-for-trading	**(4,512)**	(14,441)
Net (gains)/losses on disposal of available-for-sales financial assets	**(1,145)**	811
Net gains on disposal of financial assets designated at fair value through profit or loss	**(4,920)**	–
Interest expenses	**13,327**	7,861
Interest income from debt securities	**(16,302)**	(21,841)
Share of profits of associates and a joint venture	**(12,395)**	(19,670)
Deemed gain on share dilution in an associate	**–**	(2,077)
Loss on disposal of property and equipment	**–**	5
Impairment loss recognised	**–**	1,440
Reversal of impairment loss recognised on loans receivable	**(1,440)**	–
Bad debt recovery	**(125)**	–
Increase in pledged deposits	**(10)**	(12)
Operating profit before working capital changes	**31,760**	15,703
(Increase)/decrease in other assets	**(2,987)**	2,711
Decrease in loan receivable	**–**	70,000
(Increase)/decrease in trade and other receivables	**(334,169)**	99,006
Increase/(decrease) in trade and other payables	**43,185**	(121,946)
Cash (outflow)/inflow from operations	**(262,211)**	65,474
Hong Kong profits tax paid	**(6,545)**	(1,799)
Overseas profits tax paid	**(9,258)**	(272)
Net cash (outflow)/inflow from operating activities	**(278,014)**	63,403

35 CONTINGENT LIABILITIES

35.1 Outstanding litigation cases

A company named Hantec Investment Limited (the "plaintiff") 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 this outstanding litigation case 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.

35.2 Financial guarantees issued

As at 31st December 2016, 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$420 million (31st December 2015: HK$320 million). In addition, the Company has issued corporate guarantees for a total principal amount of HK$420 million (31st December 2015: HK$320 million) for these facilities. As at 31st December 2016, bank loan of HK$120 million (31st December 2015: nil) was drawn under the banking facilities.

36 LEASE AND CAPITAL COMMITMENTS

(a) Lease commitments

At 31st December 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

Land and buildings

	2016 *HK$'000*	2015 *HK$'000*
Within one year	**17,054**	7,607
After one year but within five years	**24,338**	209
	41,392	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.

36 LEASE AND CAPITAL COMMITMENTS *(continued)*

(b) Capital commitments

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

	2016	2015
	HK$'000	*HK$'000*
Contracted but not provided for	**132**	530

37 FINANCIAL RISK MANAGEMENT

37.1 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 its 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.

37 FINANCIAL RISK MANAGEMENT *(continued)*

37.1 Financial risk factors (*continued*)

(a) Market risk *(continued)*

Foreign exchange risk *(continued)*

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

	Japanese Yen *HK$'000*	**United States Dollars** *HK$'000*	**Renminbi** *HK$'000*	**Others** *HK$'000*
At 31st December 2016				
Loans receivable, trade and other receivables	**1**	**85,455**	**38,627**	**–**
Available-for-sale financial assets	**–**	**282,255**	**3,012**	**–**
Financial assets designated at fair value through profit or loss	**–**	**85,443**	**–**	**–**
Cash and cash equivalents	**–**	**26,294**	**8,639**	**19**
Trade and other payables	**–**	**(198,711)**	**(374)**	**–**
Financial liabilities at fair value through profit or loss	**–**	**(58,517)**	**–**	**–**
Net exposure arising from recognised net assets	**1**	**222,219**	**49,904**	**19**

	Japanese Yen *HK$'000*	United States Dollars *HK$'000*	Renminbi *HK$'000*	Others *HK$'000*
At 31st December 2015				
Loans receivable, trade and other receivables	146	69,142	43,879	–
Available-for-sale financial assets	–	244,680	–	–
Financial assets designated at fair value through profit or loss	–	65,280	–	–
Financial instruments held-for-trading	–	16,220	–	–
Cash and cash equivalents	–	24,382	14,063	19
Trade and other payables	(17)	(180,940)	(2,191)	–
Net exposure arising from recognised net assets	129	238,764	55,751	19

37 FINANCIAL RISK MANAGEMENT *(continued)*

37.1 Financial risk factors (*continued*)

(a) Market risk *(continued)*

Sensitivity analysis

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

	2016 Appreciation/ depreciation of foreign currencies	**2016** Effect on profit before tax *HK$'000*	2015 Appreciation/ depreciation of foreign currencies	2015 Effect on profit before tax *HK$'000*
RMB	**+ 10%**	**4,990**	+ 10%	5,575
	– 10%	**(4,990)**	– 10%	(5,575)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for monetary assets and liabilities in existence at that date, and that all other variables, in particular interest rates, remain constant. Effects of changes in foreign exchange rates on certain non-monetary financial assets are included in equity price risk.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies. Accordingly, no sensitivity analysis has been prepared.

Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit before tax measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2015.

37 FINANCIAL RISK MANAGEMENT *(continued)*

37.1 Financial risk factors (*continued*)

(a) Market risk *(continued)*

Equity price risk

At 31st December 2016 and 2015, the Group was exposed to equity price changes arising from (i) listed equity securities classified as financial instruments held-for-trading (note 21), (ii) unlisted equity fund classified as available-for-sale financial assets (note 14), (iii) convertible bond classified as financial assets designated at fair value through profit or loss (note 20) and (iv) warrants classified as financial instruments held-for-trading (note 21).

At 31st December 2016, it was estimated that an increase/(decrease) of 10% in the relevant stock price, with all other variables held constant, would have increased/decreased the Group's profit before tax as follows:

	Increase/ (decrease)	**2016 Effect on profit before tax** *HK$'000*	2015 Effect on profit before tax *HK$'000*
Listed equity securities classified as financial instruments held-for-trading	10%	**3,636**	–
	(10%)	**(3,636)**	–
Unlisted equity funds classified as available-for-sale financial assets	10%	**5,016**	2,605
	(10%)	**(5,016)**	(2,605)
Convertible bond classified as financial assets designated at fair value through profit or loss	10%	**7,860**	–
	(10%)	**(7,860)**	–
Warrants classified as financial instruments held-for-trading	10%	**–**	2,767
	(10%)	**–**	(2,767)
Financial liabilities at fair value through profit or loss	10%	**(5,502)**	–
	(10%)	**5,502**	–

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

37 FINANCIAL RISK MANAGEMENT *(continued)*

37.1 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.

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

	2016		2015	
	Effective interest rate	***HK$'000***	Effective interest rate	*HK$'000*
Assets				
Bank balances	**0.01%**	**95,826**	0.01%	128,796
Margin finance loans	**8%**	**450,506**	8%	112,455
		546,332		241,251
Liability				
Bank loans	**2.44%**	**(497,000)**	2.68%	(106,000)
Margin loan from a broker	**1.52%**	**(13,058)**	1.52%	(73,272)
Borrowing under a securities sale agreement	–	–	1.779%	(101,400)
		36,274		(39,421)
Sensitivity analysis				
Assume interest rate increased by		**0.25%**		0.25%
Profit before tax (decreased)/ increased by		**91**		(99)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 25 basis points increase (2015: 25 basis points increase) represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

37 FINANCIAL RISK MANAGEMENT *(continued)*

37.1 Financial risk factors (*continued*)

(a) Market risk *(continued)*

Interest rate risk *(continued)*

Fair value interest rate risk

At 31st December 2016 and 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 14) and financial assets designated as fair value through profit or loss (note 20). 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.

The sensitivity analysis of the Group's fair value interest rate risk arising from financial assets designated at fair value through profit or loss is included in the note 37.2(a).

A sensitivity analysis of the Group's fair value interest rate risk arising from the debt securities classified as available-for-sale financial assets is as follows:

Change in market interest rate	**2016** **Effect on equity** ***HK$'000***	2015 Effect on equity *HK$'000*
Increase by 25 basis points	**(3,737)**	(4,058)
Decrease by 25 basis points	**3,886**	4,234

(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 is exposed to the concentration of credit risk from two (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.

37 FINANCIAL RISK MANAGEMENT *(continued)*

37.1 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 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. As at 31st December 2016 and 2015, such risks are mitigated by the listed securities and convertible bonds held by the Group as collateral which are subject to periodic review. The fair value of the listed securities was determined by reference to the quoted price of the shares as at 31st December 2016 and 2015, and the fair value of the convertible bonds was estimated by an independent firm of professional valuer. As at 31st December 2016 and 2015, the combined fair value of the listed securities and convertible bonds exceeded the carrying amount of the fair value through profit or loss debt securities.

Part of 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 31st December 2016, over 50% (2015: over 79%) of the debt securities invested by the Company are B+ or above, 47% (31st December 2015: 21%) of the debt securities invested by the Company are B. 3% of the debt securities are non-rated as at 31st December 2016 (31st December 2015: Nil). 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.

The Group has maintained relationship with various financial institutions, and has policies that limit the amount of credit exposure to any financial institution. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

37 FINANCIAL RISK MANAGEMENT *(continued)*

37.1 Financial risk factors (*continued*)

(c) Liquidity risk

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

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

	Weighted average effective interest rate	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 1 year or on demand *HK$'000*	Between 1 to 2 years *HK$'000*	Between 2 to 5 years *HK$'000*
At 31st December 2016						
Trade and other payables	**N/A**	**237,272**	**237,272**	**237,272**	**–**	**–**
Margin loan from a broker	**1.52%**	**13,058**	**13,080**	**13,080**	**–**	**–**
Borrowing under a securities sale agreement	**2.2431%**	**101,400**	**102,570**	**102,570**	**–**	**–**
Bank loan	**2.44%**	**521,541**	**522,815**	**522,815**	**–**	**–**
Borrowings from a fellow subsidiary	**6%**	**11,155**	**11,824**	**11,824**	**–**	**–**
Bonds issued	**4%**	**86,000**	**94,563**	**3,440**	**37,140**	**53,983**
Financial liabilities at fair value through profit or loss	**8%**	**58,517**	**63,198**	**–**	**–**	**63,198**
		1,028,943	**1,045,322**	**891,001**	**37,140**	**117,181**
At 31st December 2015						
Trade and other payables	N/A	193,805	193,805	193,805	–	–
Margin loan from a broker	1.52%	73,272	73,272	73,272	–	–
Borrowing under a securities sale agreement	1.779%	101,400	101,400	101,400	–	–
Bank loan	2.68%	106,000	106,148	106,148	–	–
Bonds issued	4%	76,000	85,926	3,040	3,040	79,846
		550,477	560,551	477,665	3,040	79,846

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.

37 FINANCIAL RISK MANAGEMENT *(continued)*

37.2 Fair values measurement of financial instruments

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurement are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

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

Financial instruments	**Fair value as at 31 December 2016** ***HK$'000***	Fair value as at 31 December 2015 *HK$'000*	Fair value hierarchy	Valuation technique(s) key input(s)
(a) Financial assets designated at fair value through profit or loss				
Convertible bonds	**85,443**	–	Level 3	Note (a)
Debt securities	**–**	65,280	Level 3	Note (b)
(b) Financial instruments held-for trading				
Derivatives – warrants	**–**	16,220	Level 3	Note (c)
Listed equity securities	**36,360**	–	Level 1	Quoted prices in an active market
(c) Available-for-sale financial assets				
Debt securities	**282,255**	244,680	Level 1	Quoted prices in active market
Equity fund	**50,163**	38,818	Level 2	Adjusted NAV of equity fund
Unlisted investment funds	**66,930**	–	Level 2	Adjusted NAV of investment fund
(d) Financial liabilities at fair value through profit or loss	**58,517**	–	Level 3	Note (a)

37 FINANCIAL RISK MANAGEMENT *(continued)*

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

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

Notes:

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

The fair value of the convertible bonds 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 7.199% 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 44.054% 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 2.5% higher/lower while all the other variables were held constant, the carrying amount of the convertible bond would decrease by HK$1,228,394/increase by HK$1,176,015. 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$1,217,648/decrease by HK$1,195,180.

Financial liabilities at fair value through profit or loss

The financial liabilities at fair value through profit or loss represents redeemable units held by third party investors on an investment fund that was set up to hold the convertible bonds. The fair value of the financial liabilities changes as the fair value of the convertible bonds change.

If the discount rate to the valuation model were 2.5% higher/lower while all other variable were held constant, the carrying amount of the convertible bond would decrease by HK$859,876/increase by HK$823,210. 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$852,354/ decrease by HK$836,626.

(b) ***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 year.

(c) ***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 year.

37 FINANCIAL RISK MANAGEMENT *(continued)*

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

Reconciliation of Level 3 fair value measurements of financial instruments

	Convertible Bond *HK$'000*	Debt securities *HK$'000*	Warrants *HK$'000*	Financial liabilities at fair value through profit or loss *HK$'000*	Total *HK$'000*
At 1st January 2015	–	55,000	22,000	–	77,000
Unrealized gain recognized in profit or loss	–	10,280	(5,780)	–	4,500
At 31st December 2015	–	65,280	16,220	–	81,500
Capital contribution	–	–	–	(54,600)	(54,600)
Addition	78,000	–	–	–	78,000
Realized gain recognized in profit or loss	–	4,920	4,291	–	9,211
Unrealized gain/(loss) recognized in profit or loss	7,443	–	–	(6,225)	1,218
Disposal	–	–	(20,511)	–	(20,511)
Expiry	–	(70,200)	–	–	(70,200)
Distribution	–	–	–	2,308	2,308
At 31st December 2016	85,443	–	–	(58,517)	26,926

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.

38 RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

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

	2016 *HK$'000*	2015 *HK$'000*
Broking commission for securities dealing *(note (a))*	**292**	345
Service fee income *(note (b))*	**9,185**	9,462
Placing commission *(note (c))*	**10,258**	8,087
Fund management fee income *(note (d))*	**27,340**	16,850
Bank interest income *(note (e))*	**176**	–
Interest expenses *(note (f))*	**(153)**	–
Rental expenses *(note (g))*	**(378)**	–
Interest income *(note (h))*	**1,222**	–
Capital distribution to non-controlling interest *(note (i))*	**58,863**	5,731

(a) In 2016 and 2015, the Group received commission income from its directors and fellow subsidiaries for providing securities brokerage services. Out of which HK$282,769 (2015: HK$313,142) represented continuing connected transactions.

(b) In 2016 and 2015, the Group received service fee income from its associates and joint venture for providing administrative supporting and consulting services.

(c) In 2016, the Group received placing commission from its ultimate holding company for placing securities. In 2015, the Group received placing commission from its fellow subsidiary for placing securities. The total amount represented continuing connected transactions.

(d) During the current year, the Group received management fee income from its connected persons for providing asset management services. The total amount represented continuing connected transactions.

(e) During the current year, the Group received bank interest income from its fellow subsidiary.

(f) During the current year, the Group paid interest expenses to its fellow subsidiaries for obtaining short-term financing.

(g) During the current year, the Group paid rental expenses to its fellow subsidiaries for use of premises office.

(h) In 2016, the Group received interest income from the unlisted investment fund which were also owned by its fellow subsidiaries.

(i) During the current year, the Group distributed cash of HK$58,863,000 (2015: HK$5,731,000) from the CRC fund to the non-controlling interest, which is its fellow subsidiary.

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

(j) The Group is indirectly controlled by China Cinda Asset Management Co., Ltd. ("China Cinda"), which is indirectly controlled by the PRC government through the Ministry of Finance (the "MOF"). MOF is the major shareholder of China Cinda as at 31st December 2016 and 2015. For the current 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.

(k) Within the intragroup transactions of the Group during the current year is a management fee income of HK$364,067 (2015: HK$890,041) paid to a wholly-owned subsidiary of the Company by a fellow subsidiary of the Group as the non-controlling shareholder of CRC Fund. The total amount represented continuing connected transactions.

(l) Compensation of key management personnel are disclosed in note 32(a).

39 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31st December 2016 and 2015, the directors consider the immediate parent and ultimate controlling party of the Group to be Sinoday Limited and China Cinda Asset Management Co., Ltd., which are incorporated in the British Virgin Islands and the People's Republic of China respectively.

40 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.

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"), 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.

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

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

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position: Financial instruments held as collateral *(note 3)*	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st December 2016					
Financial assets by counterparty					
Trade receivables from:					
– Margin clients *(note 1)*	**536,925**	**(86,419)**	**450,506**	**(450,386)**	**120**
– Clearing houses *(note 2)*	**126,519**	**(83,856)**	**42,663**	**–**	**42,663**
Total	**663,444**	**(170,275)**	**493,169**	**(450,386)**	**42,783**
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
Total	280,167	(144,193)	135,974	(112,170)	23,804

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

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position	
				Financial instruments held as collateral *(note 3)*	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st December 2016					
Financial liabilities by counterparty					
Trade payables to:					
– Margin clients *(note 1)*	**(100,768)**	**86,419**	**(14,349)**	**–**	**(14,349)**
– Clearing houses *(note 2)*	**(84,264)**	**83,856**	**(408)**	**–**	**(408)**
Total	**(185,032)**	**170,275**	**(14,757)**	**–**	**(14,757)**
As at 31st December 2015					
Financial liabilities by counterparty					
Trade payables to:					
– Margin clients *(note 1)*	(78,484)	52,101	(26,383)	–	(26,383)
– Clearing houses *(note 2)*	(96,761)	92,092	(4,669)	–	(4,669)
Total	(175,245)	144,193	(31,052)	–	(31,052)

Notes:

1 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.

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

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

41 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

41 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

41 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases.The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

Five Year Financial Summary

FIVE YEAR FINANCIAL SUMMARY

Results	Year ended 31st December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) attributable to equity holders	**41,080**	40,586	28,230	68,254	10,502

Assets and liabilities	As at 31st December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**1,802,782**	1,319,738	1,326,620	982,867	782,489
Total liabilities	**(1,037,957)**	(561,276)	(583,140)	(301,211)	(225,770)
Total equity	**764,825**	758,462	743,480	681,656	556,719

Notes:

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

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