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

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

2017
Interim 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

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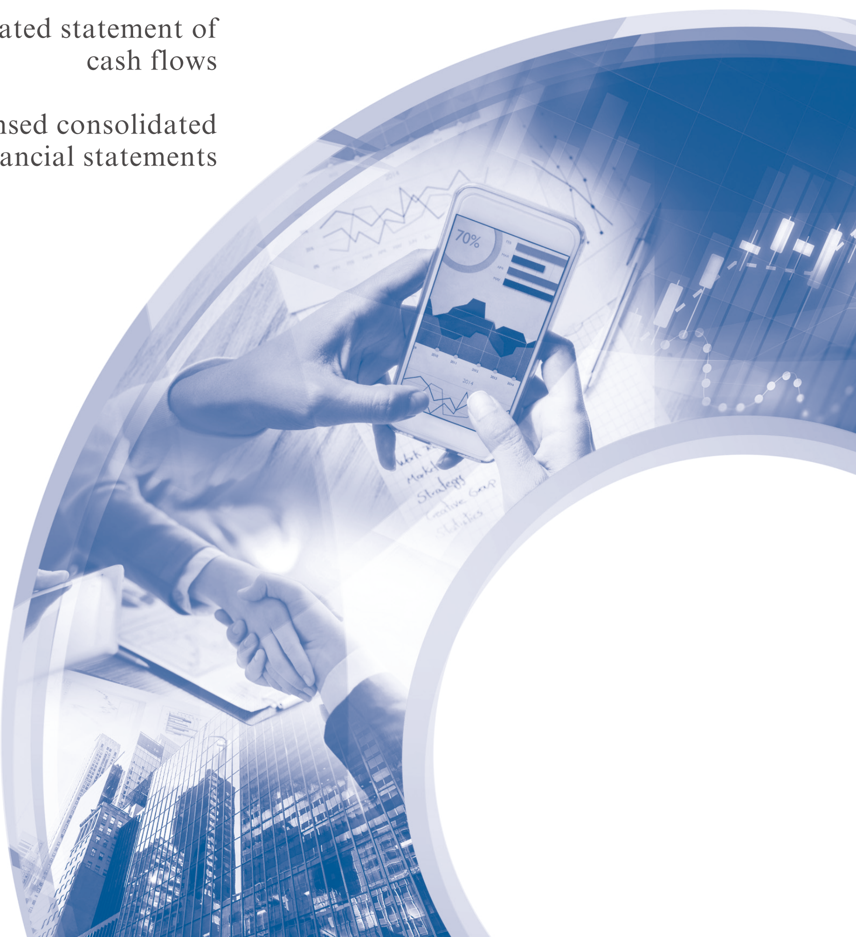

Management Discussion and Analysis

MARKET CONDITIONS

The global financial market generally rallied in the first half of 2017. The market expected certain financial policies such as tax reduction to be launched upon the inauguration of the new American President to stimulate the economy. The three major indices of US stocks attained new highs, among which the growth of Dow Jones Index in the first half of the year was 7.3%. As anticipated in the market, the Federal Reserve announced rate hikes for two times for a total of 50 basis points in the first half of the year, and expressed that it would maintain the rate hikes with a step-by-step pace. Meanwhile, it was announced that the balance sheet shrinking plan would commence as early as the end of this year, but the market generally considered that the pace will not be fast, leading to a drop of United States Dollar index to plunge below 100, with an accumulative decrease of 4.7% within the quarter. The yield of ten-year US treasury bond once decreased to 2.20 percent from 2.40 percent in the first quarter. A decrease of 9 basis points was recorded within the second quarter. Hence, the US dollars recorded a decrease of 0.6% against major currencies in emerging market, as a result of the weaken US Dollars. Bulk commodity price varied, among which the gold price increased to approximately USD1,300 per ounce. As the market was concerned about the actual effectiveness of production reduction of oil production countries together with continuous increase in production volume of oil in the US, the crude oil price recorded a drastic decrease of 9% in the second quarter.

In Europe, major economies in the region remained stable and the European Central Bank was still deciding whether to declare to raise the interest rates before or after the completion of bond purchase programme. In addition, the risk of France exiting from the Eurozone decreased as Black Swan Events did not occur during the presidential election in France. The exchange rate of Euro against the US dollar rebounded to the level of over 1.10 and the stock market movement in UK, Germany and France remained stable in the second quarter. Besides, following the improvement of the economic growth of the Eurozone as well as the rise in inflation, the pressure of the European Central Bank in scaling down of bond purchase is increasing continuously, Germany, however, will hold its general election later in the second half of this year and the European Central Bank may adopt certain measures after the Germany election, thereby elevating the market expectation for the raise of interest rates by the European Central Bank at the end of the year.

The recovery momentum of the economy in mainland China in the second half of 2016 extended to the first half of 2017, and the bond market in the Mainland China continued to fluctuate. Coupled with the reinforcement on the slight adjustment to the Central Government's policy in relation to the real estate market aiming to suppress speculation. The People's Bank of China ("PBOC"), at the same time, maintained the neutral and stable monetary policies and made upward adjustment to the rates of medium-term lending facility ("MLF") and standing lending facility ("SLF") twice during the second quarter, showing that risk prevention and deleveraging have become the major concern of the monetary policies under the background of gradual stability in macro-economy. The monetary policies affected the investment sentiment of A shares, resulting in a decrease of nearly 1% of Shanghai Stock Exchange Composite Index during the period. The yield of ten-year treasury bonds in the PRC rose to 3.70% during the second quarter and subsequently recorded a slight decrease, but it was still recorded an accumulative increase of 28 basis points in the second quarter. The PBOC continued to adopt various measures to stabilize the exchange rate of RMB, and the CNY and CNH against US dollar appreciated by approximately 1.5% and 1.3% respectively, in the first half of the year. As "Counter-cyclical adjustment factor" was introduced in determination of the middle rate of RMB, the PBOC increased its control over the middle rate, and therefore, the market generally expected that the depreciation pressure of RMB would be mitigated.

In Hong Kong, because the Federal Reserve continued to maintain gradually increasing pace of rate hikes, the market's concern about the possibility of acceleration of rate hike in the US was released. Funding in the market was abundant and risk appetite was boosted up. Driven by continuous acceleration of influx of mainland funds and the expectation of A shares to be included in the MSCI Emerging Market Index, Hang Seng Index climbed from 22,000 points at the beginning of the year to over 26,000 points in June for two times, and subsequently consolidated at a range from 25,500 points to 26,000 points, recording an accumulate growth of 18% in the first half of the year. Although the market atmosphere improved in the first half of the year, the total market turnover only increased by 9.7% year-on-year, and the daily average market turnover increased from HK$67.5 billion for the first half of last year to HK$76 billion for the first half of this year, representing a year-on-year increase of 13%. In respect of the USD bond market, as Hong Kong has been the Asian financial center for years, quite a number of PRC enterprises issued USD bonds in Hong Kong in the first half of 2017. Because the US bond has been featured as overseas assets under fixed income category and has been familiar with and recognized by Asian investors, USD bonds issued by PRC enterprises in the first half of 2017 remained popular with the support of affluent market liquidity. Therefore, the total amount of USD bonds issued by PRC enterprises amounted to approximately USD168.2 billion, being approximately three times as compared with 2016.

OVERALL PERFORMANCE

Due to the improvement of the market atmosphere in the first half of the year and the dedication of the Group to its three core businesses, the total income of the Group for the first half of the year was HK$124.42 million (2016: HK$95.73 million), representing an increase of 30% as compared with that of the same period of last year, amongst which revenue was HK$96.76 million (2016: HK$73.77 million), representing an increase of 31% as compared with that of the last year, and other income and gains was HK$27.66 million (2016: HK$21.96 million), representing an increase of 26% as compared with that of the last year. In respect of expenses, as staff and other operating costs constantly increased due to the ongoing inflationary pressure in Hong Kong and the Group's business growth, operating costs (excluding commission expenses) amounted to HK$85.01 million (2016: HK$59.81 million). Share of profit from associates and a joint venture was HK$5.68 million (2016: loss of HK$1.56 million), mainly due to an increase in profit contribution from two associates. Therefore, in the first half of the year, the profit of the Group amounted to HK$26.53 million (2016: HK$19.36 million), and the profit attributable to equity holders amounted to HK$25.76 million (2016: HK$12.81 million), representing an increase of 101% as compared with last year.

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. The Group continued to expand the scale of assets under management, and focused on managing private equity funds providing unique alternate opportunities to investors. The Group established several structured private equity funds targeting different sectors and also 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. One of the funds that the Group invested performed well, the principal of investment amount was repaid on schedule in the first half of the year, and the Group obtained desirable investment return.

The asset management segment recorded a revenue of HK$36.38 million for the first half of the year (2016: HK$28.86 million), up by 26% 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 funds and other sources of income, the segment recorded a profit of HK$42.65 million (2016: HK$34.69 million), up by 23% year-on-year.

The Group recorded share of profit from associates and a joint venture amounted to HK$5.68 million (2016: loss of HK$1.56 million) for the first half of the year. An associate contributed a profit of HK$2.78 million (2016: HK$0.50 million) to the Group, and the increase of the profit was mainly due to the investment return generated from its private equity investments and the service income for managing the funds. Another associate turned losses into gains, from which we recorded share of profit of HK$1.76 million (2016: loss of HK$2.95 million).

Management Discussion and Analysis

BROKERAGE

Though the overall market trading volume increased by approximately 9.7% in the first half of 2017, the trading volume of the Group increased by 50%, of which the brokerage commission and underwriting income increased by 60% year-on-year, and the margin interest income increased by 142% year-on-year. Competition in brokerage business remained intense, but new entrants kept on tapping into this market. In response to the market competition, the Group continuously optimised its customer service process so as to attract more clients with quality services. In addition, the Group improved the scope and extent of the underwriting of securities and the synergy with China Cinda Group, resulting in a record of revenue of the brokerage for the first half of the year amounting to HK$48.01 million (2016: HK$32.14 million), representing a year-on-year increase of 49%. The brokerage business segment recorded a profit for the first half of the year was HK$3.46 million (2016: HK$0.18 million), representing a significant increase of 1,822% year-on-year.

CORPORATE FINANCE

The corporate finance segment has gone through restructuring in the first half of 2017, and the team has been proactively exploring new customers for its reserves of IPO projects. Apart from equity corporate finance business, the Group also established a financial product division to expand businesses on issuance, underwriting and financing of bonds and successfully completed two bonds issuance projects in the first half of the year. Therefore, the segment recorded a revenue of HK$12.36 million (2016: HK$12.74 million) in the first half of the year, representing a slight decrease of 3% year-on-year, and the segment profit was HK$4.31 million (2016: HK$1.70 million), representing a year-on-year increase of 154%.

LOOKING FORWARD

It is expected that there will be uncertainties in the international and local markets in the second half of the year. The US is entering into an interest rate hike cycle, and its pace will continue to influence the market sentiment. The Group is still encountering uncertain business environment and will get well-prepared to deal with the situation. 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 Nanyang Commercial Bank, the Group will further enhance its business cooperation with China Cinda Group by exploring business in both domestic and overseas capital markets, so as to achieve further synergy. In addition, the Group will also participate in the financing activities within China Cinda Group in the capital market. Leveraging on our relationship and the internationalization strategy of China Cinda Group, we will further 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 opportunities funds, acting as the asset manager of different overseas projects. 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 vigorously growing our customer base of institutional clients and high-net-worth clients.

Management Discussion and Analysis

In respect of the brokerage business, the Group will continue to proactively develop institutional clients and high-net-worth clients and build up synergy among clients. We will utilize the client resources of different platforms within the China Cinda Group to collaborate with the members of the Group 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-related business by building the financial product division to cover both the primary issuance and secondary dealing. Leveraging on the foundation already established by the Group, we look forward to boosting our results in the second half of the year.

FINANCIAL RESOURCES

The Group has maintained sound financial strength during the year, and all subsidiaries licensed by the Securities and Futures Commission ("SFC") has kept liquid capital in excess of regulatory requirements. The Group is aware of the need to use the capital for further business expansion, continuously seeking various means of financing. Among the credit facilities from authorized institutions of HK$1.52 billion made available to the Group, of which HK$470 million was secured by the guarantee given by the holding company of the Group. As at 30th June 2017, a total amount of HK$560 million was drawn by the Group. Furthermore, the aggregate principal amount of the outstanding fixed-rate medium-term bonds of the Group in the middle of the year was HK$86 million.

CONTINGENT LIABILITIES

The Group continues to provide corporate guarantees to its subsidiaries to secure banking and trade facilities. As at 30th June 2017, it is unlikely that any material claims would arise. Outstanding litigation cases and indemnity secured by the Group will be considered case-by-case. In case of economic outflows, the Group will make proper provision.

FLUCTUATION IN FOREIGN EXCHANGE RATES

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

Corporate Governance and Other Information

BOARD OF DIRECTORS

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

Executive Directors

Gong Zhijian *(Chairman and Managing Director)*
Lau Mun Chung

NEDs

Chow Kwok Wai
Zheng Yi

INEDs

Hung Muk Ming
Xia Zhidong
Liu Xiaofeng

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2017 (2016: nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June 2017, the Directors who held office and their respective associates did not hold any interest or short position in the shares and underlying shares or debentures of the Company, its holding company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register of directors' interests and short positions required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

Corporate Governance and Other Information

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

As at 30th June 2017, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as was known to the Directors and the chief executives of the Company, the following are details of the persons (other than Directors or chief executives of the Company) who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would need to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial shareholder	Capacity	Number of shares or underlying shares held	Approximate percentage of the Company's issued share capital
Sinoday Limited	Beneficial owner	403,960,200 *(Note)*	63.00%
China Cinda (HK) Holdings Company Limited ("China Cinda (HK)")	Interest through a controlled corporation	403,960,200 *(Note)*	63.00%
China Cinda Asset Management Co., Ltd. ("China Cinda")	Interest through a controlled corporation	403,960,200 *(Note)*	63.00%

Note:

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

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30th June 2017. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the six months ended 30th June 2017.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

Facility Agreement I

On 7th July 2016, the Company as borrower entered into a facility agreement with a licensed bank in Hong Kong in relation to a HK$300,000,000 revolving term loan facility ("Facility Agreement I"). Pursuant to Facility Agreement I, it shall be an event of default if China Cinda Asset Management Co., Ltd. ("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 I 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 I shall be the date falling 3 years from 7th July 2016.

As at 30th June 2017, HK$218,000,000 has been drawn under Facility Agreement I.

Facility Agreement II

On 29th August 2016, the Company as borrower entered into a facility agreement with another licensed bank in Hong Kong in relation to a HK$360,000,000 revolving term loan facility ("Facility Agreement II"). Pursuant to Facility Agreement II, 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 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 final maturity date of Facility Agreement II was 31st May 2017.

As at 30th June 2017, HK$224,349,500 has been drawn under the Facility Agreement II.

Facility Agreement III

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 III"). 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 30th June 2017, nil balance has been drawn under Facility Agreement III.

Facility Agreement IV

On 28th February 2017, CISL, as borrower and the Company, as guarantor, entered into a facility agreement with another licensed bank in Hong Kong in relation to a HK$200,000,000 credit facilities ("Facility Agreement IV"). As one of the conditions of the credit facilities, China Cinda shall remain the single largest beneficiary shareholder (directly or indirectly) of the Company. Failure to comply with the above undertaking will constitute an event of default under the Facility Agreement IV, upon which the facilities together with all accrued interest and any other amounts accrued under the facilities will become immediately due and payable. The credit facilities are subject to an annual review by the bank.

As at 30th June 2017, nil balance has been drawn under Facility Agreement IV.

Corporate Governance and Other Information

ADVANCE TO AN ENTITY

Loan I

On 14th February 2017, a loan agreement was entered into between Jianda Value Investment Fund L.P. ("Jianda"), a limited partnership formed under the laws of the Cayman Islands, which is managed by a subsidiary of the Company, as lender, and Differ Group Holding Company Limited (the "Borrower") as borrower, pursuant to which, Jianda has agreed to provide a loan in the principal amount of US$10,000,000 ("Loan I") to the Borrower for a term of ten months after the drawdown date at the interest rate of 7% per annum. Interest shall be payable to the Company on 23rd June 2017 and on the maturity date. The Borrower shall repay the entire Loan I together with all other amounts accrued or outstanding in full on the maturity date. The Loan I is secured by the account charge executed by Ever Ultimate Limited as chargor within 60 days from the date of the loan agreement. Jianda shall have the right from time to time to demand the Borrower to provide additional collaterals to secure the Borrower's repayment obligations under the Loan I. The Borrower and Ever Ultimate Limited are third parties independent of the Company and connected persons of the Company.

The Loan I was drawn on 15th February 2017 and as at 30th June 2017, the total outstanding balance of the Loan I together with the interest accrued amounted to US$10,000,000 (equivalent to approximately HK$78,000,000).

Loan II

On 29th June 2017, another loan agreement was entered into between Jianda and the Borrower, pursuant to which, Jianda, as lender, has agreed to provide another loan to the Borrower, as borrower in the principal amount of US$9,000,000 ("Loan II") to the Borrower for a term of 12 months after the drawdown date at the interest rate of 7% per annum. Interest shall be payable to the Company on 22nd December 2017 and on the maturity date. The Borrower shall repay the entire Loan II together with all other amounts accrued or outstanding in full on the maturity date. The Loan II is secured by the account charge executed by Ever Ultimate Limited, and personal guarantees executed by Mr. Hong Mingxian and Mr. Ng Chi Chung, both are the executive directors of the Borrower (collectively, the "Guarantors"), in favour of Jianda. Jianda shall have the right from time to time to demand the Borrower to provide additional collaterals to secure the Borrower's repayment obligations under the Loan II. The Borrower, Ever Ultimate Limited and the Guarantors are third parties independent of the Company and connected persons of the Company.

The Loan II was drawn on 29th June 2017 and as at 30th June 2017, the total outstanding balance of the Loan II together with the interest accrued amounted to US$9,000,000 (equivalent to approximately HK$70,200,000).

CORPORATE GOVERNANCE

The Company has always strived to enhance its corporate governance and transparency by adopting and implementing appropriate corporate governance practices. The Company has also complied with all the code provisions set out in the Corporate Governance Code ("CG Code") under Appendix 14 of the Listing Rules during the period from 1st January 2017 to 30th June 2017 save for the deviations from code provisions specified below:

– Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Ms. Zheng Yi, the non-executive Director, Mr. Xia Zhidong and Mr. Liu Xiaofeng, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 25th May 2017 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. Gong Zhijian, the Managing Director, serves as the acting Chairman since 29th November 2016 following the resignation of Mr. Zhao Hongwei. 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.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct for Directors' dealing in its shares. All Directors confirmed that they had complied with the required standards at all times throughout the six months ended 30th June 2017.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, are set out below:

Major appointment

- Mr. Liu Xiaofeng was appointed as an independent non-executive director of Sunfonda Group Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1771) effective from 26th May 2017.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group with the management, and discussed the internal controls and financial reporting matters with the Directors, including a review of the unaudited interim condensed consolidated financial statements for the six months ended 30th June 2017. The Group's external auditors have carried out a review of the unaudited interim condensed consolidated financial statements in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

On behalf of the Board

Gong Zhijian
Chairman

29th August 2017

Report on Review of Interim Financial Information

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

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

Introduction

We have reviewed the interim financial information set out on pages 12 to 54, which comprises the condensed consolidated statement of financial position of Cinda International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2017 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Certified Public Accountants
Hong Kong

29th August 2017

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30th June 2017 – Unaudited

		Six months ended 30th June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**96,758**	73,773
Other income	*3*	**22,150**	18,078
Other gains, net	*3*	**5,507**	3,883
		124,415	95,734
Staff costs	*4(a)*	**40,220**	32,362
Commission expenses		**10,847**	8,150
Operating leases for land and buildings		**9,988**	9,000
Other operating expenses	*4(b)*	**24,981**	12,724
Finance costs	*4(c)*	**9,822**	5,719
		95,858	67,955
		28,557	27,779
Share of profits/(losses) of associates and a joint venture, net	*9*	**5,682**	(1,562)
Profit before taxation	*4*	**34,239**	26,217
Income tax	*5*	**(7,705)**	(6,856)
Profit for the period		**26,534**	19,361
Attributable to:			
Equity holders of the Company		**25,755**	12,806
Non-controlling interests		**779**	6,555
		26,534	19,361
Basic and diluted earnings per share attributable to equity holders of the Company	*7*	**HK4.02 cents**	HK2.00 cents

The notes on pages 19 to 54 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June 2017 – Unaudited

	Six months ended 30th June	
	2017	2016
	HK$'000	*HK$'000*
Profit for the period	**26,534**	19,361
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss		
Change in fair value of available-for-sale financial assets	**(1,895)**	9,169
Reclassification adjustments for (gain)/loss on disposal of available-for-sale financial assets	**(21,510)**	822
Share of an associate's investment revaluation reserve relating to available-for-sale financial assets:		
– Change in fair value, net of deferred tax	**2,086**	(8,210)
Net movement in investment revaluation reserve	**(21,319)**	1,781
Share of associates' exchange difference	**1,284**	(2,070)
Exchange differences on translation of:		
– Financial statements of a joint venture	**2,777**	(257)
– Financial statements of foreign operations	**5,925**	(1,586)
Net movement in exchange difference	**9,986**	(3,913)
Item that would not be reclassified subsequently to profit or loss		
Share of a joint venture's capital reserve	**1**	–
Net movement in capital reserve	**1**	–
Other comprehensive income for the period	**(11,332)**	(2,132)
Total comprehensive income for the period	**15,202**	17,229
Total comprehensive income attributable to:		
Equity holders of the Company	**14,107**	10,773
Non-controlling interests	**1,095**	6,456
	15,202	17,229

The notes on pages 19 to 54 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30th June 2017 – Unaudited

	Notes	Unaudited 30th June 2017 HK$'000	Audited 31st December 2016 HK$'000
Non-current assets			
Intangible assets	*8*	**1,439**	1,439
Property and equipment	*8*	**6,634**	7,223
Available-for-sale financial assets	*10*	**57,542**	55,756
Interests in associates and a joint venture	*9*	**308,377**	312,642
Other assets		**13,093**	10,974
		387,085	388,034
Current assets			
Loans receivable	*11*	**196,200**	77,115
Available-for-sale financial assets	*10*	**410,787**	380,050
Financial assets designated at fair value through profit or loss	*12*	**–**	85,443
Financial instruments held-for-trading	*13*	**30,960**	36,360
Trade and other receivables	*14*	**661,477**	639,126
Pledged bank deposits	*15*	**15,088**	15,084
Bank balances and cash	*15*	**197,419**	181,570
		1,511,931	1,414,748
Current liabilities			
Trade and other payables	*16*	**241,480**	237,272
Borrowings	*17*	**713,421**	622,613
Taxation payable		**7,880**	7,786
		962,781	867,671
Net current assets		**549,150**	547,077
Total assets less current liabilities		**936,235**	935,111

Condensed Consolidated Statement of Financial Position

As at 30th June 2017 – Unaudited

	Notes	Unaudited 30th June 2017 HK$'000	Audited 31st December 2016 HK$'000
Capital and reserves			
Share capital	18	**64,121**	64,121
Other reserves		**482,440**	494,088
Retained earnings		**221,649**	195,894
Total equity attributable to equity holders of the Company		**768,210**	754,103
Non-controlling interests		**11,817**	10,722
TOTAL EQUITY		**780,027**	764,825
Non-current liabilities			
Bonds issued	19	**86,000**	86,000
Financial liabilities at fair value through profit or loss	20	**70,208**	58,517
Borrowings	17	–	24,541
Deferred tax liability		–	1,228
		156,208	170,286
		936,235	935,111

The notes on pages 19 to 54 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2017 – Unaudited

	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**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2017	**64,121**	**421,419**	**43,127**	**42,526**	**(12,984)**	**195,894**	**754,103**	**10,722**	**764,825**
Total comprehensive income for the period	**–**	**–**	**1**	**(21,319)**	**9,670**	**25,755**	**14,107**	**1,095**	**15,202**
At 30th June 2017	**64,121**	**421,419**	**43,128**	**21,207**	**(3,314)**	**221,649**	**768,210**	**11,817**	**780,027**
At 1st January 2016	64,121	421,419	43,059	14,560	(1,177)	154,814	696,796	61,666	758,462
Total comprehensive income for the period	–	–	–	1,781	(3,814)	12,806	10,773	6,456	17,229
Distribution to non-controlling interest	–	–	–	–	–	–	–	(57,602)	(57,602)
At 30th June 2016	64,121	421,419	43,059	16,341	(4,991)	167,620	707,569	10,520	718,089

The notes on pages 19 to 54 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2017 – Unaudited

		Unaudited	
		Six months ended 30th June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
OPERATING ACTIVITIES			
Profit before taxation		**34,239**	26,217
Adjustments for:			
Depreciation	*8*	**1,176**	1,051
Fair value (gains)/losses, net:			
– Financial assets designated as fair value through profit or loss	*3*	**–**	(65)
– Financial instruments held-for-trading	*3*	**5,400**	1,690
– Financial liabilities at fair value through profit or loss	*3*	**(32)**	46
Interest expenses	*4(c)*	**9,822**	5,719
Share of (profits)/losses of associates and a joint venture	*9*	**(5,682)**	1,562
Net gains on disposal of financial instruments held-for-trading	*3*	**–**	(4,291)
Net losses/(gains) on disposal of financial assets designated at fair value through profit or loss	*3*	**7,443**	(4,920)
Net (gains)/losses on disposal of available-for-sale financial assets	*3*	**(17,985)**	3,073
Interest income from debt securities	*3*	**(18,950)**	(13,945)
Impairment loss on trade receivables		**7,730**	–
Increase in pledged bank deposits		**(4)**	(5)
Decrease in fixed deposits		**–**	3,000
Operating profit before working capital changes		**23,157**	19,132
Increase in other assets		**(2,119)**	(3,120)
Increase in trade and other receivables		**(36,334)**	(207,684)
Increase/(decrease) in trade and other payables		**4,096**	(51,513)
Cash outflow from operations		**(11,200)**	(243,185)
Hong Kong profits tax paid		**(843)**	–
Overseas profits tax paid		**(7,996)**	(6,757)
Net cash flow used in operating activities		**(20,039)**	(249,942)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2017 – Unaudited

		Unaudited	
		Six months ended 30th June	
	Notes	**2017** **HK$'000**	2016 HK$'000
INVESTING ACTIVITIES			
Purchase of property and equipment	8	**(586)**	(2,746)
Capital injection in an investment in associate	9	**–**	(3,500)
Repayment of capital from a joint venture	9	**13,059**	–
Purchase of available-for-sale financial assets		**(157,756)**	(127,109)
Proceed from disposal of available-for-sale financial assets		**121,331**	39,991
Purchase of financial assets at fair value through profit or loss		**–**	(78,000)
Proceed from disposal of financial assets designated at fair value through profit or loss		**78,000**	70,200
Purchase of financial instruments held-for trading		**–**	(23,102)
Proceed from disposal of financial instruments held-for-trading		**–**	20,511
Interest received from debt securities		**25,205**	7,975
Dividends from associates		**3,036**	2,762
Advances of loans		**(148,200)**	–
Proceeds from repayment of a loan		**29,115**	–
Net cash flow used in investing activities		**(36,796)**	(93,018)
FINANCING ACTIVITIES			
Proceeds from bank loans		**166,000**	388,669
Repayment of bank loans		**(139,155)**	(106,000)
Proceeds from borrowing under a securities sale agreement		**51,672**	–
Repayment of margin loan from a broker		**(13,058)**	–
Proceed from margin loan from a broker		**–**	13,159
Capital contribution from redeemable units to unit holders classified as financial liabilities at fair value through profit or loss		**31,200**	54,600
Withdrawal of capital to redeemable units to unit holders classified as financial liabilities at fair value through profit or loss		**(15,600)**	–
Profit distribution to redeemable units to unit holders classified as financial liabilities at fair value through profit or loss		**(3,877)**	–
Issuance of a new bond		**–**	10,000
Distribution to non-controlling interest		**–**	(57,602)
Interest paid		**(9,709)**	(5,543)
Net cash flow from financing activities		**67,473**	297,283
Net increase/(decrease) in cash and cash equivalents		**10,638**	(45,677)
Cash and cash equivalents at beginning of the period		**181,570**	205,678
Effect of foreign exchange rate changes, net		**5,211**	(1,258)
Cash and cash equivalents at the end of the period	15	**197,419**	158,743
Analysis of balances of cash and cash equivalents:			
Bank balances – general accounts and cash in hand	15	**197,419**	158,743

The notes on pages 19 to 54 form part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2017 – Unaudited

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These condensed consolidated financial statements have been approved for issue by the Board of Directors on 29th August 2017.

The condensed consolidated financial statements contain selected explanatory notes, which include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost convention except for certain available-for-sale financial assets, financial assets and liabilities designated at fair value through profit or loss, and financial instruments held-for-trading, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2016.

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*

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

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

	Unaudited Six months ended 30th June	
	2017	2016
	HK$'000	*HK$'000*
Revenue		
Fees and commission	**47,301**	42,788
Interest income	**23,624**	8,625
Underwriting income and placing commission	**7,969**	1,466
Management fee and service fee income	**17,864**	20,894
	96,758	73,773
Other income		
Loan interest income	**405**	3,400
Interest income from debt securities classified as:		
– Available-for-sale financial assets	**10,103**	10,248
– Financial assets designated at fair value through profit or loss	**8,847**	3,697
Dividend income	**1,302**	–
Other income	**1,493**	733
	22,150	18,078
Other gains, net		
Net exchange gains/(losses)	**333**	(584)
Net gains on disposal of financial instruments held-for-trading	**–**	4,291
Net (losses)/gains on disposal of financial assets designated at fair value through profit or loss	**(7,443)**	4,920
Net gains/(losses) on disposal of available-for-sale financial assets	**17,985**	(3,073)
Gain from changes in fair value of financial assets designated at fair value through profit or loss	**–**	65
Loss from changes in fair value of financial instruments held-for-trading	**(5,400)**	(1,690)
Gain/(loss) from changes in fair value of financial liabilities at fair value through profit or loss	**32**	(46)
	5,507	3,883
	124,415	95,734

3. 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. Brokerage – provision of brokering services in securities, equity linked products, unit trusts, stock options commodities and futures contracts traded in Hong Kong and selected overseas markets, underwriting, placing and margin financing services to those broking clients, and acting as an agent for the sale of savings plans, general and life insurance and other investment linked insurance products.

3. Corporate finance – provision of corporate finance and advisory services to companies listed or seeking listing in Hong Kong and other unlisted corporates.

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.

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

Segment information *(continued)*

Six months ended 30th June 2017 – Unaudited

	Asset management *HK$'000*	Brokerage *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
Revenue from external customers	**32,789**	**48,007**	**12,364**	**93,160**
Revenue from an associate *(note)*	**3,590**	**–**	**–**	**3,590**
Reportable segment revenue	**36,379**	**48,007**	**12,364**	**96,750**
Reportable segment results (EBIT)	**42,645**	**3,460**	**4,312**	**50,417**

Six months ended 30th June 2016 – Unaudited

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

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

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

Segment information *(continued)*

	Asset management *HK$'000*	**Brokerage** *HK$'000*	**Corporate finance** *HK$'000*	**Total** *HK$'000*
As at 30th June 2017 – Unaudited				
Reportable segment assets	**786,142**	**678,529**	**35,070**	**1,499,741**
Reportable segment liabilities	**543,838**	**443,795**	**1,647**	**989,280**

	Asset management *HK$'000*	Brokerage *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
As at 31st December 2016 – Audited				
Reportable segment assets	674,458	727,438	14,409	1,416,305
Reportable segment liabilities	442,756	490,718	1,299	934,773

Reconciliations of reportable revenue

	Unaudited Six months ended 30th June	
	2017 *HK$'000*	2016 *HK$'000*
Revenue		
Reportable segment revenue	**96,750**	73,729
Elimination of inter-segment revenue	**–**	(231)
Unallocated head office and corporate revenue	**8**	275
Consolidated revenue	**96,758**	73,773

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

Reconciliations of reportable results

	Unaudited Six months ended 30th June **2017** ***HK$'000***	 2016 *HK$'000*
Results		
Reportable segment profit (EBIT)	**50,417**	36,569
Elimination of inter-segment profits (EBIT)	**(2)**	(84)
	50,415	36,485
Share of profits/(losses) of associates and a joint venture, net	**5,682**	(1,562)
Finance costs	**(9,822)**	(5,719)
Unallocated head office and corporate expenses	**(12,036)**	(2,987)
Consolidated profit before taxation	**34,239**	26,217
Income tax	**(7,705)**	(6,856)
Profit for the period	**26,534**	19,361

Reconciliations of reportable assets and liabilities

	Unaudited **30th June** **2017** ***HK$'000***	Audited 31st December 2016 *HK$'000*
Assets		
Reportable segment assets	**1,499,741**	1,416,305
Elimination of inter-segment receivables	**(5,430)**	(3,567)
	1,494,311	1,412,738
Interests in associates and a joint venture	**308,377**	312,642
Unallocated head office and corporate assets	**96,328**	77,402
Consolidated total assets	**1,899,016**	1,802,782

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

Reconciliations of reportable assets and liabilities *(continued)*

	Unaudited 30th June 2017 ***HK$'000***	Audited 31st December 2016 *HK$'000*
Liabilities		
Reportable segment liabilities	**989,280**	934,773
Elimination of inter-segment payables	**(10,397)**	(7,506)
	978,883	927,267
Unallocated head office and corporate liabilities	**140,106**	110,690
Consolidated total liabilities	**1,118,989**	1,037,957

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

(a) Staff costs

	Unaudited Six months ended 30th June	
	2017 ***HK$'000***	2016 *HK$'000*
Salaries and allowances	**39,220**	31,367
Defined contribution plans	**1,000**	995
	40,220	32,362

4. PROFIT BEFORE TAXATION *(continued)*

(b) Other operating expenses

	Unaudited Six months ended 30th June	
	2017 ***HK$'000***	2016 *HK$'000*
Depreciation	**1,176**	1,051
Equipment rental expenses	**2,731**	2,417
Impairment loss on trade receivables	**7,730**	–

(c) Finance costs

	Unaudited Six months ended 30th June	
	2017 ***HK$'000***	2016 *HK$'000*
Interest on borrowings – repayable on demand and within one year	**8,116**	3,811
Interest on borrowings – repayable more than one year but not more than two years	**–**	307
Interest on bonds issued – repayable in more than one year but not more than five years	**1,706**	1,601
	9,822	5,719

5. INCOME TAX

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

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

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

	Unaudited Six months ended 30th June	
	2017	2016
	HK$'000	*HK$'000*
Current taxation:		
– Hong Kong Profits Tax	**5,693**	3,922
– PRC Corporate Income Tax	**3,240**	4,799
Deferred taxation:		
– Hong Kong Profits Tax	**(1,228)**	(1,865)
	7,705	6,856

6. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2017 (2016: nil).

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$25,755,000 (2016: HK$12,806,000) and the number of 641,205,600 ordinary shares (2016: 641,205,600 ordinary shares) in issue during the period, calculated as follows:

Earnings attributed to equity holders of the Company

	Unaudited Six months ended 30th June	
	2017	2016
	HK$'000	*HK$'000*
Earnings for the period attributable to equity holders of the Company	**25,755**	12,806

Number of ordinary shares

	Unaudited Six months ended 30th June	
	2017	2016
Issued ordinary shares at 1st January and 30th June	**641,205,600**	641,205,600

(b) Diluted earnings per share

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

8. INTANGIBLE ASSETS AND PROPERTY AND EQUIPMENT

	Club Membership *HK$'000*	Stock Exchange trading rights *HK$'000*	Futures Exchange trading right *HK$'000*	Total intangible assets *HK$'000*	Property and equipment *HK$'000*
Six months ended 30th June 2017 – unaudited					
Net book value at 1st January 2017 – audited	**120**	**913**	**406**	**1,439**	**7,223**
Additions	**–**	**–**	**–**	**–**	**586**
Depreciation charge	**–**	**–**	**–**	**–**	**(1,176)**
Exchange difference	**–**	**–**	**–**	**–**	**1**
Net book value at 30th June 2017 – unaudited	**120**	**913**	**406**	**1,439**	**6,634**
Year ended 31st December 2016 – audited					
Net book value at 1st January 2016 – audited	120	913	406	1,439	5,071
Additions	–	–	–	–	4,388
Depreciation charge	–	–	–	–	(2,233)
Exchange difference	–	–	–	–	(3)
Net book value at 31st December 2016 – audited	120	913	406	1,439	7,223

9. INTERESTS IN ASSOCIATES AND A JOINT VENTURE

	Unaudited 30th June 2017 ***HK$'000***	Audited 31st December 2016 *HK$'000*
Interests in associates	**298,079**	292,693
Interest in a joint venture	**10,298**	19,949
	308,377	312,642

Interests in associates

	Unaudited 30th June 2017 ***HK$'000***	Audited 31st December 2016 *HK$'000*
Share of net assets at 1st January	**292,693**	273,956
Capital injection in investment in associates	**–**	6,320
Share of profits for the period/year, net	**5,052**	12,057
Share of other comprehensive income for the period/year	**3,370**	3,120
Dividend income from investment in an associate	**(3,036)**	(2,760)
	5,386	18,737
Share of net assets at 30th June/31st December	**298,079**	292,693

9. INTERESTS IN ASSOCIATES AND A JOINT VENTURE *(continued)*

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 30th June 2017	Effective equity interest to the Group 31st December 2016	Principal activity
Sino-Rock Investment Management Company Limited	18,000,000 ordinary shares of HK$1 each	Hong Kong	**27.6%**	27.6%	Investment holding and provision of capital management and consultancy services
Cinda Plunkett International Holdings Limited	4,000,000 ordinary shares of HK$1 each	Cayman Islands	**40%**	40%	Fund management
Cinda Plunkett International Asia Absolute Return Fund	100,000 units of US$100 each	Cayman Islands	**11.9%**	12.08%	Investment fund
Cinda Culture Investment Management Limited	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%**	30%	Private equity investment and fund management
Cinda International Investment Holdings Limited	6,000,000 Class-A shares	British Virgin Islands	**47%**	47%	Investment holding

9. INTERESTS IN ASSOCIATES AND A JOINT VENTURE *(continued)*

Interest in a joint venture

	Unaudited 30th June 2017 *HK$'000*	Audited 31st December 2016 *HK$'000*
Share of net assets at 1st January	**19,949**	20,715
Share of profit for the period/year	**630**	338
Share of other comprehensive income for the period/year	**1**	68
Translation difference	**2,777**	(1,172)
Repayment of capital	**(13,059)**	–
	(9,651)	(766)
Share of net assets at 30th June/31st December	**10,298**	19,949

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

	Particulars of shares capital held	**Country of establishment**	**Effective equity interest to the Group**		**Principal activity**
			30th June 2017	31st December 2016	
JianXinJinYuan (Xiamen) Equity Investment Management Limited	RMB7,000,000 of registered capital (2016: RMB17,500,000 of registered capital)	PRC	**35%**	35%	Private equity investment fund management

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30th June 2017 *HK$'000*	Audited 31st December 2016 *HK$'000*
Non-current:		
Unlisted equity investments:		
– equity securities	**1**	1
– private equity funds	**8,473**	7,422
Unlisted investment funds	**23,045**	22,310
Other unlisted investments	**26,023**	26,023
	57,542	55,756
Current:		
Listed debt investment:		
– debt securities with fixed interest	**376,220**	282,255
Unlisted equity investment:		
– an equity fund	**–**	50,163
– equity securities	**–**	3,012
Unlisted investment funds	**34,567**	44,620
	410,787	380,050
	468,329	435,806

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 management of the Group is of the opinion that their fair values cannot be measured reliably and stated its transaction costs. The cost of unlisted investment funds were approximate to their fair value as at 30th June 2017.

As at 30th June 2017, listed debt securities with fair value of HK$237,886,000 (31st December 2016: HK$166,527,000) out of the total HK$376,220,000 (31st December 2016: HK$282,255,000) were held by financial institutions under securities sale agreements entered during the period (note 17 (c)).

As at 31st December 2016, the remaining listed debt securities with fair value of HK$115,728,000 were placed in a broker to secure the margin loan from that broker for margin financing as disclosed in note 17(b).

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

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

	Within 1 year *HK$'000*	Between 1 to 2 years *HK$'000*	Between 2 to 5 years *HK$'000*	Over 5 years *HK$'000*	Indefinite *HK$'000*	Total *HK$'000*
30th June 2017 – unaudited	**–**	**–**	**294,062**	**22,113**	**60,045**	**376,220**
31st December 2016 – audited	11,738	–	211,109	–	59,408	282,255

11. LOANS RECEIVABLE

Loan advanced to an independent third party with minimum guaranteed return of 20% amounting to HK$29,115,000 as at 31 December 2016 has been fully settled in January 2017.

As at 30th June 2017, the Group has continued to advance an unsecured, non-interest bearing loan of HK$48,000,000 (31st December 2016: HK$48,000,000) 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 period, the Group has advanced two secured, interest bearing loans of HK$70,200,000 and HK$78,000,000 both at the rate of 7% per annum with maturity dates in June 2018 and December 2017 respectively.

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

	Unaudited 30th June 2017 ***HK$'000***	Audited 31st December 2016 *HK$'000*
Convertible bond *(note)*	–	85,443
	–	85,443

Note:

The 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. During the current period, the convertible bond was redeemed at a cash consideration of HK$78,000,000.

13. FINANCIAL INSTRUMENTS HELD-FOR-TRADING

	Unaudited 30th June 2017 *HK$'000*	Audited 31st December 2016 *HK$'000*
Listed equity securities	**30,960**	36,360

14. TRADE AND OTHER RECEIVABLES

	Unaudited 30th June 2017 *HK$'000*	Audited 31st December 2016 *HK$'000*
Trade receivables from clients arising from		
– corporate finance	**6,382**	3,679
– securities broking	**129,735**	59,103
Margin and other trade related deposits with brokers and financial institutions arising from *(note (d))*		
– commodities and futures broking	**24,233**	27,604
– securities broking	**894**	7,862
Margin loans arising from securities broking *(note (e))*	**413,419**	450,506
Trade receivables from clearing houses arising from securities broking	**16,592**	42,663
Less: impairment allowance for trade receivables arising from		
– corporate finance *(note (b))*	**(2,523)**	(500)
– securities broking *(note (b))*	**(5,707)**	–
Total trade receivables *(notes (a) and (c))*	**583,025**	590,917
Deposits	**1,156**	536
Prepayments and other receivables *(note (f))*	**77,378**	47,755
Less: impairment allowance for other receivables *(note (b))*	**(82)**	(82)
Total trade and other receivables	**661,477**	639,126

14. TRADE AND OTHER RECEIVABLES *(continued)*

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

Notes:

(a) Impairment allowance of HK$2,023,000 was provided for the trade receivables arising from corporate finance for the current period. The relevant aging analysis based on date of invoice at the reporting date was as follows:

	Unaudited 30th June 2017 *HK$'000*	Audited 31st December 2016 *HK$'000*
Current	**2,970**	–
30–60 days	**–**	430
Over 60 days	**3,412**	3,249
	6,382	3,679

For trade receivables related to margin clients of HK$413,419,000 individual impairment of HK$5,707,000 was provided for the current period. 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.

Other than the above, the Group's trade and other receivables included overdue balance of HK$5,300,681 (31st December 2016: HK$6,128,865). 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 collateralised by listed securities.

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

	Unaudited 30th June 2017 *HK$'000*	Audited 31st December 2016 *HK$'000*
At 1st January	**582**	582
Provision of impairment loss	**7,730**	–
At 30th June/31st December	**8,312**	582

(c) 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 client of securities broking business are required to pledge their shares to the Group for credit facilities for securities trading.

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

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.

14. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(d) The Group executes client trades on overseas securities, commodities and futures contracts with local or overseas brokers as appropriate. Trade receivables at 30th June 2017 and 31st December 2016 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 30th June 2017, the fair value of shares accepted as collateral amounted to HK$2,961,142,000 (31st December 2016: HK$3,381,380,215) 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 30th June 2017 and 31st December 2016.

(f) Other receivables for the Group included a shareholder loan advanced to an associate of HK$4,000,000 (31st December 2016: HK$4,000,000), which is unsecured, non-interest bearing and repayable on demand.

15. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	Unaudited 30th June 2017 *HK$'000*	Audited 31st December 2016 *HK$'000*
Cash in hand	**21**	20
Bank balances		
– pledged deposits	**15,088**	15,084
– general accounts	**197,398**	181,550
	212,507	196,654
By maturity		
Bank balances		
– Current and savings accounts	**193,398**	177,550
– Fixed deposits (maturing within three months)	**19,088**	19,084
	212,486	196,634

As at 30th June 2017, bank deposits amounting to HK$15,088,046 (31st December 2016: HK$15,084,000) which include principal of HK$15,000,000 (31st December 2016: HK$15,000,000) plus accrued interest have been pledged to banks as security for the provision of securities broking facilities for a total amount of HK$220,000,000 (31st December 2016: HK$170,000,000).

15. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH *(continued)*

Certain subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. As at 30th June 2017, segregated trust accounts not dealt with in these condensed consolidated financial statements amounted to HK$685,726,766 (31st December 2016: HK$635,351,640).

As at 30th June 2017, the bank balances and deposits bore interest from 0.01% to 0.5% per annum (2016: 0.01% to 0.5%).

Cash and cash equivalents

	Unaudited 30th June 2017 ***HK$'000***	Audited 31st December 2016 *HK$'000*
Analysis of balances of cash and cash equivalents		
Cash in hand and at bank (exclude pledged bank deposits)	**197,419**	181,570
Less: fixed deposits (with original maturing over 3 months)	**–**	–
Cash and cash equivalents at the end of the period/year	**197,419**	181,570

16. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2017 ***HK$'000***	Audited 31st December 2016 *HK$'000*
Trade payables to margin clients arising from securities broking	**8,996**	14,349
Trade payables to securities trading clients arising from securities broking	**142,864**	58,677
Margin and other deposits payable to clients arising from commodity and futures broking	**24,134**	27,505
Trade payables to brokers arising from securities broking	**1,343**	6,690
Trade payables to clearing houses arising from securities broking	**15,769**	408
Total trade payables	**193,106**	107,629
Accruals and other payables	**48,374**	129,643
Total trade and other payables	**241,480**	237,272

16. TRADE AND OTHER PAYABLES *(continued)*

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

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

17. BORROWINGS

	Note	**Unaudited 30th June 2017** *HK$'000*	Audited 31st December 2016 *HK$'000*
Non-current			
Bank loan	*(a)*	–	24,541
Current			
Bank loans	*(a)*	**560,349**	497,000
Margin loan from a broker	*(b)*	–	13,058
Borrowings under securities sale agreements	*(c)*	**153,072**	101,400
Amount due to a fellow subsidiary	*(d)*	–	11,155
		713,421	622,613
		713,421	647,154

Notes:

(a) At 30th June 2017 and 31st December 2016, the bank loans carry interest with reference to HIBOR and are repayable as follows:

	Unaudited 30th June 2017 *HK$'000*	Audited 31st December 2016 *HK$'000*
Within one year	**560,349**	497,000
More than one year	–	24,541
	560,349	521,541

At 30th June 2017, the bank loans of HK$500,349,000 (31st December 2016: HK$401,541,000) were drawn by the Company under the aggregate banking facilities of HK$1,050,000,000 (31st December 2016: HK$1,010,000,000). An intermediate holding company of the Company ("the Guarantor") provide a corporate guarantee to support the banking facility of HK$360,000,000 (31st December 2016: HK$510,000,000).

17. BORROWINGS *(continued)*

Notes: (continued)

The banking facilities are subject to the fulfilment of covenants relating to certain of the Guarantor'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$470,000,000 (31st December 2016: HK$420,000,000). Amongst these banking facilities, HK$220,000,000 (31st December2016: HK$170,000,000) was secured by pledged deposits with principal of HK$15,000,000 (31st December 2016: HK$15,000,000), of which the Group has not drawn any balance from these banking facilities as at 30th June 2017 and 31st December 2016.

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

(b) As at 30th June 2017, the Group had no margin loan from a broker secured by debt securities. At 31st December 2016, the margin loan from a broker was secured by the Group's debt securities of HK$115,728,000, with no determined maturity and at interest with the reference to LIBOR.

(c) As at 28th April 2016, the Group entered into a securities sale agreement (note 10) with a financial institution in which the Group sold a portfolio of debt securities it held to the financial institution in exchange for a cash consideration of HK$101,400,000. Under the agreement, the Group is required to repurchase the debt securities at HK$101,400,000 plus interest calculated at a fixed rate of 2.3086% upon its maturity in April 2017. The Group has renewed the agreement on 28th April 2017 at a fixed rate of 3.016% with a new maturity in April 2018.

As at 19th June 2017, the Group entered into another securities sale agreement (note 10) with a financial institution in which the Group sold a portfolio of debt securities it held to the financial institution in exchange for a cash consideration of HK$51,672,000. Under the agreement, the Group is required to repurchase the debt securities at HK$51,672,000 plus interest calculated with reference to LIBOR upon its maturity in June 2018.

As at 30th June 2017, the borrowings under securities sale agreements of HK$153,072,000 (31st December 2016: HK$101,400,000) was collateralised by the Group's debt securities of HK$237,886,000 (31st December 2016: HK$166,527,000).

	Unaudited 30th June 2017 ***HK$'000***	Audited 31st December 2016 *HK$'000*
Within one year	**153,072**	101,400

(d) As at 31st December 2016, amount due to a fellow subsidiary was unsecured, interest bearing at a fixed rate per annum an repayable within one year.

18. SHARE CAPITAL

	Issued and fully paid	
	No. of shares	**Nominal Value**
	'000	*HK$'000*
Authorized share capital		
Ordinary shares	1,000,000	100,000
Issued and fully paid		
Ordinary shares		
At 1st January 2016 and at 31st December 2016 – Audited	641,206	64,121
At 30th June 2017 – Unaudited	641,206	64,121

19. BONDS ISSUED

Bonds issued represented a number of fixed rate 5-year coupon bonds at a rate of 4% per annum, payable semi-annually, and with an aggregated principal amount of HK$86,000,000 (31st December 2016: HK$86,000,000). The exposure and the contractual maturity dates of which are as follows:

	Unaudited 30th June 2017	Audited 31st December 2016
	HK$'000	*HK$'000*
In more than 1 year but not more than 5 years	**86,000**	86,000

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

20. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

As part of the Group's normal course of business, the Group set up an investment fund that issues redeemable units to unrelated third party investors. Pursuant to the relevant offering memorandums, the third party investors can redeem the invested units for cash after the end of commitment period. As of 30th June 2017 and 31st December 2016, the redeemable units held by third party investors were classified as a financial liability in the condensed consolidated statement of financial position, with changes in fair value recognised in condensed consolidated statement of profit or loss.

21. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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 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.

21. 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 condensed consolidated statement of financial position	Net amounts of financial assets presented in the condensed consolidated statement of financial position	Related amounts not offset in the condensed consolidated statement of financial position: Financial instruments held as collateral *(note 3)*	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30th June 2017					
Financial assets by counterparty					
Trade receivables from:					
– Margin clients *(note 1)*	**478,620**	**(65,201)**	**413,419**	**(400,050)**	**13,369**
– Clearing houses *(note 2)*	**196,276**	**(179,684)**	**16,592**	**–**	**16,592**
	674,896	**(244,885)**	**430,011**	**(400,050)**	**29,961**
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
	663,444	(170,275)	493,169	(450,386)	42,783

21. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(continued)*

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the condensed consolidated statement of financial position	Net amounts of financial liabilities presented in the condensed consolidated statement of financial position	Related amounts not offset in the condensed consolidated statement of financial position: Financial instruments held as collateral *(note 3)*	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30th June 2017					
Financial liabilities by counterparty					
Trade payables from:					
– Margin clients *(note 1)*	**(74,197)**	**65,201**	**(8,996)**	**–**	**(8,996)**
– Clearing houses *(note 2)*	**(195,453)**	**179,684**	**(15,769)**	**–**	**(15,769)**
	(269,650)	**244,885**	**(24,765)**	**–**	**(24,765)**
As at 31st December 2016					
Financial liabilities by counterparty					
Trade payables from:					
– Margin clients *(note 1)*	(100,768)	86,419	(14,349)	–	(14,349)
– Clearing houses *(note 2)*	(84,264)	83,856	(408)	–	(408)
	(185,032)	170,275	(14,757)	–	(14,757)

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.

22. CONTINGENT LIABILITIES

22.1 Outstanding litigation cases

A company named Hantec Investment Limited (the "plantiff") which is unrelated to the Group filed a writ to the Company on 28th July 2000 seeking for injunction to restrain the Company from using the plaintiff's alleged trade name and damages. The plaintiff has not taken further action after the Company filed a defence.

Under the share sale agreement dated 13th August 2008 (the "Agreement"), Hantec Holdings Investment Limited ("HHIL", formerly known as Hantec Holdings Limited) and the then chairman of the Company, Mr. Tang Yu Lap ("Mr. Tang"), have undertaken to indemnify and keep indemnified the Company on a fully indemnified basis of any loss or liability suffered by the Group as a result of or in connection with the outstanding litigation cases above. Based on the merits of this case, the Directors considered that it was unlikely that any material claim against the Company will crystallise and hence no provision has been made.

22.2 Financial guarantees issued

As at the end of the reporting period, a subsidiary of the Company engaging in securities brokering has secured banking facilities from certain authorised institutions for a total amount of HK$470 million (31st December 2016: HK$420 million), of which HK$220 million (31st December 2016 HK$170 million) was also secured by pledged deposits (note 15). For the remaining facilities of HK$250 million as at 30th June 2017 (31st December 2017:HK$250 million),bank loan of HK$60 million was drawn under the banking facilities (31st December 2016:HK$120 million).

23. LEASE AND CAPITAL COMMITMENTS

(a) Lease commitments

At 30th June 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

Land and buildings

	Unaudited 30th June 2017 *HK$'000*	Audited 31st December 2016 *HK$'000*
Within one year	**22,921**	17,054
After one year but within five years	**28,579**	24,338
	51,500	41,392

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.

23. LEASE AND CAPITAL COMMITMENTS *(continued)*

(b) Capital commitments

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

	Unaudited 30th June 2017 *HK$'000*	Audited 31st December 2016 *HK$'000*
Contracted but not provided for	**3,852**	132

24. FINANCIAL RISK MANAGEMENT

24.1 Financial risk factors

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

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

(a) Market risk

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

Foreign exchange risk

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

24. FINANCIAL RISK MANAGEMENT *(continued)*

24.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

Equity price risk

The Group is exposed to equity price changes arising from (i) listed equity securities classified as financial instruments held-for-trading (note 13), (ii) unlisted private equity fund classified as available-for-sale financial assets (note 10), (iii) convertible bond classified as financial assets designated at fair value through profit or loss (note 12) and (iv) financial liabilities at fair value through profit or loss (note 20).

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, margin loan from a broker and borrowings under securities sale agreements. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group.

Fair value interest rate risk

At 30th June 2017 and 31st December 2016, the Group is also exposed to fair value interest rate risk in relation to debt securities with fixed interest classified as available-for-sale financial assets (note 10) and financial assets designated as fair value through profit or loss (note 12). The Group does not have a fair value interest rate hedging policy. However, the management is closely monitoring its exposure arising from debt securities investments by regularly performing quantitative analysis, including periodic sensitivity analysis.

(b) Credit risk

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

For loans receivable, individual credit evaluations are performed on all customers requiring such credit. These evaluations focus on the customer's past history of making payments when due and current ability to pay, value of collateral held (if any) and take into account information specific to the customer and the guarantor (in case provided) as well as pertaining to the economic environment in which the customer operates. The Group are exposed to the concentration of credit risk from two (31st December 2016: 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 management of the Group considers the concentration of credit risk is manageable.

24. FINANCIAL RISK MANAGEMENT *(continued)*

24.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

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

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

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 30th June 2017 and 31 December 2016, 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 30th June 2017 and 31 December 2016, and the fair value of the convertible bonds was estimated by an independent firm of professional valuer. As at 30th June 2017 and 31 December 2016, 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 the available-for-sale financial assets are listed debt securities with fixed interest. The Group has a policy in place of spreading the aggregate value of transactions concluded amongst approved counterparties with an appropriate credit quality. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group primarily invested in rated debt securities with credit ratings of at least B+ or equivalent as determined by Standard & Poor's, Moody's or Fitch. Any exception shall be approved by the management of the Group. As at 30th June 2017, over 57% (31st December 2016: over 50%) of the debt securities invested by the Group are B+ or above, 41% (31st December 2016: 47%) of the debt securities invested by the Group are B or below. 2% of the debt securities are non-rated as at 30th June 2017 (31st December 2016: 3%). 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.

24. FINANCIAL RISK MANAGEMENT *(continued)*

24.1 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 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.

24.2 Fair values measurements of financial instruments

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

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

Level 1 — fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 — fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 — fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

24. FINANCIAL RISK MANAGEMENT *(continued)*

24.2 Fair values measurements of financial instruments *(continued)*

Financial instruments	**Unaudited Fair value**	**Audited Fair value**	**Fair value hierarchy**	**Valuation technique(s) key input(s)**
	30th June 2017 *HK$'000*	31st December 2016 *HK$'000*		
(a) Financial assets designated at fair value through profit or loss				
Convertible bond	–	85,443	Level 3	*Note (a)*
(b) Financial instruments held-for-trading				
Listed equity securities	**30,960**	36,360	Level 1	Quoted prices in an active market
(c) Available-for-sale financial assets				
Debt securities	**376,220**	282,255	Level 1	Quoted prices in an active market
Equity fund	–	50,163	Level 2	Adjusted NAV of equity fund
Unlisted investment funds	**57,612**	66,930	Level 2	Adjusted NAV of investment fund
(d) Financial liabilities at fair value through profit or loss	**70,208**	58,517	Level 3	*Note (a)*

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

Notes:

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

The fair value of the convertible bond as at 31st December 2016 was derived by Binomial Option Pricing Model, which incorporates assumptions not entirely supported by observable market prices or rates. The key inputs were expected volatility and discount rate adjusted for the specific risks of the issuers. The convertible bond was redeemed in current period.

24. FINANCIAL RISK MANAGEMENT *(continued)*

24.2 Fair values measurements of financial instruments *(continued)*

Notes: (continued)

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

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 bond. The fair value of the financial liabilities changes as the fair value of the convertible bond change.

The convertible bond was redeemed in the current period.

Reconciliation of Level 3 fair value measurements of financial instruments

	Debt securities HK$'000	Warrants HK$'000	Convertible Bond HK$'000	Financial liabilities at fair value through profit or loss HK$'000	Total HK$'000
At 1st January 2016 – audited	65,280	16,220	–	–	81,500
Capital contribution	–	–	–	(54,600)	(54,600)
Addition	–	–	78,000	–	78,000
Realised gain recognised in profit or loss	4,920	4,291	–	–	9,211
Unrealised gain/(loss) recognised 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 – audited	–	–	85,443	(58,517)	26,926
At 1st January 2017 – audited	**–**	**–**	**85,443**	**(58,517)**	**26,926**
Capital contribution	**–**	**–**	**–**	**(31,200)**	**(31,200)**
Realised loss recognised in profit or loss	**–**	**–**	**(7,443)**	**–**	**(7,443)**
Unrealised gain recognised in profit or loss	**–**	**–**	**–**	**32**	**32**
Withdrawal	**–**	**–**	**–**	**15,600**	**15,600**
Disposal	**–**	**–**	**(78,000)**	**–**	**(78,000)**
Distribution	**–**	**–**	**–**	**3,877**	**3,877**
At 30th June 2017 – unaudited	**–**	**–**	**–**	**(70,208)**	**(70,208)**

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.

25. MATERIAL RELATED PARTY TRANSACTIONS

25.1 Material related party transactions

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

	Six months ended 30th June	
	2017	2016
	HK$'000	*HK$'000*
Broking commission for securities dealing *(note (a))*	**1,293**	5
Service fee income *(note (b))*	**3,590**	4,482
Placing commission *(note (c))*	**5,527**	–
Fund management fee and advisory fee income *(note (d))*	**9,981**	14,357
Bank interest income *(note (e))*	**85**	–
Rental expenses *(note (f))*	**(202)**	(175)
Interest expenses *(note (g))*	**(170)**	(126)
Interest income *(note (h))*	**1,202**	–
Capital distribution to non-controlling interest *(note (i))*	**–**	57,602

Notes:

(a) In 2017 and 2016, the Group received commission income from its directors and fellow subsidiaries for providing securities broking services.

(b) In 2017 and 2016, the Group received service fee income from an associate for providing administrative supporting and consulting services.

(c) In 2017, the Group received placing commission from its ultimate holding company and a fellow subsidiary for placing securities.

25. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

25.1 Material related party transactions *(continued)*

(d) In 2017 and 2016, the Group received fund management fee and advisory fee income from its connected persons for providing asset management services.

(e) In 2017, the Group received bank interest income from its fellow subsidiary.

(f) In 2017 and 2016, the Group paid rental expenses to its fellow subsidiaries for the use of office premises.

(g) In 2017 and 2016, the Group paid interest expenses to a fellow subsidiary for obtaining short-term financing.

(h) In 2017, the Group received interest income from the unlisted investment fund which were also owned by its fellow subsidiaries.

(i) In 2016, the Group distributed cash of HK$57,602,000 to the non-controlling interest of CRC Fund, which is its fellow subsidiary.

(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 30th June 2017 and 31st December 2016. For the current period and prior years, the Group undertakes some transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to making bank deposits, receiving banking facilities, renting properties and rendering and obtaining other services. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.

(k) Compensation of key management personnel are disclosed in note 25.2.

25. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

25.2 Key management personnel

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

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

	Unaudited Six months ended 30th June	
	2017	2016
	HK$'000	*HK$'000*
Basic salaries, discretionary bonuses, housing allowances and benefits in kind	**6,367**	7,172
Defined contribution plans	**45**	60
	6,412	7,232