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

(Incorporated in Bermuda with limited liability)

Stock Code: 111

2018 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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MARKET CONDITIONS

In the first half of 2018, the economy of the United States of America ("US") posted strong performance and therefore attracted significant fund inflows. Meanwhile, as affected by the global trade war initiated by the US and concerns over the US-North Korea geopolitics, the world financial market experienced a general slowdown. In particular, US stocks recorded relatively strong performance at the end of June, they closed at high level. Dow Jones Industrial Average and S&P 500 index fell after hitting the record highs on 26th January 2018. In the first half of the year, Dow Jones Industrial Average closed at 24,271 points, slightly down by 2%, and fell by 9% from its highest level, while S&P 500 index closed at 2,718 points, up by 2% and fell by 5% from its highest level. On the other hand, Nasdaq Index being representative of technology companies ranked as the top performer, which hit several record highs in the first half of the year and closed at 7,510 points, up by 9%. Besides, the US employment market remained robust this year. The booming inflation triggered the market concern about the Fed's fourth interest rate hike this year, driving the US dollar index to rise above the 95 level with an accumulative increase of 2.5% in the first half of the year. Meanwhile, yield of US treasury bond also increased, of which the interest rate of ten-year treasury bond climbed from approximately 2.739% at the end of March to 3.126% in mid-May, hitting another new high since 2012 before it fell back as a result of the heightened risk aversion sentiment, with an accumulative increase of 45 points. The accelerated pace of interest rate hikes in the US this year undermined US bonds but strengthened the US dollar. Currencies other than US dollars were adversely affected, of which the Euro fell by 2.7% against the US dollar in the first half of the year. The exchange rate of Renminbi ("RMB") and the Hong Kong dollar was also squeezed. Currencies in some emerging markets even experienced substantial depreciation, resulting in fund outflows.

In Europe, after Italy's general election in March this year, the Five-Star Movement which gained the most votes and the Northern Alliance, the two anti-establishment political forces formed a joint government. The market is worried that the new government's administration will render the deficit exceeding the limits of EU member states, or cause the country to exit from the Europe Union. The Spanish Parliament passed the no-confidence motion in June to remove the Prime Minister who was involved in the corruption scandal. The above factors exerted adverse effect on the European stock markets and the Euro exchange rate. In the first half of the year, the German DAX index and the UK's FTSE 100 index fell by 5% and 1%, respectively, while the French CAC index remained roughly flat. The exchange rate of the Euro against the US dollar also depreciated from 1.20 at the end of 2017 to around 1.15. Up to June, the market anticipation that the European Central Bank will announce the timetable and procedures for the withdrawal of the quantitative easing in the mid-June meeting on interest rates drove the Euro to rally above the 1.16 level against the US dollar. The sluggish Euro highlights the strength of the dollar in major currencies, which is unfavorable for the exchange rate of the RMB and the Hong Kong dollar.

The statistics of China's economy in the first half of the year showed that the downward pressure on the Mainland economy was heating up. Gross domestic product (GDP) in the second quarter grew by 6.7% year-on-year, lower than the 6.8% in the first quarter and 6.9% in 2017. Furthermore, various credit indicators in June, including social financing scale and broad sense money supply (M2), were lower than expected, reflecting that under the continuing de-leveraging and stringent supervision in the Mainland's financial industry, the scale of off-balance sheet financing shrank sharply, thus affecting A share investment sentiment.

In addition, the US announced several tariffs on China's imports since March, and China also imposed tariffs on US imports as a counter-measure. Trade wars weakened the market's outlook on China's exports and economic prospects. Coupled with the unsatisfactory economic statistics in the Mainland and the fact that the People's Bank of China announced a targeted reserve reduction of 0.5 percentage point in June, Renminbi was under pressure. Onshore exchange rate of RMB (CNY) against the US dollar was generally maintained between 6.20 and 6.40 during the period from February to May, but started to register a relatively significant decline since June. At the end of June, CNY against the US dollar closed at 6.62, with an accumulative drop of about 2%.

Management Discussion and Analysis

In Hong Kong, the exchange rate of Hong Kong dollars hit to the lower guaranteed limit several times. Since 12th April, the Hong Kong Monetary Authority (HKMA) purchased Hong Kong dollars causing the fall in the balance of HK Dollars in the banking system. After intensive purchases by the HKMA, HIBOR rose across to the board, with one-week, two-week, one-month and half-year rates up by over 2%, and one-year rate even above 2.5%, hitting a new high since 2009. As to Hong Kong stocks, the Hang Seng Index (HSI) fell back from a high of 33,000 at the end of January amid significant fluctuations. In addition, as affected by trade wars between China and US, HSI showed an accelerating decline since the second half of June and slipped below 29,000 points. The HSI closed at 28,955 points at the end of June, dropping by 3% as compared with 29,919 at beginning of the year and fell by 14% as compared with the high during the period. The Hang Seng China Enterprises Index experienced a more substantial tumble from the highest 13,723 points in January to 11,073 points at the end of June, with an accumulative decline of 19% and accumulative drop of 5% as compared with the first half of the year. With respect to the trading volume of Hong Kong stocks, despite of the warm atmosphere of Hong Kong investment market in the first quarter of 2018, both trade wars between China and US and interest rate hike concerns impose negative effect on the market thereafter, which caused the average daily trading volume dropping sharply from HK$146.0 billion in the first quarter of 2018 to HK$106.8 billion in the second quarter of 2018, with a drop of approximately 27%.

Turning to the primary market of US Dollars ("USD") denominated bonds, despite of the negative effect of the market factors such as trade wars between China and US and interest rate hike, the approval of the NDRC for China's investment-grade bonds was relaxed and accelerated at the beginning of the year, US$99.685 billion of bonds were issued in the first half of the year, which was still dominated by the real estate and finance sector. However, under the policy of de-leveraging and strict risk control, the volume of USD bonds issued by Chinese enterprises, especially the USD bonds of real estate saw a trend of decline at the end of the second quarter. As to the secondary market, offshore USD bonds issued by Chinese enterprises in the first half of the year recorded a relatively weak performance, and the worst performer was offshore high-yield USD bonds, mainly due to the rising trend of default risk arising from such bonds. All in all, the performance of offshore high-yield USD bonds issued by Chinese enterprises was highly volatile, with intensified risk aversion and significant price fluctuation.

OVERALL PERFORMANCE

Despite the fact that the issuance of USD bonds saw a shrink in the first half of the year, the bond price fluctuated sharply and the Hong Kong stock market also experienced a worsening atmosphere in the second quarter and shrank trading volume, the Group maintained a stable performance. We recorded total revenue of HK$121.67 million (2017: HK$124.42 million) in the first half of the year, slightly decreased by 2% as compared with the corresponding period of last year, of which operating revenue was HK$111.67 million (2017: HK$96.76 million), representing an increase of 15% as compared with that of last year. Other income and gains were HK$9.99 million (2017: HK$27.66 million), representing a decrease of 64% as compared with that of last year. In respect of expenses, as a result of the widening of the business scope and accordingly, an increase in the office area and staff and thus operating costs (excluding commission expenses) increased to HK$90.26 million (2017: HK$85.01 million), representing an increase of 6% as compared with the same period of last year. Share of profit from associates and a joint venture was HK$11.08 million (2017: HK$5.68 million), mainly due to an increase in profit contribution from two associates. However, with the implementation of Hong Kong Financial Reporting Standard 15 ("New Standards for Revenue"), approximately HK$12.35 million of sponsor fee income charged from customers was not recognised as income for the period. As a result, the profit for the first half of the year amounted to HK$23.41 million (2017: HK$26.53 million), and the profit attributable to equity holders amounted to HK$22.49 million (2017: HK$25.76 million), representing a drop of 13% as compared with that of last year.

Management Discussion and Analysis

ASSET MANAGEMENT

In the first half of 2018, the asset management market faced fierce competition, and the rate of management fee continued to decline. The capital market basically experienced a unilateral downward trend in the first half of the year. Investors generally tend to wait and more prudent to asset management products. Despite of such challenges and difficulties, the Group achieved a considerable growth in the revenue of this segment. The Group continued to expand the size of assets under management and strived to focus on the development of main business of China Cinda Group by focusing on the expansion of funds on offshore troubled asset and domestic non-performing asset to provide supporting asset management services for the China Cinda Group; collaborate with non-performing asset acquisition business of their branches to provide risk management offshore. Moreover, the seed fund injected in the fixed income funds saw satisfactory growth, which included debt investments and investments in other structured products.

The asset management segment recorded a revenue of HK$47.41 million (2017: HK$36.38 million) in the first of the year, representing a significant increase of 30% from the same period of the previous year. Such revenue was mainly derived from management fee, performance fee and the advisory fee received from an associate engaged in managing private funds. The segment recorded a profit of HK$43.86 million (2017: HK$42.65 million), representing an increase of 3% as compared with that of last year.

The Group recorded share of profit from associates and a joint venture amounting to HK$11.08 million (2017: HK$5.68 million) in the first half of the year, and the increase was mainly generated from two associates. An associate contributed a profit of HK$7.88 million (2017: HK$1.07 million) to the Group, and the increase in profit was mainly due to an increase on the managing fee and service income for managing funds. The Company recorded share of profit of HK$6.28 million (2017: HK$2.78 million) from another associate due to an increase in the fair value of its financial assets held for investment.

SALES AND TRADING BUSINESS

In order to better describe such business and support its further development, starting from this year the Group renamed the brokerage business to sales and trading business. As the market was negatively affected by the trade war between China and the US and rising interest rate concern in the second quarter, the daily market average trading volume of the Hong Kong stock market decreased sharply by 27% from HK$146.0 billion in the first quarter of 2018 to HK$106.8 billion in the second quarter of 2018. However, the Group still strived to overcome various difficulties and sales and trading business's performance was stable, of which commission income increased by 17% year-on-year, mainly due to the increase in underwriting commission. As the Hong Kong stock market turned weak, the Group proactively decreased loans to margin portfolio to improve the loan quality and strictly control the risks. Therefore, margin interest income also decreased by 31% year-on-year. Competition in sales and trading business remained intense, and especially the industry peer that provides online trading continuously reduce brokerage commission, which increased the pressure of our operations. In addition, in order to cope with market competition, the Group enhanced its customer services. In the first half of the year, in response to requirements of regulatory authorities, dual-verification was introduced to enhance network security, and the process of optimizing customer services was carried out to attract customers through better servicing. As a result, the increase in commission income offset the decrease in the margin interest income, which resulted in sales and trading business recording an income of HK$47.06 million (2017: HK$48.01 million) in the first half of the year, a slight decrease of 2% year-on-year. Segment profit was HK$7.22 million (2017: HK$3.46 million), representing a year-on-year increase of 109%.

CORPORATE FINANCE

The corporate finance segment achieved good result in the first half of the year. It completed sponsorship for two IPO projects in the second quarter and successfully facilitated their listing, one of which was a home appliance accessory manufacturer, with HK$50.40 million of fund raised and a public oversubscription of 320.64 times. The other company is a raw food materials distributor, with HK$127.5 million of funds raised and a public oversubscription of 89.39 times. At the same time, this segment has completed underwriting for a GEM listing project in the first half of 2018 and successfully concluded six sponsor agreements and two financial advisor agreements as its reserves for forthcoming IPO projects. Apart from equity investment banking business, the Group established a bonds issuance division last year to expand bond issuance and underwriting business, and successfully completed six bonds issuance projects during first half of the year with US$4.056 billion raised at issuance. Although corporate finance business recorded a significant growth as compared with last year, the implementation of the New Standards for Revenue under HKFRS 15 had a negative effect on the Group's revenue from corporate finance business for the current year. According to the requirements of New Standards for Revenue, the Group shall exclude the progressive sponsor fee income received from clients of approximately HK$12.35 million and cannot recognise such income until the listing date of clients. Consequently, the segment only recorded a revenue of HK$17.17 million (2017: HK$12.36 million) in the first half of the year, representing an increase of only 39% year on year. Due to an increase in investment banking team's staff and other operating costs, the segment recorded a profit of HK$0.43 million (2017: HK$4.31 million), representing a decrease of 90% year on year.

LOOKING FORWARD

In the second half of the year, the global and Hong Kong markets remain uncertain and it is expected that business environment in the second half of the year will be more severe than the first half, resulting from the lingering impact on market sentiment caused by global trade war and the US interest rate hike. The Group is well prepared for controlling the risks in the uncertain business environment in the second half of the year. The Group will keep up with the Headquarter's strategy of focusing on non-performing assets business, and extension of One Belt One Road Initiatives, exhibiting its strategy of professionalization, characteristics and differentiation. At the same time, the Group will emphasize professional Cinda efficient Cinda and value Cinda as its development policy, the Group will fully embody values of Cinda and maintain sound and compliant operation. The Group will provide overall customised financial services to customers by giving full play to the features and advantages of diversified financial instruments and prudent risk culture in Hong Kong. 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 deepened synergy and 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, sales and trading and corporate finance businesses. In respect of the asset management business, we continue to capture special investment opportunities, set up special opportunity funds focusing on the Belt and Road Initiative and Guangdong-Hong Kong-Macao Greater Bay Area Development Strategy and act 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 securitization 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 sales and trading business, the Group will continue to proactively develop institutional clients and high-net-worth clients and build up synergy in securities business sector through the relationships with our direct shareholder. We will leverage on the client resources of different platforms within the China Cinda Group to collaborate with the members of the Group in Mainland. We will drive the growth of the entire brokerage business by margin and underwriting services, so as to enhance the overall income, hoping to secure further improvement. For the corporate finance business, we will strive to complete the IPO projects in progress with the objective to list their shares in the second half of the year. In addition, the introduction of policies such as weighted voting right structure and waiver from business records requirements for startups and other measures by the Hong Kong Stock Exchange, benefits the fundraising activities in Hong Kong. The Group will continue to attract more new projects as reserves through various channels to consolidate the foundation of IPO business. In addition, the Group will also strive to explore more merger & acquisitions opportunities and to set up an all-round bond-related business by building a division to cover both the primary issuance and secondary dealing. Leveraging on the foundation already established by the Group, we look forward to overcoming all unfavorable factors and boosting our annual results in the second half of the year.

FINANCIAL RESOURCES

The Group has maintained sound financial strength during the period, and all subsidiaries licensed by the Securities and Futures Commission ("SFC") have 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. The Group has available credit facilities from authorized institutions of HK$1.91 billion. As at 30th June 2018, a total amount of HK$638 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 facilities. The outstanding litigation and indemnities secured by the Group will be considered case-by-case. As at 30th June 2018, the probability of any material claims against the Group was remote. In case that economic outflows are envisioned, the Group will make appropriate 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 against HK$ because part of its revenue generated in the PRC and certain financial assets held by it were denominated in RMB. No hedging has been made against the fluctuation in the exchange rate of RMB. The Group will continue to monitor foreign exchange exposure in the future and will consider hedging such exposure in due course.

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 Cinda International Holdings Limited (the "Company", and together with its subsidiaries, the "Group") comprises two executive Directors, two non-executive Directors ("NEDs") and three independent non-executive Directors ("INEDs") as follows:

Executive Directors

Gong Zhijian *(Managing Director and acting Chairman since 29th November 2016)*
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 2018 (2017: nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June 2018, 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 to 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 2018, 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 had not redeemed any of its shares during the six months ended 30th June 2018. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the six months ended 30th June 2018.

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 unless written consent is 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 2018, HK$73,000,000 has been drawn under Facility Agreement I.

Facility Agreement II

On 28th February 2017, Cinda International Securities Limited (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$200,000,000 credit facilities ("Facility Agreement II"). As one of the conditions of the credit facilities, China Cinda shall remain the single largest beneficiary shareholder (whether directly or indirectly) of the Company. Failure to comply with this condition will constitute an event of default under the Facility Agreement II, upon which the credit facilities together with all accrued interest and any other amounts accrued under the credit facilities will become immediately due and payable. The credit facilities are subject to an annual review by the bank.

As at 30th June 2018, nil balance has been drawn under Facility Agreement II.

Facility Agreement III and Facility Agreement IV

(1) On 25th October 2017, the Company as borrower entered into a facility agreement with another licensed bank in Hong Kong in relation to a HK$300,000,000 revolving loan facility. On 27th April 2018, a supplemental facility agreement to the facility agreement (the facility agreement together with the supplemental facility agreement, collectively the "Facility Agreement III") was entered into between the parties pursuant to which certain specific performance obligation was imposed on the controlling shareholder of the Company. The final maturity date of the Facility Agreement III shall be 30th November 2018.

(2) On 27th April 2018, the Company as borrower entered into another facility agreement with the same licensed bank in relation to a HK$200,000,000 term loan facility ("Facility Agreement IV"). The final maturity date of the Facility Agreement IV shall be the date upon the expiration of 3 years from the date of the first drawdown of the Facility Agreement IV. The loan was first drawn on 2nd May 2018.

Pursuant to the Facility Agreement III and Facility Agreement IV, it shall be an event of default if any undertakings including the following, among others, is or proves to have been untrue or inaccurate in any material respect when made or repeated:

➢ The Company shall remain more than 50% beneficially owned by China Cinda; and

➢ The Company shall ensure that Ministry of Finance of the People's Republic of China shall hold more than 50% shareholding of China Cinda.

If an event of default under the Facility Agreement III and Facility Agreement IV occurs, the bank may demand repayment in full all outstanding advances together with the interest accrued thereon and all other sums payable by the Company under the Facility Agreement III and Facility Agreement IV.

As at 30th June 2018, nil balance and HK$200,000,000 have been drawn under Facility Agreement III and Facility Agreement IV respectively.

Facility Agreement V

On 18th May 2018, the Company as borrower entered into a facility agreement with a syndicate of banks in relation to a HK$250,000,000 (which may be increased up to HK$400,000,000 subject to the terms and conditions as stipulated therein) term loan facility ("Facility Agreement V"). Pursuant to the Facility Agreement V, it shall be an event of default if (i) China Cinda does not or ceases to directly or indirectly beneficially own at least 51% of the entire issued share capital of the Company; or control the Company; or (ii) the Ministry of Finance of the People's Republic of China does not or ceases to directly or indirectly own at least 51% of the entire issued share capital of, or equity interests in, China Cinda; or control China Cinda. If an event of default under the Facility Agreement V occurs, the banks may cancel the loan facility and demand repayment in full all outstanding advances together with the interest accrued thereon and all other sums payable by the Company under the Facility Agreement V. The final maturity date of the Facility Agreement V shall be the date falling 36 months after 18th May 2018.

As at 30th June 2018, HK$250,000,000 has been drawn under Facility Agreement V.

Facility Agreement VI

On 27th June 2018, the Company as borrower 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 VI"). As one of the conditions of the loan facility, China Cinda shall directly or indirectly own at least 50% of the issued capital of the Company. Upon the breach of any of the 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 2018, nil balance has been drawn under Facility Agreement VI.

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 to the Listing Rules during the period from 1st January 2018 to 30th June 2018 save for the deviations from code provisions specified below:

– Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Xia Zhidong, the INED, and Ms. Zheng Yi, the NED, were unable to attend the annual general meeting of the Company held on 25th May 2018 as they had 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 serves as both the Managing Director and acting Chairman since 29th November 2016. 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 NEDs and INEDs 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.

Corporate Governance and Other Information

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to 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 2018.

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

- Ms. Zheng Yi was appointed as a director of Cinda Real Estate Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600657), effective from 16 January 2018. China Cinda is the ultimate controlling shareholder of Cinda Real Estate Co., Ltd.

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 of the Group for the six months ended 30th June 2018. The Group's external auditors have carried out a review of the unaudited interim condensed consolidated financial statements of the Group 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 2018

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 13 to 60, 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 2018 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 the 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 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 2018

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30th June 2018 – Unaudited

		Six months ended 30th June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**111,673**	96,758
Other income	*3*	**28,202**	22,150
Other (losses)/gains, net	*3*	**(18,210)**	5,507
		121,665	124,415
Staff costs	*4(a)*	**47,431**	40,220
Commission expenses		**10,081**	10,847
Operating leases for land and buildings		**13,028**	9,988
Other operating expenses	*4(b)*	**17,390**	24,981
Finance costs	*4(c)*	**12,410**	9,822
		100,340	95,858
		21,325	28,557
Share of profits of associates and a joint venture, net	*9*	**11,085**	5,682
Profit before taxation	*4*	**32,410**	34,239
Income tax	*5*	**(8,995)**	(7,705)
Profit for the period		**23,415**	26,534
Attributable to:			
Equity holders of the Company		**22,494**	25,755
Non-controlling interests		**921**	779
		23,415	26,534
Basic and diluted earnings per share attributable to equity holders of the Company	*7*	**HK3.51 cents**	HK4.02 cents

The notes on pages 20 to 60 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June 2018 – Unaudited

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**23,415**	26,534
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss		
Debt instruments at fair value through other comprehensive income :		
– Change in fair value	**(22,142)**	–
– Change in impairment allowances charged to profit or loss	**(3,733)**	–
– Reclassification adjustments for loss on disposal	**(451)**	–
Available-for-sale financial assets:		
– Change in fair value	**–**	(1,895)
– Reclassification adjustments for loss on disposal	**–**	(21,510)
Share of an associate's investment revaluation reserve		
– Change in fair value, net of deferred tax	**(6,791)**	2,086
Net movement in investment revaluation reserve	**(33,117)**	(21,319)
Share of associates' exchange difference	**(1,205)**	1,284
Exchange differences on translation of:		
– Financial statements of a joint venture	**(111)**	2,777
– Financial statements of foreign operations	**(2,927)**	5,925
Net movement in exchange difference	**(4,243)**	9,986
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	**(37,360)**	(11,332)
Total comprehensive income for the period	**(13,945)**	15,202
Total comprehensive income attributable to:		
Equity holders of the Company	**(14,697)**	14,107
Non-controlling interests	**752**	1,095
	(13,945)	15,202

The notes on pages 20 to 60 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30th June 2018 – Unaudited

	Notes	Unaudited 30th June 2018 *HK$'000*	Audited 31st December 2017 *HK$'000*
Non-current assets			
Intangible assets	*8*	**1,439**	1,439
Property and equipment	*8*	**11,830**	13,348
Financial assets at fair value through profit or loss	*13*	**32,887**	–
Available-for-sale financial assets	*10*	**–**	37,639
Interests in associates and a joint venture	*9*	**338,121**	338,731
Other assets		**15,249**	14,174
Loan receivable	*12*	**26,981**	–
Deferred tax assets		**120**	–
		426,627	405,331
Current assets			
Loan receivable	*12*	**70,965**	190,230
Debt instruments at fair value through other comprehensive income	*11*	**327,393**	–
Available-for-sale financial assets	*10*	**–**	395,014
Financial assets at fair value through profit or loss	*13*	**49,186**	88,963
Financial instruments held-for-trading	*14*	**–**	10,072
Trade and other receivables	*15*	**1,009,455**	726,933
Taxation recoverable		**763**	1,286
Pledged bank deposits	*16*	**15,094**	15,093
Bank balances and cash	*16*	**278,496**	269,391
		1,751,352	1,696,982
Current liabilities			
Trade and other payables	*17*	**643,167**	308,462
Borrowings	*18*	**188,000**	815,865
Taxation payable		**7,756**	10,132
Bonds issued		**34,000**	34,000
		872,923	1,168,459
Net current assets		**878,429**	528,523
Total assets less current liabilities		**1,305,056**	933,854

Condensed Consolidated Statement of Financial Position

As at 30th June 2018 – Unaudited

	Notes	**Unaudited 30th June 2018 *HK$'000***	Audited 31st December 2017 *HK$'000*
Capital and reserves			
Share capital	*19*	**64,121**	64,121
Other reserves		**451,341**	495,125
Retained earnings		**274,882**	262,255
Total equity attributable to equity holders of the Company		**790,344**	821,501
Non-controlling interests		**12,283**	13,054
TOTAL EQUITY		**802,627**	834,555
Non-current liabilities			
Bonds issued	*20*	**52,000**	52,000
Financial liabilities at fair value through profit or loss	*21*	**–**	46,870
Borrowings	*18*	**450,000**	–
Deferred tax liability		**429**	429
		502,429	99,299
		1,305,056	933,854

The notes on pages 20 to 60 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2018 – 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 2018	**64,121**	**421,419**	**43,175**	**26,831**	**3,700**	**262,255**	**821,501**	**13,054**	**834,555**
Impact of adopting HKFRS 9	–	–	–	**(6,593)**	–	**4,493**	**(2,100)**	–	**(2,100)**
Impact of adopting HKFRS 15	–	–	–	–	–	**(14,360)**	**(14,360)**	–	**(14,360)**
Total comprehensive income for the period	–	–	–	**(33,117)**	**(4,074)**	**22,494**	**(14,697)**	**752**	**(13,945)**
	64,121	**421,419**	**43,175**	**(12,879)**	**(374)**	**274,882**	**790,344**	**13,806**	**804,150**
Distribution to non-controlling interest	–	–	–	–	–	–	–	**(1,523)**	**(1,523)**
At 30th June 2018	**64,121**	**421,419**	**43,175**	**(12,879)**	**(374)**	**274,882**	**790,344**	**12,283**	**802,627**
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

The notes on pages 20 to 60 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2018 – Unaudited

		Unaudited	
		Six months ended 30th June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
OPERATING ACTIVITIES			
Profit before taxation		**32,410**	34,239
Adjustments for:			
Depreciation	*8*	**2,379**	1,176
Fair value losses/(gains), net:			
– Financial assets at fair value through profit or loss	*3*	**1,361**	–
– Financial instruments held-for-trading	*3*	**–**	5,400
– Financial liabilities at fair value through profit or loss	*3*	**2,990**	(32)
Interest expenses	*4(c)*	**12,410**	9,822
Share of profits of associates and a joint venture	*9*	**(11,085)**	(5,682)
Net losses on disposal of financial assets at fair value through profit or loss	*3*	**7,745**	7,443
Net losses on disposal of available-for-sale financial assets	*3*	**–**	(17,985)
Net losses on disposal of debt instruments at fair value through other comprehensive income	*3*	**1,923**	–
Interest income from debt securities	*3*	**(14,642)**	(18,950)
Impairment loss (reversal)/charged		**(5,335)**	7,730
Recovery of impairment loss		**(699)**	–
Increase in pledged bank deposits		**(1)**	(4)
Operating profit before working capital changes		**29,456**	23,157
Increase in other assets		**(1,075)**	(2,119)
Increase in trade and other receivables		**(284,370)**	(36,334)
Increase in trade and other payables		**321,709**	4,096
Cash inflow/(outflow) from operations		**65,720**	(11,200)
Hong Kong profits tax paid		**(360)**	(843)
Overseas profits tax paid		**(6,050)**	(7,996)
Net cash inflow/(outflow) from operating activities		**59,310**	(20,039)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2018 – Unaudited

	Notes	Unaudited Six months ended 30th June 2018 *HK$'000*	 2017 *HK$'000*
INVESTING ACTIVITIES			
Purchase of property and equipment	*8*	**(861)**	(586)
Repayment of capital from a joint venture		**–**	13,059
Purchase of available-for-sale financial assets		**–**	(157,756)
Purchase of debt instruments at fair value through other comprehensive income		**(45,263)**	–
Proceeds from disposal of available-for-sale financial assets		**–**	121,331
Proceeds from disposal of debt instruments at fair value through other comprehensive income		**85,547**	–
Purchase of financial assets at fair value through profit or loss		**(43,495)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**92,066**	78,000
Interest received from debt securities		**15,969**	25,205
Dividends from an associate		**3,588**	3,036
Advances of loans		**(27,300)**	(148,200)
Proceeds from repayment of a loan		**118,200**	29,115
Net cash outflow upon deconsolidation of a subsidiary		**(27,663)**	–
Decrease in fixed deposit with maturity over 3 months		**2,000**	–
Net cash inflow/(outflow) from investing activities		**172,788**	(36,796)
FINANCING ACTIVITIES			
Proceeds from bank loans		**547,000**	166,000
Repayment of bank loans		**(446,411)**	(139,155)
Proceeds from borrowings under securities sales agreements		**–**	51,672
Repayment of borrowings under securities sale agreements		**(153,072)**	–
Repayment of borrowings under repurchase agreements		**(125,382)**	–
Repayment of margin loan from a broker		**–**	(13,058)
Capital contribution from redeemable units to unit holders classified as financial liabilities at fair value through profit or loss		**–**	31,200
Withdrawal of capital to redeemable units to unit holders classified as financial liabilities at fair value through profit or loss		**–**	(15,600)
Distribution to financial liabilities at fair value through profit or loss		**(26,473)**	(3,877)
Issuance of a new bond		**–**	–
Distribution to non-controlling interest		**(1,523)**	–
Interest paid		**(13,738)**	(9,709)
Net cash (outflow)/inflow from financing activities		**(219,599)**	67,473
Net increase in cash and cash equivalents		**12,499**	10,638
Cash and cash equivalents at the beginning of the period		**265,391**	181,570
Effect of foreign exchange rate changes, net		**(1,394)**	5,211
Cash and cash equivalents at the end of the period	*16*	**276,496**	197,419
Analysis of balances of cash and cash equivalents:			
Bank balances – general accounts and cash in hand	*16*	**276,496**	197,419

The notes on pages 20 to 60 form part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2018 – 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 unaudited condensed consolidated financial statements have been approved for issue by the Board of Directors on 29th August 2018.

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 2017 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 Hong Kong Financial Reporting Standards ("HKFRSs").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December 2017, except for the adoption of new and revised standards effective as of 1st January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except as described below, the application of the new and revised HKFRSs do not have a significant impact on the condensed consolidated financial statements of the Group.

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1st January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has not restated comparative information for financial instruments in the scope of HKFRS 9. Therefore, the comparative information was reported under HKAS 39 and was not comparable to the information presented as at 30th June 2018 and for the six-month period then ended. Differences arising from the adoption of HKFRS 9 have been recognised directly in retained earnings as of 1st January 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 *Financial Instruments* (continued)

The effects of adopting HKFRS 9 are as follows:

Impact on the statement of financial position (increase/(decrease)) as at 1st January 2018:

	Adjustments	*HK$'000*
Assets		
Available-for-sale financial assets	(a)	(37,639)
Financial assets at fair value through profit or loss	(a)	37,639
Deferred tax assets	(b)	478
Total non-current assets		478
Loans receivable	(b)	(1,076)
Debt instruments at fair value through other comprehensive income	(a)	392,191
Available-for-sale financial assets	(a)	(395,014)
Financial assets at fair value through profit or loss	(a)	12,895
Financial instruments held-for-trading	(a)	(10,072)
Trade and other receivables	(b)	(1,502)
Total current assets		(2,578)
Total assets		(2,100)
Equity		
Other reserves	(a),(b)	(6,593)
Retained earnings	(a),(b)	4,493
Total equity		(2,100)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 *Financial Instruments* (continued)

(a) Classification and measurement

Except for certain trade and other receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVTPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category mainly includes the Group's trade and other receivables and loans receivable.
- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell.

Other financial assets are classified and subsequently measured as follows:

- Financial assets at FVTPL comprise derivative instruments and equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail to meet the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Upon transition, the Group's investments in equity funds previously classified as non-current available-for-sale financial assets of HK$37,639,000 measured at fair value were reclassified as FVTPL.

The assessment of the Group's business models was made as of the date of initial application, 1st January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1st January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

As at 1st January 2018, following the adoption of HKFRS 9, current available-for-sale financial assets of HK$395,014,000 were reclassified to FVOCI of HK$392,191,000 and FVTPL of HK$2,823,000. The held-for-trading equity investments of HK$10,072,000 previously carried at fair value were reclassified to FVTPL.

As at 1st January 2018, upon the adoption of HKFRS 9, an associate of the Company reclassified certain investments previously held as available-for-sale investments to FVTPL. The accumulated investment revaluation reserve of HK$19,397,000 shared by the Company related to those investments as at 1st January 2018 was reclassified to retained earnings.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 *Financial Instruments* (continued)

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Debt instruments at FVOCI, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Both the lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups debt financial assets under impairment requirements of HKFRS 9 into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When debt financial assets are initially recognised, the Group recognises an allowance based on 12-month ECLs.

- Stage 2: When debt financial assets have shown a significant increase in credit risk since initial recognition, the Group records an allowance for the lifetime ECLs.

- Stage 3: Debt financial assets are considered credit-impaired. The Group records an allowance for the lifetime ECLs.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced.

The Group calculates ECLs based on an estimation of different scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 *Financial Instruments* (continued)

(b) Impairment (continued)

The Group's debt instruments at FVOCI comprised solely of quoted bonds that are graded by external rating agencies such as Moody's Investors Service, Inc., Standard & Poor's Financial Services LLC, and Fitch Ratings Inc.. For those debt instruments without external rating, management has an internal process to assess its ratings and estimate the default probability with reference to the information provided by external credit agencies. It is the Group's policy to measure such instruments on a 12-month ECL basis.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The adoption of the ECL as at 1st January 2018 resulted in adjustments of decrease of HK$12,804,000 to retained earnings and increase of HK$12,804,000 to OCI.

The Group's debt instruments at amortised cost comprised the trade and other receivables (including margin loans arising from securities brokerage), loans receivable, pledged bank deposits and bank balances and cash.

For margin loans arising from securities brokerage and loans receivable, the amounts migrate through the 3 stages above based on the change in credit risk since initial recognition. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information, and also forward-looking analysis.

For certain portfolios of margin loans, the Group rebuts the presumption that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due as management considers the probability of default is highly correlated with the collateral value rather than the past due days.

For loans receivable, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group also considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of HKFRS 9 resulted in increases in impairment allowances of the Group's loans receivable and margin loans arising from securities brokerage. The increase in allowance resulted in adjustment to retained earnings.

Other than the margin loans arising from securities brokerage and the loans receivable below, for other trade and other receivables, the Group has performed an assessment and considered that the impact of adoption of ECL under HKFRS 9 was insignificant to the Group.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 *Financial Instruments* (continued)

(b) Impairment (continued)

As at 1st January 2018, the adoption of HKFRS 9 resulted in decreases in loans receivable and margin loans arising from securities brokerage, and retained earnings amounting to HK$1,076,000, HK$1,502,000 and HK$2,100,000 respectively and increase in deferred tax assets of HK$478,000.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption. The comparative information would be presented based on the requirements of HKAS 18 and related interpretations. The cumulative catch-up adjustments to the opening balance of retained earnings as at 1st January 2018, for contracts that are not completed at the date of initial application, would be recognised in the statement of changes in equity for the six months ended 30th June 2018.

Impact on the statement of financial position (increase/(decrease)) as at 1st January 2018:

	Adjustments	*HK$'000*
Current liabilities		
Trade and other payables	(a)	14,360
Total current liabilities		14,360
Equity		
Retained earnings	(a)	(14,360)
Total equity		(14,360)

(a) Under HKFRS 15, the Group assessed that the performance obligation for sponsoring services is fulfilled when all the relevant duties of a sponsor as stated in the contract are completed. As at 1st January 2018, any incomplete sponsoring service contracts with revenue recognised to profit or loss in prior years by the Group under HKAS 18 were reclassified to trade and other payables as an "deferred revenue" with a corresponding adjustment to its opening retained earnings.

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

	Unaudited Six months ended 30th June	
	2018 ***HK$'000***	2017 *HK$'000*
Revenue		
Fees and commission	**46,582**	47,301
Interest income	**14,958**	23,624
Underwriting income and placing commission	**10,776**	7,969
Management fee and service fee income	**39,357**	17,864
	111,673	96,758
Other income		
Loan interest income	**7,771**	405
Interest income from debt securities classified as:		
– Available-for-sale financial assets	**–**	10,103
– Debt instruments at fair value through other comprehensive income	**12,661**	–
– Financial assets at fair value through profit or loss	**1,981**	8,847
Investment income	**2,931**	–
Dividend income	**3**	1,302
Other income	**2,855**	1,493
	28,202	22,150
Other (losses)/gains, net		
Net exchange (losses)/gains	**(4,890)**	333
Net losses on disposal of financial assets at fair value through profit or loss	**(7,745)**	(7,443)
Net gains on disposal of available-for-sale financial assets	**–**	17,985
Net losses on disposal of debt instruments at fair value through other comprehensive income	**(1,923)**	–
Loss from changes in fair value of financial assets at fair value through profit or loss	**(1,361)**	–
Loss from changes in fair value of financial instruments held-for-trading	**–**	(5,400)
Reversal of impairment of debt instruments at fair value through other comprehensive income	**699**	–
(Loss)/gain from changes in fair value of financial liabilities at fair value through profit or loss	**(2,990)**	32
	(18,210)	5,507
	121,665	124,415

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 service and related auxiliary services on fund management, managing private funds and provide other related proprietary investment.

2. Sales and trading business – 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 or other stock exchanges and other unlisted corporate, on both equity and debt financing.

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.

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

Segment information (continued)

Six months ended 30th June 2018 – Unaudited

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
Revenue from external customers	**42,708**	**47,061**	**17,174**	**106,943**
Revenue from an associate *(note)*	**4,698**	**–**	**–**	**4,698**
Inter-segment revenue	**–**	**204**	**–**	**204**
Reportable segment revenue	**47,406**	**47,265**	**17,174**	**111,845**
Reportable segment results (EBIT)	**43,864**	**7,218**	**430**	**51,512**

Six months ended 30th June 2017 – Unaudited

	Asset management *HK$'000*	Sales and trading business *HK$'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

Note: This represents service fee income received by the Group from an associate. See note 26.1(b)

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

Segment information (continued)

	Asset management *HK$'000*	**Sales and trading business** *HK$'000*	**Corporate finance** *HK$'000*	**Total** *HK$'000*
As at 30th June 2018 – Unaudited				
Reportable segment assets	**725,025**	**1,007,710**	**40,876**	**1,773,611**
Reportable segment liabilities	**525,468**	**714,362**	**31,978**	**1,271,808**

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
As at 31st December 2017 – Audited				
Reportable segment assets	899,626	740,334	35,357	1,675,317
Reportable segment liabilities	690,142	452,491	4,575	1,147,208

Reconciliations of reportable revenue

	Unaudited Six months ended 30th June	
	2018 *HK$'000*	2017 *HK$'000*
Revenue		
Reportable segment revenue	**111,845**	96,750
Elimination of inter-segment revenue	**(204)**	–
Unallocated head office and corporate revenue	**32**	8
Consolidated revenue	**111,673**	96,758

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

Reconciliations of reportable results

	Unaudited Six months ended 30th June **2018** ***HK$'000***	 2017 *HK$'000*
Results		
Reportable segment profit (EBIT)	**51,512**	50,417
Elimination of inter-segment profits (EBIT)	**(5)**	(2)
	51,507	50,415
Share of profits of associates and a joint venture, net	**11,085**	5,682
Finance costs	**(12,410)**	(9,822)
Unallocated head office and corporate expenses	**(17,772)**	(12,036)
Consolidated profit before taxation	**32,410**	34,239
Income tax	**(8,995)**	(7,705)
Profit for the period	**23,415**	26,534

Reconciliations of reportable assets and liabilities

	Unaudited **30th June** **2018** ***HK$'000***	Audited 31st December 2017 *HK$'000*
Assets		
Reportable segment assets	**1,773,611**	1,675,317
Elimination of inter-segment receivables	**(17,277)**	(17,410)
	1,756,334	1,657,907
Interests in associates and a joint venture	**338,121**	338,731
Taxation recoverable	**763**	1,286
Deferred tax assets	**120**	–
Unallocated head office and corporate assets	**82,641**	104,389
Consolidated total assets	**2,177,979**	2,102,313

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

Reconciliations of reportable assets and liabilities (continued)

	Unaudited 30th June 2018 ***HK$'000***	Audited 31st December 2017 *HK$'000*
Liabilities		
Reportable segment liabilities	**1,271,808**	1,147,208
Elimination of inter-segment payables	**(21,408)**	(13,530)
	1,250,400	1,133,678
Unallocated head office and corporate liabilities	**124,952**	134,080
Consolidated total liabilities	**1,375,352**	1,267,758

Geographic information

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

	Revenue from external customers Six months ended 30th June		**Specified non-current assets**	
	2018 ***HK$'000***	2017 *HK$'000*	**As at 30th June 2018** ***HK$'000***	As at 31st December 2017 *HK$'000*
Hong Kong	**87,608**	79,689	**110,658**	105,865
Mainland China	**24,065**	17,069	**240,732**	247,653
	111,673	96,758	**351,390**	353,518

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

(a) Staff costs

	Unaudited Six months ended 30th June 2018 ***HK$'000***	2017 *HK$'000*
Salaries and allowances	**46,241**	39,220
Defined contribution plans	**1,190**	1,000
	47,431	40,220

4. PROFIT BEFORE TAXATION (CONTINUED)

(b) Other operating expenses

	Unaudited Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Depreciation	**2,379**	1,176
Equipment rental expenses	**3,589**	2,731
Impairment loss (reversal)/charged	**(5,335)**	7,730

(c) Finance costs

	Unaudited Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Interest on borrowings – repayable on demand and within one year	**9,520**	8,116
Interest on borrowings – repayable more than one year but not more than three years	**1,187**	–
Interest on bonds issued – repayable within one year	**674**	–
Interest on bonds issued – repayable more than one year but not more than five years	**1,029**	1,706
	12,410	9,822

5. INCOME TAX

Under the Enterprise Income Tax Law of the People's Republic of China ("PRC"), the Corporate Income Tax rate for domestic entities in PRC is 25% for the current and prior 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	
	2018	2017
	HK$'000	*HK$'000*
Current taxation:		
– Hong Kong Profits Tax	**2,582**	5,693
– PRC Corporate Income Tax	**6,055**	3,240
Deferred taxation	**358**	(1,228)
	8,995	7,705

6. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2018 (2017: 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$22,494,000 (2017: HK$25,755,000) and the number of 641,205,600 ordinary shares (2017: 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	
	2018 *HK$'000*	2017 *HK$'000*
Earnings for the period attributable to equity holders of the Company	**22,494**	25,755

Number of ordinary shares

	Unaudited Six months ended 30th June	
	2018	2017
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 2018 – unaudited					
Net book value at 1st January 2018 – audited	**120**	**913**	**406**	**1,439**	**13,348**
Additions	**–**	**–**	**–**	**–**	**861**
Disposal	**–**	**–**	**–**	**–**	**–**
Depreciation charge	**–**	**–**	**–**	**–**	**(2,379)**
Net book value at 30th June 2018 – unaudited	**120**	**913**	**406**	**1,439**	**11,830**
Year ended 31st December 2017 – audited					
Net book value at 1st January 2017 – audited	120	913	406	1,439	7,223
Additions	–	–	–	–	8,847
Depreciation charge	–	–	–	–	(2,721)
Disposal	–	–	–	–	(2)
Exchange difference	–	–	–	–	1
Net book value at 31st December 2017 – audited	120	913	406	1,439	13,348

9. INTERESTS IN ASSOCIATES AND A JOINT VENTURE

	Unaudited 30th June 2018 *HK$'000*	Audited 31st December 2017 *HK$'000*
Interests in associates	**329,123**	329,326
Interest in a joint venture	**8,998**	9,405
	338,121	338,731

Interests in associates

	Unaudited 30th June 2018 *HK$'000*	Audited 31st December 2017 *HK$'000*
Share of net assets at 1st January	**329,326**	292,693
Share of profits for the period/year, net	**11,381**	20,637
Share of other comprehensive income for the period/year	**(7,996)**	19,032
Dividend income from investment in an associate	**(3,588)**	(3,036)
	(203)	36,633
Share of net assets at 30th June/31st December	**329,123**	329,326

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 2018	Effective equity interest to the Group 31st December 2017	Principal activities
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	**11.75%**	11.75%	Investment fund
Dawen Investment Management Limited	49 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	2,820,000 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 2018 *HK$'000*	Audited 31st December 2017 *HK$'000*
Share of net assets at 1st January	**9,405**	19,949
Share of (loss)/profit for the period/year	**(296)**	432
Share of other comprehensive income for the period/year	**–**	48
Translation difference	**(111)**	2,035
Repayment of capital	**–**	(13,059)
	(407)	(10,544)
Share of net assets at 30th June/31st December	**8,998**	9,405

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

	Particulars of share capital held	**Country of establishment**	**Effective equity interest to the Group 30th June 2018**	Effective equity interest to the Group 31st December 2017	**Principal activity**
JianXinJinYuan (Xiamen) Equity Investment Management Limited	RMB7,000,000 of registered capital (2017: RMB7,000,000 of registered capital)	PRC	**35%**	35%	Private equity investment and fund management

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited 30th June 2018 *HK$'000*	Audited 31st December 2017 *HK$'000*
Non-current:		
Unlisted equity investments:		
– private equity funds	–	13,629
Unlisted investment funds	–	24,010
	–	37,639
Current:		
Listed debt investment:		
– debt securities with fixed interest	–	392,191
Unlisted equity investment:		
– equity securities	–	1
Other unlisted investment	–	2,822
	–	395,014
	–	432,653

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 2018 – unaudited	–	–	–	–	–	–
31st December 2017 – audited	–	102,484	259,263	22,347	8,097	392,191

11. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Unaudited 30th June 2018 ***HK$'000***	Audited 31st December 2017 *HK$'000*
Current:		
Listed debt investment		
– debt securities with fixed interest	**327,393**	–

The Group has adopted HKFRS 9 from 1st January 2018. As at 30th June 2018, an analysis of the ending balance of the carrying amount in debt instruments at fair value through other comprehensive income subject to impairment allowances is as follows:

	Stage 1 *HK$'000*	**Stage 2** *HK$'000*	**Stage 3** *HK$'000*	**Total** *HK$'000*
Fair value as at 30th June 2018	**327,393**	**–**	**–**	**327,393**

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 2018 – unaudited	**–**	**164,675**	**154,717**	**–**	**8,001**	**327,393**
31st December 2017 – audited	–	–	–	–	–	–

12. LOANS RECEIVABLE

As at 31st December 2017, loans receivable included an unsecured, non-interest bearing loan of HK$48,000,000 to a private entity in which the Group had 18.6% equity interests, being classified as available-for-sale financial assets with no fixed terms of repayment. The amount has been fully settled in January 2018.

As at 30th June 2018, the Group has two unsecured, interest bearing loans with principal of HK$71,101,000 and HK$27,300,000 at the rates of 6% and 7% per annum with maturity dates in July 2018 and June 2020 respectively.

The Group has adopted HKFRS 9 from 1st January 2018. As at 30th June 2018, an analysis of the gross amount of loans receivable is as follows:

	Stage 1 *HK$'000*	**Stage 2** *HK$'000*	**Stage 3** *HK$'000*	**Total** *HK$'000*
Gross amount as at 30th June 2018	**98,401**	**–**	**–**	**98,401**

The movements in the impairment allowance for the loans receivable during the period are as follows:

	HK$'000
At 1st January 2017/31st December 2017	–
Impact of adopting HKFRS 9	1,076
At 1st January 2018	1,076
Reversal of impairment losses	(621)
At 30th June 2018	455

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30th June 2018 *HK$'000*	Audited 31st December 2017 *HK$'000*
Non-current:		
Unlisted private equity funds	**9,187**	–
Unlisted equity funds	**23,700**	–
	32,887	–
Current:		
Financial assets at fair value through profit or loss:		
Listed debt securities *(note (a))*	**38,416**	88,963
Listed equity securities	**9,702**	–
Unlisted equity investments:		
– private equity funds	**1,067**	–
– equity securities	**1**	–
	49,186	88,963
	82,073	88,963

Note:

(a) As at 30th June 2018, the debt securities with fair value of HK$38,416,000 (31st December 2017: HK$88,963,000) were listed perpetual bonds.

14. FINANCIAL INSTRUMENTS HELD-FOR-TRADING

	Unaudited 30th June 2018 *HK$'000*	Audited 31st December 2017 *HK$'000*
Listed equity securities	**–**	10,072

15. TRADE AND OTHER RECEIVABLES

	Unaudited 30th June 2018 *HK$'000*	Audited 31st December 2017 *HK$'000*
Trade receivables from clients arising from		
– corporate finance	**6,573**	9,187
– securities broking	**337,896**	115,462
Margin and other trade related deposits with brokers and financial institutions arising from *(note (d))*		
– commodities and futures broking	**24,009**	19,848
– securities broking	**195,702**	8,471
Margin loans arising from securities broking *(note (e))*	**272,855**	382,705
Trade receivables from clearing houses arising from securities broking	**21,436**	90,601
Less: impairment allowance for trade receivables		
– corporate finance *(note (b))*	**(3,373)**	(3,373)
– securities broking *(note (b))*	**(13,450)**	(12,929)
Total trade receivables *(notes (a) and (b))*	**841,648**	609,972
Deposits	**4,556**	828
Prepayments and other receivables *(note (f))*	**163,333**	116,215
Less: impairment allowance for other receivables *(note (b))*	**(82)**	(82)
Total trade and other receivables	**1,009,455**	726,933

15. 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.

The Group has adopted HKFRS 9 from 1st January 2018. As at 30th June 2018, an analysis of the gross amount of trade and other receivables is as follows:

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
Gross amount as at 30th June 2018	**1,009,874**	**102**	**16,384**	**1,026,360**

Notes:

(a) For trade receivables related to corporate finance of HK$6,573,000 (31st December 2017: HK$9,187,000), no impairment allowance was provided for the current period (30th June 2017: HK$2,023,000). The relevant aging analysis based on the date of invoice at the reporting date was as follows:

	Unaudited 30th June 2018 ***HK$'000***	Audited 31st December 2017 *HK$'000*
Current	**2,500**	4,514
30–60 days	**–**	–
Over 60 days	**4,073**	4,673
	6,573	9,187

For trade receivables related to margin clients of HK$272,855,000, impairment allowances of HK$1,502,000 were additionally provided upon adoption of HKFRS 9 at 1st January 2018, and impairment allowances of HK$981,000 were reversed for the current period. No aging analysis is disclosed as in the opinion of the Directors, the aging analysis does not give additional value in view of the nature of revolving margin loan.

Other than the above, the Group's trade and other receivables included overdue balance of HK$7,744,000 (31st December 2017: HK$6,894,000). The majority of these overdue balances were past due within 60 days.

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

	HK$'000
At 1st January 2017	582
Provision of impairment losses	15,802
At 31st December 2017	16,384
Impact of adopting HKFRS 9	1,502
At 1st January 2018	17,886
Reversal of impairment losses	(981)
At 30th June 2018	16,905

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

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

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

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.

(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 2018 and 31st December 2017 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 2018, the fair value of shares accepted as collateral amounted to HK$2,360,100,000 (31st December 2017: HK$3,059,965,149) and the fair value of the majority of the clients' listed securities is higher than the carrying amount of those individual loans to margin clients. 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 the clients' securities up to the amount of 140% of the loans to margin clients as collateral of the Group's bank facilities (with clients' consent). However, no securities held as collateral have been repledged to secure the Group's bank facilities for the six months ended 30th June 2018 and the year ended 31st December 2017.

(f) Other receivables for the Group included a shareholder loan advanced to an associate of HK$4,000,000 (31st December 2017: HK$4,000,000), which is unsecured, non-interest bearing and repayable on demand.

16. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	Unaudited 30th June 2018 *HK$'000*	Audited 31st December 2017 *HK$'000*
Cash in hand	**21**	21
Bank balances		
– pledged deposits	**15,094**	15,093
– general accounts	**278,475**	269,370
	293,590	284,484
By maturity:		
Bank balances		
– Current and savings accounts	**264,475**	265,370
– Fixed deposits (maturing within three months)	**27,094**	15,093
– Fixed deposits (maturing over three months)	**2,000**	4,000
	293,569	284,463

16. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH (CONTINUED)

As at 30th June 2018, bank deposits amounting to HK$15,094,000 (31st December 2017: HK$15,093,000) which include principal of HK$15,000,000 (31st December 2017: 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 2017: HK$220,000,000).

Certain subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. As at 30th June 2018, segregated trust accounts not dealt with in these condensed consolidated financial statements amounted to HK$839,229,217 (31st December 2017: HK$711,308,230).

As at 30th June 2018, the bank balances and deposits bore interest at rates ranging from 0.01% to 2% per annum (2017: 0.01% to 0.5%).

Cash and cash equivalents

	Unaudited 30th June 2018 *HK$'000*	Audited 31st December 2017 *HK$'000*
Analysis of balances of cash and cash equivalents		
Cash in hand and at bank (exclude pledged bank deposits)	**278,496**	269,391
Less: fixed deposits (with original maturity over 3 months)	**(2,000)**	(4,000)
Cash and cash equivalents at the end of the period/year	**276,496**	265,391

17. TRADE AND OTHER PAYABLES

	Unaudited 30th June 2018 *HK$'000*	Audited 31st December 2017 *HK$'000*
Trade payables to margin clients arising from securities broking	**4,750**	18,610
Trade payables to securities trading clients arising from securities broking	**308,856**	188,032
Margin and other deposits payable to clients arising from commodity and futures broking	**23,830**	19,748
Trade payables to brokers arising from securities broking	**189,430**	11
Trade payables to brokers and clearing houses arising from securities broking	**31,222**	694
Total trade payables	**558,088**	227,095
Accruals and other payables	**58,374**	81,367
Deferred revenue	**26,705**	–
Total trade and other payables	**643,167**	308,462

17. TRADE AND OTHER PAYABLES (CONTINUED)

The carrying amounts of trade and other payables approximate their fair values. Other than deferred revenue, 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, which exceeded the margin maintenance requirement, were repayable on demand.

18. BORROWINGS

	Notes	**Unaudited 30th June 2018 *HK$'000***	Audited 31st December 2017 *HK$'000*
Non-current			
Bank loans	(a)	**450,000**	–
Current			
Bank loans	(a)	**188,000**	537,411
Borrowings under securities sales agreements	(b)	**–**	153,072
Borrowings under repurchase agreements	(c)	**–**	125,382
		188,000	815,865
		638,000	815,865

18. BORROWINGS (CONTINUED)

Notes:

(a) At 30th June 2018 and 31st December 2017, the bank loans were repayable and carried interest with reference to HIBOR as follows:

	Unaudited 30th June 2018 ***HK$'000***	Audited 31st December 2017 *HK$'000*
Within one year	**188,000**	537,411
More than one year	**450,000**	–
	638,000	537,411

As at 30th June 2018, the Group had total banking facilities of HK$1,910,000,000 (31st December 2017: HK$1,460,000,000). Among these banking facilities, HK$220,000,000 (31st December 2017: HK$220,000,000) was secured by pledged deposits with a principal of HK$15,000,000 (31st December 2017: HK$15,000,000) and HK$1,400,000,000 (31st December 2017: HK$950,000,000) was under specific performance obligation on the Company's controlling shareholder which the current controlling shareholder shall hold over 50% (or 51% in one of the facilities) of the entire issued share capital of the Company.

As at 30th June 2018, HK$638,000,000 (31st December 2017: HK$537,411,000) was drawn from the banking facilities.

As at 30th June 2018 and 31st December 2017, the Group was not utilised any of the banking facilities secured by the pledged deposits.

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

(b) As at 28th April 2016, the Group entered into a securities sale agreement with a financial institution in which the Group sold a portfolio of debt securities it held to the financial institution in exchange for a cash consideration of HK$101,400,000. Under the agreement, the Group is required to repurchase the debt securities at HK$101,400,000 plus interest calculated 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% upon it with a maturity in April 2018. As at 31st December 2017, the borrowing under the securities sale agreement of HK$101,400,000 was collateralised by the Group's debt securities of HK$162,502,000. On maturity date of 28th April 2018, the Group has repurchased the debt securities at HK$101,400,000 plus the interest.

As at 19th June 2017, the Group entered into another securities sale agreement with a financial institution in which the Group sold a portfolio of debt securities it held to the financial institution in exchange for a cash consideration of HK$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 31st December 2017, the borrowing under such securities sale agreement of HK$51,672,000 was collateralised by the Group's debt securities of HK$77,435,000. On the maturity date of 21st June 2018, the Group has repurchased the debt securities at HK$51,672,000 plus the interest.

(c) On 1st September 2017 and 21st December 2017, the Group entered into repurchase agreements with a financial institution in which the Group sold a portfolio of debt securities it held to the financial institution in exchange for cash considerations of HK$108,720,000 and HK$16,662,000 respectively. There are no stated interest rates and maturity dates in the agreements. The Group is required to repurchase the debt securities at HK$108,720,000 and HK$16,662,000 plus interest at variable rates calculated upon the termination of the agreements. As at 31st December 2017, the borrowings under repurchase agreements were collateralised by the Group's debt securities of HK$147,400,000. As at 30th June 2018, all borrowings under repurchase agreements were terminated. The debt securities were repurchased at HK$108,720,000 and HK$16,662,000 plus the interest during the period.

19. SHARE CAPITAL

	Issued and fully paid	
	No. of shares	**Nominal value**
	'000	*HK$'000*
Authorised share capital		
Ordinary shares	1,000,000	100,000
Issued and fully paid		
Ordinary shares		
At 1st January 2017 and at 31st December 2017 – Audited	641,206	64,121
At 30th June 2018 – Unaudited	641,206	64,121

20. 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 2017: HK$86,000,000). The exposure and the contractual maturity dates of the bonds are as follows:

	Unaudited 30th June 2018	Audited 31st December 2017
	HK$'000	*HK$'000*
Within one year	**34,000**	34,000
More than 1 year but less than 5 years	**52,000**	52,000
	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.

21. 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. At 31st December 2017, the redeemable units held by third party investors were classified as a financial liability with changes in fair value recognised in profit or loss. As of 31st December 2017, the investment fund's underlying asset was a loan receivable of HK$70,200,000. During the period, the Group redeemed all its interest in the fund and deconsolidated the fund from its condensed consolidated financial statements.

22. 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 payables 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.

22. 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 2018					
Financial assets by counterparty					
Trade receivables from:					
– Margin clients *(note 1)*	**336,771**	**(63,916)**	**272,855**	**(258,886)**	**13,969**
– Clearing houses *(note 2)*	**160,768**	**(139,332)**	**21,436**	**–**	**21,436**
	497,539	**(203,248)**	**294,291**	**(258,886)**	**35,405**
As at 31st December 2017					
Financial assets by counterparty					
Trade receivables from:					
– Margin clients *(note 1)*	439,313	(56,608)	382,705	(368,924)	13,781
– Clearing houses *(note 2)*	244,637	(154,036)	90,601	–	90,601
	683,950	(210,644)	473,306	(368,924)	104,382

22. 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 2018					
Financial liabilities by counterparty					
Trade payables to:					
– Margin clients *(note 1)*	**(68,666)**	**63,916**	**(4,750)**	**–**	**(4,750)**
– Clearing houses *(note 2)*	**(170,554)**	**139,332**	**(31,222)**	**–**	**(31,222)**
	(239,220)	**203,248**	**(35,972)**	**–**	**(35,972)**
As at 31st December 2017					
Financial liabilities by counterparty					
Trade payables to:					
– Margin clients *(note 1)*	(75,217)	56,608	(18,609)	–	(18,609)
– Clearing houses *(note 2)*	(154,730)	154,036	(694)	–	(694)
	(229,947)	210,644	(19,303)	–	(19,303)

Notes:

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

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

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

23. CONTINGENT LIABILITIES

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

23.2 Financial guarantees issued

As at the end of the reporting period, a subsidiary of the Company engaging in securities brokering and providing securities margin financing has secured banking facilities from certain authorised institutions for a total amount of HK$320 million (31st December 2017: HK$470 million). In addition, the Company has issued corporate guarantees for a total principal amount of HK$320 million (31st December 2017: HK$470 million) for these facilities. As at 30th June 2018, a bank loan of HK$65 million (31st December 2017: HK$30 million) was drawn under the banking facilities.

24. LEASE, CAPITAL AND INVESTMENT COMMITMENTS

(a) Lease commitments

At 30th June 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

Land and buildings

	Unaudited 30th June 2018 *HK$'000*	Audited 31st December 2017 *HK$'000*
Within one year	**22,466**	22,434
After one year but within five years	**7,288**	18,015
	29,754	40,449

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.

24. LEASE, CAPITAL AND INVESTMENT 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 2018 ***HK$'000***	Audited 31st December 2017 *HK$'000*
Contracted but not provided for	**234**	524

(c) Investment commitments

As part of the Group's asset management business, the Group sets up structured entities (for example, investment funds) and generates fees from managing assets on behalf of third party investors. The Group may also co-invest in these structured entities in the capacity as general partners or investment managers of these structured entities. The Group did not control and did not consolidate these structured entities.

As at 30th June 2018, the carrying values of interest held by the Group in the above unconsolidated structured entities managed by the Group amounted to HK$10,255,000 (2017: HK$13,630,000), which was recognised in financial assets at fair value through profit or loss (2017: available-for-sale financial assets). The maximum exposure to loss is the carrying value of the assets held. Other than the invested amounts above, the Group has no significant outstanding capital commitments to these unconsolidated structured entities. Other than the committed capital, the Group has no intention to provide financial or other support to these structured entities.

25. FINANCIAL RISK MANAGEMENT

25.1 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 currencies. The currencies giving rise to this risk are primarily Renminbi and the United States dollars. The RMC reviews the exposures from time to time to cope with changes in volatility in the market.

Equity price risk

As at 30th June 2018, the Group is exposed to equity price changes arising from financial assets at fair value through profit or loss (note 13) and financial liabilities at fair value through profit or loss (note 21).

As at 31st December 2017, the Group was exposed to equity price changes arising from (i) listed equity securities classified as financial instruments held-for-trading (note 14), (ii) unlisted equity funds classified as available-for-sale financial assets (note 10) and (iii) financial liabilities at fair value through profit or loss (note 21).

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1 Financial risk factors (continued)

(a) Market risk (continued)

Interest rate risk

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the financial instruments subject to floating interest rate. Financial assets subject to cash flow interest rate risk mainly include margin loans arising from securities broking and bank balances. Financial liabilities subject to floating interest rates are bank loans and margin loan from a broker, and borrowings under securities sales 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

As at 30th June 2018, the Group is also exposed to fair value interest rate risk in relation to debt securities with fixed interest classified as debt instruments at fair value through other comprehensive income (note 11) and financial assets at fair value through profit or loss (note 13).

As at 31st December 2017, the Group was 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 at fair value through profit or loss (note 13). The Group does not have a fair value interest rate hedging policy. However, management is closely monitoring its exposure arising from debt securities investments by regularly performing quantitative analysis, including periodic sensitivity analysis.

(b) Credit risk

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

For loans receivable, individual credit evaluations are performed on all customers requiring such credit. These evaluations focus on the customer's past history of making payments when due and current ability to pay, value of collateral held (if any) and take into account information specific to the customer and the guarantor (in case provided) as well as pertaining to the economic environment in which the customer operates. The Group is exposed to the concentration of credit risk from one (31st December 2017: three) independent counterparty. In view of the 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.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1 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 is considered to be manageable.

For debt securities in financial assets 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 2018 and 31st December 2017, 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 2018 and 31st December 2017, and the fair value of the convertible bonds was estimated by an independent firm of professional valuer. As at 30th June 2018 and 31st December 2017, 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 debt instruments at fair value through other comprehensive income are listed debt securities with fixed interest. In prior year, these listed debt securities were classified as available-for-sale financial assets. 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 2018, over 37% (31st December 2017: 45%) of the debt securities invested by the Group are B+ or above, 45% (31st December 2017: 37%) of the debt securities invested by the Group are B+. 18% of the debt securities are non-rated as at 30th June 2018 (31st December 2017: 18%). 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 regard, 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.

The maximum credit exposure is the worst case scenario of exposure to the Group without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the maximum exposure to credit risk equals their carrying amount. For loan commitments and other credit related liabilities, the maximum exposure to credit risk is the full amount of the committed facilities.

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1 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.

25.2 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).

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.2 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 2018 *HK$'000*	31st December 2017 *HK$'000*		
(a) Financial assets at fair value through profit or loss				
Listed debt securities	**38,416**	88,964	Level 1	Quoted prices in an active market
Listed equity securities	**9,702**	–	Level 1	Quoted prices in an active market
Unlisted investment fund	**23,700**	–	Level 2	Adjusted NAV of investment fund
(b) Financial instruments held-for-trading				
Listed equity securities	–	10,072	Level 1	Quoted prices in an active market
(c) Available-for-sale financial assets				
Debt securities	–	392,191	Level 1	Quoted prices in an active market
Unlisted investment funds	–	24,010	Level 2	Adjusted NAV of investment fund
(d) Financial liabilities at fair value through profit or loss	–	46,870	Level 2	Adjusted NAV of financial liability
(e) Debt instruments at fair value through other comprehensive income	**327,393**	–	Level 1	Quoted prices in an active market

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

26. MATERIAL RELATED PARTY TRANSACTIONS

26.1 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	
	2018	2017
	HK$'000	*HK$'000*
Broking commission for securities dealing *(note (a))*	**2,233**	1,293
Service fee income *(note (b))*	**4,697**	3,590
Placing commission *(note (c))*	**4,622**	5,527
Fund management fee and advisory fee income *(note (d))*	**35,546**	9,981
Bank interest income *(note (e))*	**147**	85
Bank charges *(note (f))*	**(75)**	–
Rental expenses *(note (g))*	**(232)**	(202)
Interest expenses *(note (h))*	**–**	(170)
Interest income *(note (i))*	**1,395**	1,202
Capital distribution to non-controlling interest *(note (j))*	**(1,523)**	–

Notes:

(a) In 2018 and 2017, the Group received commission income from its directors and fellow subsidiaries for providing securities broking services.

(b) In 2018 and 2017, the Group received service fee income from an associate for providing administrative supporting and consulting services.

(c) In 2018, the Group received placing commission from a fellow subsidiary for placing securities. In 2017, the Group received placing commission from fellow subsidiaries for placing securities.

26. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

26.1 Material related party transactions (continued)

Notes: (continued)

(d) In 2018 and 2017, the Group received fund management fee and advisory fee income from its connected persons for providing asset management services.

(e) In 2018 and 2017, the Group received bank interest from its fellow subsidiary.

(f) In 2018, the Group paid bank charges to its fellow subsidiary (2017: Nil).

(g) In 2018 and 2017, the Group paid rental expenses to its fellow subsidiaries for the use of office premises.

(h) In 2018 and 2017, the Group paid interest expenses to a fellow subsidiary for obtaining short-term financing.

(i) In 2018 and 2017, the Group received interest income from the unlisted investment funds which were also owned by its fellow subsidiaries.

(j) In 2018, the Group distributed cash of HK$1,523,000 to the non-controlling interest of CRC Fund, which is its fellow subsidiary (2017: Nil).

(k) 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"). The MOF is the major shareholder of China Cinda as at 30th June 2018 and 31st December 2017. For the current period and prior years, the Group undertook 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.

(l) Compensation of key management personnel is disclosed in note 26.2.

26.2 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 is as follows:

	Unaudited Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Basic salaries, discretionary bonus, housing allowances and benefits in kind	**8,178**	6,367
Defined contribution plans	**54**	45
	8,232	6,412