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

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

2019
INTERIM REPORT

10 years+
商界展關懷
caringcompany
Awarded by The Hong Kong Council of Social Service
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MARKET CONDITIONS

In the first half of 2019, the outlook for the global economy was threatened by the escalating Sino-US trade frictions. The three major United States of America ("US") securities indexes hit two-month lows in early June, but later rallied and climbed to historical highs in the first half of the year on positive stock market sentiments boosted by the US's withdrawal of the plan to impose tariffs on Mexico and expression of willingness to resume trade talks with China and suspend new tariffs during the G20 summit as well as increased market expectations of interest rate cuts by the US Federal Reserve ("Fed"), with Nasdaq Index up 20.6%, S&P 500 Index up 17.4%, and Dow Jones Industrial Average Index up 14%. As the market expected that the Fed would cut interest rates three times by the end of January 2020, the US Dollar Index slightly fell by 0.04% to 96.13 in the first half of the year after hitting its high of 98.37 during the year. Apart from rising expectations of Fed rate cuts, growing risk aversion fueled by trade disputes and geopolitical instability in the Middle East has pushed gold prices up to a six-year high of US$1,409 per ounce, with a cumulative rise of about 10% in the first half of the year.

In Europe, major stock markets rose by more than 10% in the first half of the year. The European Central Bank ("ECB") revised its forward guidance in July, expecting the interest rates to remain at present levels at least throughout the first half of 2020. It is expected that the ECB will cut interest rates by 10 basis points as soon as June 2020 and restart the bond repurchase programme as soon as early 2020. As for the high-profile third series of targeted longer-term refinancing operations (TLTRO III), the ECB announced that eligible banks will be able to borrow from it at 10 basis points above the rate applied in the main refinancing operations.

China's economy grew 6.3% in the first half of the year, with 6.2% growth in the second quarter, still within the reasonable range of 6.0% to 6.5%. All credit indicators in June, including new RMB-denominated loans and broad measure of money supply (M2), were lower than expected, which, coupled with sluggish growth of medium- and long-term corporate loans, reflect downward pressure on the real economy. In addition, the escalating Sino-US trade war weakened the market's outlook on China's exports and economic prospects. In May, the People's Bank of China announced a three-phase targeted cut in the reserve requirement ratio ("RRR") for small- and medium-sized banks that operate in county-level administrative areas. About 1,000 county-level agricultural and commercial banks will enjoy the preferential RRR policy, unleashing long-term capital of about RMB280 billion. Although economic activity in mainland China slowed down, the exchange rates of onshore RMB (CNY) and offshore RMB (CNH) against US dollars were roughly stable in the first half of the year, with the exchange rates of onshore RMB (CNY) and offshore RMB (CNH) fell by 2.3% and 2.1% respectively in the second quarter.

Management Discussion and Analysis

In Hong Kong, the Hong Kong economy recorded only a 0.5% year-on-year growth in the first half of 2019, the lowest since 2009. After seasonal adjustment, the growth of the second quarter was 0.4% lower than that of the first quarter, which reflects that the large-scale demonstrations since June create certain pressure on the economy. The Hong Kong Interbank Offered Rate ("HIBOR") rose further in the second quarter. The overnight HIBOR rose to nearly 3.00% at one point, with one-month, three-month, six-month and one-year rates all going up, and one-month and three-month rates both hitting new highs since 2009. The US dollar against Hong Kong dollar exchange rate reached a high of 7.8025 in June, close to the record high of 7.8013 last December, mainly due to half-year settlement and large-scale initial public offerings ("IPO"). As for Hong Kong stocks, the performance in the first quarter improved over the end of last year. The Hang Seng Index ("HSI") fell after reaching a peak of 30,280 points in April, but later regained some ground as boosted by the increased market expectations of interest rate cuts by the Fed and the anticipation that the meeting of China and US top leaders during the G20 summit would help ease Sino-US trade tensions. Though falling 1.8% quarterly in the second quarter, the HSI rose by 10.4% in the first half of the year as compared to the end of 2018. The Hang Seng China Enterprises Index, though falling 4.4% in the second quarter, accumulatively rose by 7.5% in the first half of the year. Although investment market sentiment in Hong Kong improved in the first quarter of 2019, the Sino-US trade war concerns imposed negative effect on the market thereafter, which caused the average daily trading volume of Hong Kong stocks dropping from HK$101.6 billion in the first quarter of 2019 to HK$94.7 billion in the second quarter of 2019, down 24% year-on-year. The US dollar bonds issued by Chinese enterprises were also heavily impacted by the escalating Sino-US trade war and the volatility of offshore RMB exchange rate. In the first half of the year, there were still material uncertainties in the market of Chinese enterprises offshore US dollar bonds. In the first quarter, a number of strong issuers captured the issuance windows and successfully issued offshore US dollar bonds. In the second quarter, however, Investors' risk appetite waned while risk premiums rose, making bond issuance more difficult for enterprises. Despite all that, the total amount issued in the first half of the year amounted to US$130 billion, up 40.1% over the same period last year.

OVERALL PERFORMANCE

Despite the harsh market environment and no signs of improvement in local investment market in the first half of 2019, the Group closely followed China Cinda, the parent company of the Company, in development of the principal business of distressed asset and a high quality professional, efficient and value-oriented Cinda to better serve the China Cinda Group and its customers. By continuing to develop the three core business segments, minimizing the market impact and keeping risks under control, the Group developed steadily and achieved a desirable increase in results. The profit after tax attributable to equity holders amounted to HK$28.10 million (2018: HK$22.49 million), representing an increase of 25% year-on-year. The Group recorded a total revenue of HK$121.71 million (2018: HK$121.67 million) in the first half of the year, slightly increasing by 0.03% year-on-year, of which operating revenue was HK$96.21 million (2018: HK$111.67 million), representing a decrease of 14% year-on-year. Other income and gains were HK$25.50 million (2018: HK$9.99 million), representing an increase of 155% year-on-year, mainly attributable to the increase in investment income and the decrease in loss on foreign exchange for RMB held. In respect of expenses, the Group endeavored to control costs. However, establishment of new business departments by the Group last year due to business development resulted in an increase in staff costs and other corresponding expenses, which are fully reflected in the current period. Together with inflation and other factors, other operating expenses (excluding commission expenses and finance costs) for the first half of the year amounted to HK$82.32 million (2018: HK$77.85 million), representing an increase of 5.7% year-on-year, out of which the Group's operating lease expenses for land and buildings decreased sharply by 100% to zero from HK$13.03 million year-on-year, mainly due to the inclusion of such expenses in depreciation as a result of the adoption of the Hong Kong Financial Reporting Standard 16.

The Group recorded a share of profits from associates and a joint venture amounting to HK$23.31 million (2018: HK$11.09 million), which was mainly contributed by an absolute return fund and an associate engaged in private equity investment invested by the Group. As a result, the Group's profit after tax for the first half of the year amounted to HK$28.70 million (2018: HK$23.42 million); and profit after tax attributable to equity holders amounted to HK$28.11 million (2018: HK$22.49 million), representing an increase of 25% year-on-year.

Management Discussion and Analysis

ASSET MANAGEMENT

In the first half of 2019, the asset management segment was the Group's most important business segment and operations continued to be stable. The segment results for the first half of the year were HK$43.75 million (2018: HK$43.86 million), level with the same period of last year. Currently, the Group operates under light-asset strategy and remains the service centre of China Cinda Group's overseas asset management. The Group proactively developed its business revolving around the main business of China Cinda Group, concentrated its efforts to branch out to the troubled asset business, and actively explored innovative cross-border distressed assets business by strengthening its business operations. Against the severe situations, the Group, in collaboration with the parent company, focused on developing products such as the offshore troubled asset merger and acquisition ("M&A") fund and onshore distressed asset M&A fund so as to provide supporting asset management services to the main business of China Cinda Group and expand the size of assets under management. Moreover, the seed fund invested in the fixed income funds saw satisfactory growth, which included debt investments and investments in other structured products. Due to exit from a number of investment management projects at expiry during the period, in the first half of the year, the asset management segment recorded revenue from external customers of HK$45.21 million (2018: HK$47.41 million), down 4.6% year-on-year.

The Group proactively cooperated with associates and joint ventures in development of diversified businesses and achieved impressive results. The Group recorded a share of profits from associates and a joint venture amounting to HK$23.31 million (2018: HK$11.09 million) in the first half of the year, representing an increase of 110.2% year-on-year, which was mainly attributable to the Group's share of profits of HK$12.08 million (2018: HK$6.26 million) from two associates of the Group, Cinda Plunkett group, representing an increase of 93%. Cinda Plunkett group's business gradually matured after years of development. It seized market opportunities by not only providing traditional fund management services but also developing towards structured products management recently. Both the management companies and the absolute return fund it managed which the Group invested posted desirable results. In addition, an associate of the Group engaging in private equity investment business contributed a profit of HK$11.13 million (2018: HK$6.28 million), representing an increase of 77.2%, due to an increase in fair value of its financial assets held for investment.

CORPORATE FINANCE

The corporate finance business delivered a satisfactory performance in the first half of 2019, with operating revenue increased by 53% to HK$26.28 million from HK$17.17 million in the first half of 2018, and segment profit amounted to HK$6.49 million (2018: HK$430,000). In the first half of the year, the segment continued to provide equity issuance and debt issuance-related services to clients. With respect to equity issuance-related business, it acted as sponsor and underwriter in the IPO of two PRC companies which successfully listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). One of the companies is located in Huzhou and engaged in textile manufacturing and printing and dyeing, raising gross proceeds of HK$80 million from its IPO; and the other is a Beijing-based financial leasing company, raising gross proceeds of HK$420 million from its IPO, which is the first global offering project underwritten by the newly-formed equity issuance business team. In July, the Group completed another IPO project for a company engaged in the manufacturing of eyeglass frame, raising gross proceeds of HK$125 million. In addition, the Group has secured a number of upcoming projects, including the sole sponsor mandates from more than 17 companies seeking listing on the Stock Exchange and the engagement as a financial advisor by another company. With respect to debt issuance-related business, the Group successfully completed four Chinese enterprises offshore US dollar bonds issuance projects in the first half of the year, totalling US$3.65 billion. The Group served as the joint global coordinator in two of the four projects.

Management Discussion and Analysis

SALES AND TRADING BUSINESS

In the first half of the year, the sales and trading business was significantly impacted by the market slump. At the beginning of the year, the Hong Kong stock market rebounded and hit a peak of 30,280 points on 15th April. However, market sentiment reversed sharply amid the escalating Sino-US trade war, resulting in a material adjustment in May, investors turning cautious and stock trading volume decreasing. In view of the continuing uncertainty in the market, the Group continued to proactively reduce margin loans and focused on improving the quality of loans through strict risk control, with no bad or doubtful debts occurred throughout the period. In addition, the securities business competition in Hong Kong was still extremely fierce in the first half of the year. According to the information from the Stock Exchange, the number of brokers increased from 625 at the beginning of 2019 to 633 in the second quarter of the year. In particular, the peers who provide online trading platforms continuously lowered the brokerage commission rate, resulting in fiercer competition among peers. As a result, the Group's market share in the securities trading market in the first half of the year has fallen in tandem with the peers. For the first half of the year, the Group recorded commission from sales and trading business of HK$18.52 million (2018: HK$34.17 million); and interest income from securities financing of HK$6.09 million (2018: HK$12.89 million), posting a loss of HK$7.65 million (2018: profit of HK$7.22 million) for the segment.

LOOKING FORWARD

Looking into the second half of the year, both the external market and the Hong Kong market will be mired in perplexity and operations are very likely to proceed under a severer environment as compared with the first half of the year. To be specific, as impacted by the intensifying Sino-US trade frictions, trade environment in Hong Kong further deteriorates. In addition, the large-scale demonstrations in Hong Kong continued in July and August, which had a serious impact on different industries, including the year-on-year decline in visitors to Hong Kong and retail sales, blockage of airport, decrease in sales volume of residences, and declining trading volume of the capital market. Therefore, the Hong Kong Government believes that the third quarter is very likely to further see a negative growth, the second consecutive negative growth on a quarterly basis, which means that the economy is in a technical recession. The Hong Kong Government has also recently lowered the economic growth forecast for 2019 from the previous 2%–3% to 0%–1%. As to Europe, the economy in the second half of the year is estimated to remain sluggish, and the market will continue to be beset by risks arising from the United Kingdom's "Hard Brexit". Nonetheless, the Fed made a rate cut of 0.25% at the beginning of August 2019 and is expected to make further rate cuts in the second half of the year, which brings about support for the real economy and the capital market. In addition, after the State Council of the PRC's promulgation of the Outline Development Plan for the Guangdong-Hong Kong-Macau Greater Bay Area at the beginning of the year, Hong Kong will embrace a greater number of development opportunities following its further integration into the development of the Greater Bay Area. In addition, coupled with a series of policies in Mainland China on tax cut, rate reduction, expansionary monetary policy, employment priority, etc., implemented recently, it is believed that China's domestic economy is able to meet up with the expected targets.

As the overseas asset management and financing platform of China Cinda Group, the Group closely follows China Cinda Group in development of the principal business of distressed asset and will, leveraging on its strength as an overall entity with licences in Hong Kong, enhance its synergy with China Cinda Group and fulfil China Cinda Group's requirements of establishing a professional, efficient and value-oriented Cinda. Emphasising on its professional and characterised features, the Group will continue to improve its professional competence, follow China Cinda Group's prudent operation policy of focusing on its principal business and serving the real economy, strengthen resource sharing and scout for more cooperation opportunities. In addition, the Group completed the equity restructuring on 6th June 2019 and Cinda Securities Co., Ltd. ("Cinda Securities") has thus become the direct controlling shareholder of the Group ever since. We have strengthened collaboration with Cinda Securities and are masterminding integrated financial services available for both domestic and overseas markets with concerted efforts so as to provide China Cinda Group and domestic and overseas customers with enhanced cross-border financial services.

Management Discussion and Analysis

The Group will continue to promote the development of the three core business segments. On one hand, we will stimulate the internal synergy among the three core business segments to boost resource sharing, refine management and enhance efficiency as well as maintain stable and compliant operation. On the other hand, externally we will deepen the cooperation with China Cinda Group in a bid to achieve win-win results. In terms of asset management, we will focus on capitalising on market opportunities, especially the occasion for supporting China Cinda Group in handling the troubled assets by emphatically setting up asset management products with different characteristics such as the troubled asset fund, M&A fund, special opportunity fund for the "Belt and Road" Initiative and the strategy of developing the Guangdong-Hong Kong-Macau Greater Bay Area. In respect of the sales and trading business, we will make greater efforts to explore corporate and institutional customers by right of our relationship with the parent company and strive to enrich the Group's product mix covering stocks, futures, bonds as well as products on wealth management, asset management and insurance so as to satisfy the customers' need on asset allocation. As for corporate finance, we will maintain the parallel development of both equity and debt businesses. For the equity-related business, we will energetically provide the sponsor and underwriting services for the IPO projects on hand and schematically branch out to financial consultancy in M&A projects. Besides, we will also actively identify enterprises that seek for IPO in Hong Kong from countries covered by the "Belt and Road" Initiative. Currently, the Group has been appointed sponsor for several such enterprises, resulting in diversified services and customers in terms of geographical distribution. As to debt-related business, the Group will explore demands for debt issuance of the domestic and Hong Kong customers of China Cinda Group and provide tailor-made issuance plans and services to such customers to catch the issuing window. We would like to overcome all the obstacles and level up the annual results in the second half of the year by virtue of our solid foundations the Group has laid so far.

FINANCIAL RESOURCES

The Group maintained sound financial strength during the period, and all subsidiaries licensed by the Hong Kong Securities and Futures Commission had liquid capital in excess of regulatory requirements. Meanwhile, the Group also improved its financing strategies to ensure liquidity. Since the middle of last year, we have obtained two floating rate term loans, each with duration of three years totalling HK$450 million from two different banks to provide long-term funding for the purpose of development of the Group, which in turn has improved the Group's current ratio. In addition, as at 30th June 2019, the Group had revolving bank loans and overdrafts facilities in the amount of HK$1,440 million, and outstanding fixed-rate medium-term bonds in a total principal amount of HK$62 million. For the six months ended 30th June 2019, the Group did not issue any bond.

FLUCTUATION IN FOREIGN EXCHANGE RATES

A majority of assets and liabilities of the Group are denominated in Hong Kong dollar and US dollar to which Hong Kong dollar is pegged with. Besides that, part of assets are denominated in RMB, which is mainly due to the fact that the Group has two wholly-owned subsidiaries incorporated in the Mainland China which account for all their assets and incomes in RMB. The exchange rate of RMB against US dollar declined since the middle of last year as affected by the robust US dollar and the Sino-US trade frictions. The Group considered that the decline of exchange rate of RMB would not last long, therefore hedging was not carried out for such fluctuation in the exchange rate of RMB, let alone the mean cost-effectiveness of hedging.

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 three executive Directors ("EDs"), two non-executive Directors ("NEDs") and three independent non-executive Directors ("INEDs") as follows:

EDs

Yu Fan	*(Chairman)*
Gong Zhijian	*(Deputy Chairman and Chief Executive Officer)*
Lau Mun Chung	*(Deputy Chief Executive Officer)*

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 2019 (2018: nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June 2019, 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 (Cap. 571) ("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").

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June 2019, 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:

Long position

Name of substantial shareholder	Capacity	Number of shares or underlying shares held	Approximate percentage of the Company's issued share capital
Cinda Securities Co., Ltd. ("Cinda Securities")	Beneficial owner	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 Cinda Securities which was a 99.32% non-wholly-owned subsidiary of China Cinda. By virtue of the provisions of the SFO, China Cinda was deemed to be interested in all the shares in which Cinda Securities was interested.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the six months ended 30th June 2019. 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 2019.

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 Facility Agreement I has been renewed pursuant to a letter from the bank dated 5th December 2018 and the loan facility is subject to an annual review by the bank.

As at 30th June 2019, loan amount outstanding under Facility Agreement I was nil.

Facility Agreement II and Facility Agreement III

(1) On 25th October 2017, 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 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 II") 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 II was extended for a year to 30th November 2019 by a supplemental facility agreement entered into between the parties on 21st May 2019.

(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 III"). The final maturity date of the Facility Agreement III shall be the date upon the expiration of 3 years from the date of the first drawdown of the Facility Agreement III. The loan was first drawn on 2nd May 2018.

Pursuant to the Facility Agreement II and Facility Agreement III, 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 II and Facility Agreement III occurs, the bank may demand repayment in full all outstanding advances together with the interest accrued thereon and all other sums payable by the Company under the Facility Agreement II and Facility Agreement III.

As at 30th June 2019, loan amount outstanding was nil and HK$200,000,000 under Facility Agreement II and Facility Agreement III respectively.

Facility Agreement IV

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 IV"). Pursuant to the Facility Agreement IV, 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 IV 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 IV. The final maturity date of the Facility Agreement IV shall be the date falling 36 months after 18th May 2018.

As at 30th June 2019, HK$250,000,000 has been drawn under Facility Agreement IV.

Facility Agreement V

On 27th June 2018, the Company as borrower entered into a facility agreement with a licensed bank in Hong Kong in relation to a HK$150,000,000 revolving loan facility ("Facility Agreement V"). As one of the conditions of the loan facility, China Cinda shall directly or indirectly own at least 50% of the issued share 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 2019, loan amount outstanding under Facility Agreement V was nil.

Facility Agreement VI

On 7th September 2018, Cinda International Securities Limited ("CISL", a wholly-owned subsidiary of the Company) as borrower and the Company as guarantor entered into a facility agreement with a licensed bank in Hong Kong in relation to a HK$200,000,000 general banking facilities ("Facility Agreement VI"). As one of the undertakings of the general banking facilities, China Cinda shall remain the single largest beneficiary shareholder (directly or indirectly) of the Company. Breach of any of the conditions will constitute an event of default under the Facility Agreement VI, upon which all amounts (including principal and interest) due or owing by CISL to the bank shall become immediately due and payable. The general banking facilities is subject to an annual review by the bank.

As at 30th June 2019, loan amount outstanding under Facility Agreement VI was nil.

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 2019 to 30th June 2019 save for the deviation from code provisions specified below:

– Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Ms. Zheng Yi, the NED, and Mr. Xia Zhidong and Mr. Liu Xiaofeng, the INEDs, were unable to attend the annual general meeting of the Company held on 23rd May 2019 as they had other engagements.

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 2019.

Corporate Governance and Other Information

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

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

Major appointment

- Mr. Chow Kwok Wai ceased to act as the company secretary and a deputy general manager of Silver Grant International Holdings Group Limited (formerly known as Silver Grant International Industries Limited), the shares of which are listed on the Stock Exchange (stock code: 171), with effect from 17th July 2019.

Director's emoluments

- On 28th August 2019, Mr. Yu Fan entered into a service agreement with the Company for a term of three years commencing from 1st September 2019, subject to retirement by rotation pursuant to the bye-laws of the Company, which can be terminated by three months' notice in writing. Pursuant to the service agreement, Mr. Yu is entitled to a monthly salary of HK$208,000 and a monthly housing allowance of HK$40,000 which have been fixed by reference to his position, responsibilities and the remuneration policy of the Company. In addition, Mr. Yu is also entitled to a director's fee and an annual discretionary bonus to be determined with reference to the operating results of the Group and his performance.

AUDIT COMMITTEE

The audit committee of the Company 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 2019. 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

Yu Fan
Chairman

28th August 2019

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 64, 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 2019 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

28th August 2019

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30th June 2019 – Unaudited

		Six months ended 30th June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**96,213**	111,673
Other income	*3*	**23,524**	28,202
Other gains/(losses), net	*3*	**1,972**	(18,210)
		121,709	121,665
Staff costs	*4(a)*	**53,221**	47,431
Commission expenses		**13,378**	10,081
Operating leases for land and buildings		**–**	13,028
Other operating expenses	*4(b)*	**29,101**	17,390
Finance costs	*4(c)*	**12,048**	12,410
		107,748	100,340
		13,961	21,325
Share of profits of associates and a joint venture, net	*9*	**23,310**	11,085
Profit before taxation	*4*	**37,271**	32,410
Income tax	*5*	**(8,573)**	(8,995)
Profit for the period		**28,698**	23,415
Attributable to:			
Equity holders of the Company		**28,105**	22,494
Non-controlling interests		**593**	921
		28,698	23,415
Basic and diluted earnings per share attributable to equity holders of the Company	*7*	**HK4.38 cents**	HK3.51 cents

The notes on pages 20 to 64 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June 2019 – Unaudited

	Six months ended 30th June	
	2019	2018
	HK$'000	*HK$'000*
Profit for the period	**28,698**	23,415
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	**14,437**	(22,142)
– Change in impairment allowances charged to profit or loss	**(1,726)**	(3,733)
– Reclassification adjustments for gain/(loss) on disposal	**1,297**	(451)
Share of an associate's investment revaluation reserves:		
– Change in fair value, net of deferred tax	**–**	(6,791)
Net movement in investment revaluation reserve	**14,008**	(33,117)
Share of associates' exchange difference	**1,026**	(1,205)
Exchange differences on translation of:		
– Financial statements of a joint venture	**(26)**	(111)
– Financial statements of foreign operations	**(942)**	(2,927)
Net movement in exchange difference	**58**	(4,243)
Other comprehensive income for the period	**14,066**	(37,360)
Total comprehensive income for the period	**42,764**	(13,945)
Total comprehensive income attributable to:		
Equity holders of the Company	**42,116**	(14,697)
Non-controlling interests	**648**	752
	42,764	(13,945)

The notes on pages 20 to 64 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30th June 2019 – Unaudited

	Notes	30th June 2019 HK$'000 (Unaudited)	31st December 2018 HK$'000 (Audited)
Non-current assets			
Intangible assets	8	**1,439**	1,439
Property and equipment	8	**8,273**	10,147
Financial assets at fair value through profit or loss	12	**5,684**	27,411
Interests in associates and a joint venture	9	**362,784**	351,314
Other assets		**12,185**	13,484
Right-of-use assets		**54,982**	–
Loans receivable	11	**27,068**	26,981
Deferred tax assets		**79**	239
		472,494	431,015
Current assets			
Loans receivable	11	**68,157**	68,096
Debt instruments at fair value through other comprehensive income	10	**474,539**	328,118
Financial assets at fair value through profit or loss	12	**74,005**	49,574
Trade and other receivables	13	**513,527**	343,521
Taxation recoverable		**382**	1,270
Pledged bank deposits	14	**12,115**	12,100
Bank balances and cash	14	**500,296**	503,372
		1,643,021	1,306,051
Current liabilities			
Trade and other payables	15	**423,458**	266,360
Borrowings	16	**252,725**	125,000
Taxation payable		**6,488**	5,375
Lease liabilities		**21,810**	–
Bonds issued	18	**42,000**	42,000
		746,481	438,735
Net current assets		**896,540**	867,316
Total assets less current liabilities		**1,369,034**	1,298,331

Condensed Consolidated Statement of Financial Position

As at 30th June 2019 – Unaudited

	Notes	30th June 2019 HK$'000 (Unaudited)	31st December 2018 HK$'000 (Audited)
Capital and reserves			
Share capital	17	**64,121**	64,121
Other reserves		**457,984**	443,973
Retained earnings		**335,667**	307,562
Total equity attributable to equity holders of the Company		**857,772**	815,656
Non-controlling interests		**7,602**	12,246
Total Equity		**865,374**	827,902
Non-current liabilities			
Bonds issued	18	**20,000**	20,000
Lease liabilities		**33,231**	–
Borrowings	16	**450,000**	450,000
Deferred tax liability		**429**	429
		503,660	470,429
		1,369,034	1,298,331

The notes on pages 20 to 64 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2019 – Unaudited

	Attributable to equity holders of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling Interests *HK$'000*	Total equity *HK$'000*
At 1st January 2019	**64,121**	**421,419**	**43,175**	**(12,060)**	**(8,561)**	**307,562**	**815,656**	**12,246**	**827,902**
Total comprehensive income for the period	**–**	**–**	**–**	**14,008**	**3**	**28,105**	**42,116**	**648**	**42,764**
	64,121	**421,419**	**43,175**	**1,948**	**(8,558)**	**335,667**	**857,772**	**12,894**	**870,666**
Distribution to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,292)**	**(5,292)**
At 30th June 2019	**64,121**	**421,419**	**43,175**	**1,948**	**(8,558)**	**335,667**	**857,772**	**7,602**	**865,374**
At 1st January 2018 (restated)	64,121	421,419	43,175	20,238	3,700	252,388	805,041	13,054	818,095
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

The notes on pages 20 to 64 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2019 – Unaudited

		Six months ended 30th June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		Unaudited	Unaudited
OPERATING ACTIVITIES			
Profit before taxation		**37,271**	32,410
Adjustments for:			
Depreciation of property and equipment	*8*	**2,310**	2,379
Depreciation of right-of-use assets		**10,958**	–
Fair value losses/(gains), net:			
– Financial assets at fair value through profit or loss	*3*	**(1,883)**	1,361
– Financial liabilities at fair value through profit or loss	*3*	**–**	2,990
Interest expense on lease liabilities	*4(c)*	**225**	–
Interest expenses	*4(c)*	**11,823**	12,410
Share of profits of associates and a joint venture	*9*	**(23,310)**	(11,085)
Net (gains)/losses on disposal of financial assets at fair value through profit or loss	*3*	**(231)**	7,745
Net losses on disposal of debt instruments at fair value through other comprehensive income	*3*	**399**	1,923
Interest income from debt securities	*3*	**(14,934)**	(14,642)
Impairment loss reversal	*4(b)*	**(2,655)**	(5,335)
Other gains–others	*3*	**-**	(699)
Increase in pledged bank deposits		**(15)**	(1)
Operating profit before working capital changes		**19,958**	29,456
Decrease/(increase) in other assets		**1,299**	(1,075)
Increase in trade and other receivables		**(165,445)**	(284,370)
Increase in trade and other payables		**156,305**	321,709
Cash inflow from operations		**12,117**	65,720
Hong Kong profits tax paid		**(152)**	(360)
Overseas profits tax paid		**(6,052)**	(6,050)
Net cash inflow from operating activities		**5,913**	59,310

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2019 – Unaudited

	Notes	Six months ended 30th June 2019 HK$'000 Unaudited	2018 HK$'000 Unaudited
INVESTING ACTIVITIES			
Purchase of property and equipment	8	**(436)**	(861)
Purchase of debt instruments at fair value through other comprehensive income		**(217,501)**	(45,263)
Proceeds from disposal of debt instruments at fair value through other comprehensive income		**86,415**	85,547
Purchase of financial assets at fair value through profit or loss		**(31,440)**	(43,495)
Proceeds from disposal of financial assets at fair value through profit or loss		**30,748**	92,066
Interest received from debt securities		**10,975**	15,969
Dividends from an associate		**12,840**	3,588
Advances of loans		**–**	(27,300)
Proceeds from repayment of a loan		**–**	118,200
Net cash outflow upon deconsolidation of a subsidiary		**–**	(27,663)
Decrease in fixed deposit with maturity over 3 months		**–**	2,000
Net cash (outflow)/inflow from investing activities		**(108,399)**	172,788
FINANCING ACTIVITIES			
Payment of lease liabilities		**(11,124)**	-
Proceeds from bank loans		**–**	547,000
Repayment of bank loans		**(125,000)**	(446,411)
Proceeds from borrowings under repurchase agreements		**252,725**	–
Repayment of borrowings under securities sale agreements		**–**	(153,072)
Repayment of borrowings under repurchase agreements		**–**	(125,382)
Distribution to financial liabilities at fair value through profit or loss		**–**	(26,473)
Distribution to non-controlling interests		**(5,292)**	(1,523)
Interest paid		**(11,031)**	(13,738)
Net cash inflow/(outflow) from financing activities		**100,278**	(219,599)
Net (decrease)/increase in cash and cash equivalents		**(2,208)**	12,499
Cash and cash equivalents at the beginning of the period		**503,372**	265,391
Effect of foreign exchange rate changes, net		**(868)**	(1,394)
Cash and cash equivalents at the end of the period	14	**500,296**	276,496
Analysis of balances of cash and cash equivalents:			
Bank balances – general accounts and cash in hand	14	**500,296**	276,496

The notes on pages 20 to 64 form part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2019 – 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 28th August 2019.

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 2018 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 2018, except for the adoption of new and revised standards effective as of 1st January 2019. 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 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

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 16 *Leases*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1st January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1st January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 16 *Leases* (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1st January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1st January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1st January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1st January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 16 *Leases* (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1st January 2019:

– Used a single discount rate to a portfolio of leases with reasonably similar characteristics

– Relied on its assessment of whether leases are onerous immediately before the date of initial application

– Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

– Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

– Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1st January 2019 are as follows:

	Increase ***HK$'000*** **(Unaudited)**
Assets	
Increase in right-of-use assets	65,940
Increase in total assets	**65,940**
Liabilities	
Increase in lease liabilities	65,940
Increase in total liabilities	**65,940**

The lease liabilities as at 1st January 2019 reconciled to the operating lease commitments as at 31st December 2018 is as follows:

	HK$'000 (Unaudited)
Operating lease commitments as at 31st December 2018	69,250
Weighted average incremental borrowing rate as at 1st January 2019	3.67%
Discounted operating lease commitments as at 1st January 2019	65,940
Lease liabilities as at 1st January 2019	65,940

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 16 *Leases* (continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31st December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1st January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease equipment for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 16 *Leases* (continued)

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "interest-bearing bank and other borrowings") and the movement during the period are as follow:

	Right-of-use assets Land and buildings *HK$'000*	Lease liabilities *HK$'000*
As at 1st January 2019	65,940	65,940
Depreciation expense	(10,958)	–
Interest expense	–	225
Payments	–	(11,124)
As at 30th June 2019	54,982	55,041

Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures*

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1st January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial statements.

HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The interpretation has had no significant impact on the Group's interim condensed consolidated financial statements.

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

	Unaudited Six months ended 30th June	
	2019	2018
	HK$'000	*HK$'000*
Revenue		
Revenue from contracts with customers		
Fees and commission		
Asset management	**13,982**	7,968
Sales and trading business	**16,246**	30,281
Corporate finance	**14,055**	9,299
	44,283	47,548
Underwriting income and placing commission		
Sales and trading business	**–**	1,938
Corporate finance	**12,183**	7,872
	12,183	9,810
Management fee and service fee income		
Asset management	**31,105**	39,357
	31,105	39,357
	87,571	96,715
Revenue from other sources		
Interest income		
Asset management	**123**	81
Sales and trading business	**8,346**	14,842
Corporate finance	**43**	3
Others	**130**	32
	8,642	14,958
	96,213	111,673

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

Analysis of the disaggregate revenue from contracts with customers by major service lines is as follows:

	Asset management *HK$'000*	**Sales and trading business** *HK$'000*	**Corporate finance** *HK$'000*	**Total** *HK$'000*
2019 – Unaudited				
Revenue from contracts with customers				
Brokerage service	**–**	**16,246**	**–**	**16,246**
Underwriting and placing service	**–**	**–**	**12,183**	**12,183**
Corporate finance service	**–**	**–**	**14,055**	**14,055**
Asset management service	**45,087**	**–**	**–**	**45,087**
	45,087	**16,246**	**26,238**	**87,571**

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
2018 – Unaudited				
Revenue from contracts with customers				
Brokerage service	–	30,281	–	30,281
Underwriting and placing service	–	1,938	7,872	9,810
Corporate finance service	–	–	9,299	9,299
Asset management service	47,325	–	–	47,325
	47,325	32,219	17,171	96,715

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

	Six months ended 30th June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income		
Loan interest income	**2,925**	7,771
Interest income from debt securities classified as:		
– Debt instruments at fair value through other comprehensive income	**13,167**	12,661
– Financial assets at fair value through profit or loss	**1,767**	1,981
Investment income	**3,682**	2,931
Dividend income	**–**	3
Other income	**1,983**	2,855
	23,524	28,202
Other gains/(losses), net		
Net exchange gains/(losses)	**257**	(4,890)
Net gains/(losses) on disposal of financial assets at fair value through profit or loss	**231**	(7,745)
Net losses on disposal of debt instruments at fair value through other comprehensive income	**(399)**	(1,923)
Gain/(loss) from changes in fair value of financial assets at fair value through profit or loss	**1,883**	(1,361)
Loss from changes in fair value of financial liabilities at fair value through profit or loss	**–**	(2,990)
Others	**–**	699
	1,972	(18,210)
	121,709	121,665

3. REVENUE, OTHER INCOME, OTHER GAINS/(LOSSES) 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 and stock options commodities and futures contracts traded in Hong Kong and selected overseas markets, underwriting, placing and margin financing services to those brokering 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 corporates, 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/(LOSSES) AND SEGMENT INFORMATION (CONTINUED)

Segment information (continued)

Six months ended 30th June 2019 – Unaudited

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
Revenue from external customers	41,523	24,592	26,281	92,396
Revenue from an associate *(note)*	3,687	–	–	3,687
Inter-segment revenue	–	20	–	20
Reportable segment revenue	45,210	24,612	26,281	96,103
Reportable segment results (EBIT)	43,750	(7,647)	6,489	42,592
Interest income from bank deposits	123	1,977	32	2,132
Interest expense	(9,137)	(937)	(371)	(10,445)
Depreciation for the period	(289)	(691)	(48)	(1,028)

As at 30th June 2019 – Unaudited

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
Reportable segment assets	947,332	662,981	79,753	1,690,066
Additions to non-current segment assets during the period	200	630	199	1,029
Reportable segment liabilities	705,968	369,732	45,576	1,121,276

3. REVENUE, OTHER INCOME, OTHER GAINS/(LOSSES) 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
Interest income from bank deposits	51	1,498	3	1,552
Interest expense	(8,502)	(2,991)	(381)	(11,874)
Depreciation for the period	(172)	(493)	(36)	(701)

As at 31st December 2018 – Audited

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
Reportable segment assets	777,717	488.287	95.469	1,361,473
Additions to/(disposals of) non-current segment assets during the year	41	(605)	151	(413)
Reportable segment liabilities	531,753	206,446	42,983	781,182

Note: This represents service fee income received by the Group from an associate. See note 23.1(b).

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

Reconciliations of reportable revenue

	Six months ended 30th June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**96,103**	111,845
Elimination of inter-segment revenue	**(20)**	(204)
Unallocated head office and corporate revenue	**130**	32
Consolidated revenue	**96,213**	111,673

Reconciliations of reportable results

	Six months ended 30th June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Results		
Reportable segment profit (EBIT)	**42,592**	51,512
Elimination of inter-segment profits (EBIT)	**–**	(5)
	42,592	51,507
Share of profits of associates and a joint venture, net	**23,310**	11,085
Finance costs	**(12,048)**	(12,410)
Unallocated head office and corporate expenses	**(16,583)**	(17,772)
Consolidated profit before taxation	**37,271**	32,410
Income tax	**(8,573)**	(8,995)
Profit for the period	**28,698**	23,415

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

Reconciliations of reportable assets and liabilities

	30th June 2019 HK$'000 (Unaudited)	31st December 2018 HK$'000 (Audited)
Assets		
Reportable segment assets	**1,690,066**	1,361,473
Elimination of inter-segment receivables	**(42,555)**	(44,881)
	1,647,511	1,316,592
Interests in associates and a joint venture	**362,784**	351,314
Deferred tax assets	**79**	239
Taxation recoverable	**382**	1,270
Unallocated head office and corporate assets	**104,759**	67,651
Consolidated total assets	**2,115,515**	1,737,066

	30th June 2019 HK$'000 (Unaudited)	31st December 2018 HK$'000 (Audited)
Liabilities		
Reportable segment liabilities	**1,121,276**	781,182
Elimination of inter-segment payables	**(27,495)**	(29,529)
	1,093,781	751,653
Taxation payable	**6,488**	5,375
Deferred tax liability	**429**	429
Unallocated head office and corporate liabilities	**149,443**	151,707
Consolidated total liabilities	**1,250,141**	909,164

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

Geographic information

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

	Revenue from external customers Six months ended 30th June		Specified non-current assets	
			As at 30th June	As at 31st December
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Hong Kong	**75,733**	87,608	**129,423**	119,246
Mainland China	**20,480**	24,065	**243,073**	243,654
	96,213	111,673	**372,496**	362,900

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

(a) Staff costs

	Six months ended 30th June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and allowances	**51,867**	46,241
Defined contribution plans	**1,354**	1,190
	53,221	47,431

4. PROFIT BEFORE TAXATION (CONTINUED)

(b) Other operating expenses

	Six months ended 30th June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation	**13,268**	2,379
Equipment rental expenses	**3,723**	3,589
Impairment loss reversed on:		
– debt instruments at fair value through other comprehensive income	**(1,726)**	(3,733)
– loans receivable	**(601)**	(981)
– trade and other receivables	**(328)**	(621)

(c) Finance costs

	Six months ended 30th June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on borrowings – repayable on demand and within one year	**3,064**	9,520
Interest on borrowings – repayable more than one year but not more than three years	**7,493**	1,187
Interest on bonds issued – repayable within one year	**869**	674
Interest on bonds issued – repayable more than one year but not more than five years	**397**	1,029
Interest on lease liabilities	**225**	–
	12,048	12,410

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:

	Six months ended 30th June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current taxation:		
– Hong Kong Profits Tax	**2,593**	2,582
– PRC Corporate Income Tax	**5,820**	6,055
Deferred taxation	**160**	358
	8,573	8,995

6. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30th June 2019 (2018: 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$28,105,000 (2018: HK$22,494,000) and the number of 641,205,600 ordinary shares (2018: 641,205,600 ordinary shares) in issue during the period, calculated as follows:

Earnings attributed to equity holders of the Company

	Six months ended 30th June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings for the period attributable to equity holders of the Company	**28,105**	22,494

Number of ordinary shares

	Six months ended 30th June	
	2019	2018
	(Unaudited)	(Unaudited)
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 2019 – unaudited					
Net book value at 1st January 2019 – audited	**120**	**913**	**406**	**1,439**	**10,147**
Additions	**–**	**–**	**–**	**–**	**436**
Depreciation charge	**–**	**–**	**–**	**–**	**(2,310)**
Net book value at 30th June 2019 – unaudited	**120**	**913**	**406**	**1,439**	**8,273**
Year ended 31st December 2018 – audited					
Net book value at 1st January 2018 – audited	120	913	406	1,439	13,348
Additions	–	–	–	–	1,746
Depreciation charge	–	–	–	–	(4,939)
Disposals	–	–	–	–	(6)
Exchange difference	–	–	–	–	(2)
Net book value at 31st December 2018 – audited	120	913	406	1,439	10,147

9. INTERESTS IN ASSOCIATES AND A JOINT VENTURE

	30th June 2019	31st December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interests in associates	**354,289**	343,003
Interest in a joint venture	**8,495**	8,311
	362,784	351,314

Interests in associates

	30th June 2019	31st December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Share of net assets at 1st January	**343,003**	329,326
Share of profits for the period/year, net	**23,100**	31,898
Share of other comprehensive income for the period/year	**1,026**	(11,012)
Dividend income from an associate	**(12,840)**	(3,588)
Disposal of an associate	**–**	(3,621)
	11,286	13,677
Share of net assets at 30th June/31st December	**354,289**	343,003

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 2019	Effective equity interest to the Group 31st December 2018	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	**15.03%**	11.87%	Investment fund
Dawen Investment Management Limited	49 ordinary shares of US$1 each	Cayman Islands	–	49%	Asset 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

	30th June 2019 *HK$'000* **(Unaudited)**	31st December 2018 *HK$'000* (Audited)
Share of net assets at 1st January	**8,311**	9,405
Share of profit/(loss) for the period/year	**210**	(642)
Translation difference	**(26)**	(452)
	184	(1,094)
Share of net assets at 30th June/31st December	**8,495**	8,311

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

Name	Particulars of shares capital held	Country of establishment	Effective equity interest to the Group 30th June 2019	Effective equity interest to the Group 31st December 2018	Principal activity
JianXinJinYuan (Xiamen) Equity Investment Management Limited	RMB7,000,000 of registered capital (2018: RMB7,000,000 of registered capital)	PRC	**35%**	35%	Private equity investment and fund management

10. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30th June 2019 *HK$'000* **(Unaudited)**	31st December 2018 *HK$'000* (Audited)
Current:		
Listed debt investment		
– debt securities with fixed interest	**474,539**	328,118

As at 30th June 2019, 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 2019 – unaudited	**474,539**	**–**	**–**	**474,539**
Fair value as at 31st December 2018 – audited	328,118	–	–	328,118

The expected credit losses ("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 allowance, with a corresponding charge to profit or loss.

During the period, impairment allowance of HK$1,726,000 (for the six months ended 30th June 2018: HK$3,733,000) was reversed and credited to the profit or loss. As of 30th June 2019, impairment allowance of HK$7,438,000 (31st December 2018: HK$9,164,000) was provided.

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 2019 – unaudited	**169,741**	**135,181**	**160,145**	**1,579**	**7,893**	**474,539**
31st December 2018 – audited	101,089	120,834	98,290	–	7,905	328,118

11. LOANS RECEIVABLE

As at 30th June 2019 and 31st December 2018, the Group has two unsecured, interest bearing loans with principal of HK$68,205,000 and HK$27,300,000 at the rates of 6% and 7% per annum with maturity dates in July 2019 and June 2020 respectively. The loan with principal of HK$68,205,000 with interest was repaid in July 2019.

As at 30th June 2019 and 31st December 2018, the loans are not overdue.

As at 30th June 2019 and 31st December 2018, an analysis of the gross amount of loans receivable is as follows:

	12-month ECL	**Lifetime ECL**		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Gross carrying amount as at 30th June 2019	**95,505**	**–**	**–**	**95,505**
Expected credit losses	**(280)**	**–**	**–**	**(280)**
Net carrying amount as at 30th June 2019 – unaudited	**95,225**	**–**	**–**	**95,225**
Gross carrying amount as at 31st December 2018	95,685	–	–	95,685
Expected credit losses	(608)	–	–	(608)
Net carrying amount as at 31st December 2018 – audited	95,077	–	–	95,077

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

	HK$'000
At 1st January 2018 – audited	1,076
Reversal of impairment losses – audited	(468)
At 31st December 2018 and 1st January 2019 – audited	608
Reversal of impairment losses – unaudited	(328)
At 30th June 2019 – unaudited	280

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30th June 2019 **HK$'000** **(Unaudited)**	31st December 2018 HK$'000 (Audited)
Non-current:		
Unlisted private equity funds	**5,684**	4,616
Unlisted investment fund	**–**	22,795
	5,684	27,411
Current:		
Unlisted private equity funds	**3,742**	3,751
Listed debt securities *(note (a))*	**70,262**	38,076
Listed equity securities	**–**	7,746
Unlisted equity securities	**1**	1
	74,005	49,574
	79,689	76,985

Note:

(a) As at 30th June 2019, the debt securities with fair value of HK$70,262,000 (31st December 2018: HK$38,076,000) were listed perpetual bonds.

13. TRADE AND OTHER RECEIVABLES

	30th June 2019 *HK$'000* **(Unaudited)**	31st December 2018 *HK$'000* (Audited)
Trade receivables from clients arising from		
– corporate finance *(note (a))*	**4,548**	8,788
– securities brokering *(note (b))*	**75,520**	103,994
Margin and other trade related deposits with brokers and financial institutions arising from		
– commodities and futures brokering *(note (c))*	**6,168**	13,664
– securities brokering	**2,063**	491
Margin loans arising from securities brokering *(note (d))*	**170,240**	180,240
Trade receivables from clearing houses arising from securities brokering *(note (e))*	**227,921**	7,708
Less: impairment allowance for trade receivable arising from		
– corporate finance *(note (a) and (f))*	**(3,373)**	(3,373)
– securities brokering *(note (f))*	**(13,332)**	(13,933)
Total trade receivables	**469,755**	297,579
Deposits	**3,063**	832
Other receivables *(note (g))*	**40,791**	45,192
Less: impairment allowance for other receivables *(note (f))*	**(82)**	(82)
Total trade and other receivables	**513,527**	343,521

The carrying amounts of trade and other receivables approximate their fair values. All of the trade and other receivables, other than margin loans arising from securities brokering, are expected to be recovered or realised within one year.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) For trade receivables related to corporate finance, no additional impairment allowance was provided for the current period (2018: nil). As at 30th June 2019, impairment allowance of HK$3,373,000 (31st December 2018: HK$3,373,000) was provided. The settlement terms of trade receivables from corporate finance clients are usually 30 days from the date of invoice. The relevant aging analysis based on the date of invoice at the reporting date was as follows:

	30th June 2019 ***HK$'000*** **(Unaudited)**	31st December 2018 *HK$'000* (Audited)
Current	**753**	198
30-60 days	**165**	2,600
Over 60 days	**3,630**	5,990
	4,548	8,788
Less: impairment allowance	**(3,373)**	(3,373)
	1,175	5,415

(b) For trade receivables from clients arising from securities brokering , the amounts represent outstanding unsettled trades due from clients as of period ended. It normally takes two to three days to settle after trade date of those transactions. As at 30th June 2019, it included overdue balances of HK$3,759,000 (31st December 2018: HK$3,355,000). These overdue balances are either subsequently settled after the reporting date or fully collateralised by listed securities. The directors of the Company did not consider there was a significant change in credit quality of the balance. No impairment loss allowance has been provided.

(c) The settlement terms of margin and other deposits from brokers and financial institutions are at specific agreed terms. 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. The effective interest rate for margins and other trade related deposits is 0.01% per annum (2018: 0.01%).

In addition, margin and trade related deposits are deposited with high-credit-quality financial institutions. No impairment loss allowance has been provided as the related allowances were considered immaterial and there were no credit default history.

(d) Margin clients of the securities brokering business are repayable on demand and are required to pledge their shares to the Group for credit facilities for securities trading. The effective interest rate ranged from 8% to 13% per annum (2018: 8% to 13%).

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 2019, the fair value of shares accepted as collateral amounted to HK$1,503,679,000 (31st December 2018: HK$1,273,188,000) and the fair value of the majority of client's listed securities is higher than the carrying amount of those individual loans to margin clients.

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.

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 clients' securities up to the amount of 140% of the loans to margin clients as collateral of the Group's bank facilities (with client's consent). However, no securities held as collateral have been repledged to secure the Group's bank facilities for the period ended 30th June 2019 and year ended 31st December 2018.

The Group has no concentration of credit risk with respect to trade receivables from clients and margin loans, as the Group has a large number of customers, widely dispersed.

During the period, an impairment allowances of HK$601,000 were reversed. As at 30th June 2019, impairment allowance of HK$13,332,000 (31st December 2018: HK$13,933,000) for the receivables from margin clients was provided. 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.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

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

Furthermore, the Group maintains designated accounts with the SEOCH and HKFE Clearing Corporation Limited ("HKFECC") as a result of its normal business transactions. At 30th June 2019, the designated accounts with the SEOCH and HKFECC not otherwise dealt with in these accounts amounted to HK$3,050,000 (31st December 2018: HK$2,974,000) and HK$10,546,000 (31st December 2018: HK$10,067,000) respectively.

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

	HK$'000
At 1st January 2018	17,886
Reversal of impairment losses	(498)
At 31st December 2018 and 1st January 2019 – audited	17,388
Reversal of impairment losses	(601)
At 30th June 2019 – unaudited	16,787

As at 30th June 2019, 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$'000*	**Simplified approach** *HK$'000*	**Total** *HK$'000*
Gross amount as at 30th June 2019 – unaudited					
Trade receivables from clients	**75,520**	**–**	**–**	**4,548**	**80,068**
Margin and other trade related deposits with brokers and financial institutions	**8,231**	**–**	**–**	**–**	**8,231**
Margin loans arising from securities brokering	**157,131**	**180**	**12,929**	**–**	**170,240**
Trade receivables from clearing houses arising from securities brokering	**227,921**	**–**	**–**	**–**	**227,921**
Deposit	**3,063**	**–**	**–**	**–**	**3,063**
Other receivables	**40,709**	**–**	**82**	**–**	**40,791**
	512,575	**180**	**13,011**	**4,548**	**530,314**

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Gross amount as at 31st December 2018 – audited					
Trade receivables from clients	103,994	–	–	8,788	112,782
Margin and other trade related deposits with brokers and financial institutions	14,155	–	–	–	14,155
Margin loans arising from securities brokering	167,145	166	12,929	–	180,240
Trade receivables from clearing houses arising from securities brokering	7,708	–	–	–	7,708
Deposit	832	–	–	–	832
Other receivables	45,110	–	82	–	45,192
	338,944	166	13,011	8,788	360,909

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(f) *(continued)*

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Expected credit loss as at 30th June 2019 – unaudited					
Trade receivables from clients	**–**	**–**	**–**	**(3,373)**	**(3,373)**
Margin and other trade related deposits with brokers and financial institutions	**–**	**–**	**–**	**–**	**–**
Margin loans arising from securities brokering	**(402)**	**(1)**	**(12,929)**	**–**	**(13,332)**
Trade receivables from clearing houses arising from securities brokering	**–**	**–**	**–**	**–**	**–**
Deposit	**–**	**–**	**–**	**–**	**–**
Other receivables	**–**	**–**	**(82)**	**–**	**(82)**
	(402)	**(1)**	**(13,011)**	**(3,373)**	**(16,787)**

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Expected credit loss as at 31st December 2018 – audited					
Trade receivables from clients	–	–	–	(3,373)	(3,373)
Margin and other trade related deposits with brokers and financial institutions	–	–	–	–	–
Margin loans arising from securities brokering	(1,003)	(1)	(12,929)	–	(13,933)
Trade receivables from clearing houses arising from securities brokering	–	–	–	–	–
Deposit	–	–	–	–	–
Other receivables	–	–	(82)	–	(82)
	(1,003)	(1)	(13,011)	(3,373)	(17,388)

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Expected credit loss rate as at 30th June 2019 – unaudited					
Trade receivables from clients	**–**	**–**	**–**	**74.16%**	**4.21%**
Margin loans arising from securities brokering	**0.26%**	**0.56%**	**100.00%**	**–**	**7.83%**
Other receivables	**–**	**–**	**100.00%**	**–**	**0.20%**

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Expected credit loss rate as at 31st December 2018 – audited					
Trade receivables from clients	–	–	–	38.38%	2.99%
Margin loans arising from securities brokering	0.60%	0.60%	100.00%	–	7.73%
Other receivables	–	–	100.00%	–	0.18%

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(f) *(continued)*

Analysis of changes in the corresponding balances and ECL allowance of margin loans arising from securities brokering is as follows:

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
Gross amount				
As at 1st January 2018	369,545	231	12,929	382,705
Other changes (including new assets and derecognised assets)	(202,400)	(65)	–	(202,465)
As at 31st December 2018 and 1st January 2019 – audited	167,145	166	12,929	180,240
Other changes (including new assets and derecognised assets)	(10,014)	14	–	(10,000)
As at 30th June 2019 – unaudited	**157,131**	**180**	**12,929**	**170,240**

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
Expected credit loss				
As at 1st January 2018	(1,501)	(1)	(12,929)	(14,431)
Other changes (including new assets and derecognised assets)	498	–	–	498
As at 31st December 2018 and 1st January 2019 – audited	(1,003)	(1)	(12,929)	(13,933)
Other changes (including new assets and derecognised assets)	601	–	–	601
As at 30th June 2019 – unaudited	**(402)**	**(1)**	**(12,929)**	**(13,332)**

No impairment loss allowance has been provided for remaining trade and other receivables as the related allowances were considered immaterial and there were no credit default history.

(g) Other receivables for the Group included a shareholder loan advanced to an associate was nil (31st December 2018: HK$4,000,000) which is unsecured, non-interest bearing and repayable on demand.

14. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	30th June 2019 ***HK$'000*** **(Unaudited)**	31st December 2018 *HK$'000* (Audited)
Cash in hand	**21**	21
Bank balances		
– pledged deposits	**12,115**	12,100
– general accounts	**500,275**	503,351
	512,390	515,451
	512,411	515,472
By maturity:		
Bank balances		
– current and savings accounts	**500,275**	501,351
– fixed deposits (maturing within three months)	**12,115**	14,100
	512,390	515,451

As at 30th June 2019, bank deposits amounting to HK$12,115,000 (31st December 2018: HK$12,100,000) which include principal of HK$12,000,000 (31st December 2018: HK$12,000,000) plus accrued interest that have been pledged to banks as security for the provision of securities brokering facilities for a total amount of HK$200 million (31st December 2018: HK$200 million).

Certain subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. As at 30th June 2019, segregated trust accounts not dealt with in these condensed consolidated financial statements amounted to HK$870,674,000 (31st December 2018: HK$702,797,000).

As at 30th June 2019, the bank balances and deposits bore interest at rates ranging from 0.01% to 0.25% (31st December 2018: 0.01% to 0.5%) per annum.

Cash and cash equivalents

	30th June 2019 ***HK$'000*** **(Unaudited)**	31st December 2018 *HK$'000* (Audited)
Analysis of balances of cash and cash equivalents		
Cash in hand and at banks (excluding pledged bank deposits)	**500,296**	503,372
Cash and cash equivalents at the end of the period/year	**500,296**	503,372

15. TRADE AND OTHER PAYABLES

	30th June 2019 *HK$'000* **(Unaudited)**	31st December 2018 *HK$'000* (Audited)
Trade payables to margin clients arising from securities brokering	**6,628**	5,110
Trade payables to securities trading clients arising from securities brokering	**312,610**	110,121
Margin and other deposits payable to clients arising from commodity and futures brokering	**6,068**	13,563
Trade payables to brokers arising from securities brokering	**1,655**	2,766
Trade payables to clearing houses arising from securities brokering	**622**	20,924
Total trade payables	**327,583**	152,484
Accruals and other payables	**55,146**	75,136
Deferred revenue	**40,729**	38,740
Total trade and other payables	**423,458**	266,360

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 brokering 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.

16. BORROWINGS

	Notes	30th June 2019 HK$'000 (Unaudited)	31st December 2018 HK$'000 (Audited)
NON-CURRENT			
Bank loans	(a)	**450,000**	450,000
CURRENT			
Bank loans	(a)	–	125,000
Borrowings under repurchase agreements	(b)	**252,725**	–
		252,725	125,000
		702,725	575,000

(a) At 30th June 2019 and 31st December 2018, the bank loans were repayable and carried interest with reference to HIBOR as follows:

	30th June 2019 HK$'000 (Unaudited)	31st December 2018 HK$'000 (Audited)
Within one year	–	125,000
More than one year	**450,000**	450,000
	450,000	575,000

As at 30th June 2019, the Group had total banking facilities of HK$1,890,000,000 (31st December 2018: HK1,890,000,000). Among these banking facilities, HK$200,000,000 (31st December 2018: HK$200,000,000) was secured by pledged deposits with a principal of HK$12,000,000 (31st December 2018: HK$12,000,000) and HK$1,400,000,000 (31st December 2018: HK$1,400,000,000) 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 2019, HK$450,000,000 (31st December 2018: HK$575,000,000) was drawn from the banking facilities under specific performance obligation.

As at 30th June 2019 and 31st December 2018, the Group has 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.

16. BORROWINGS (CONTINUED)

(b) The Group has entered into several repurchase agreements with financial institutions in which the Group sold a portfolio of debt securities it held to the financial institutions in exchange for cash considerations of HK$252,725,000. There are no stated interest rates and maturity dates in the agreements. The Group is required to repurchase the debt securities at HK$252,725,000 plus interest at variable rates calculated upon the termination of the agreements. As at 30th June 2019, the borrowings under repurchase agreements were collateralised by the Group's debt securities with fair value of HK$321,099,000 (31st December 2018: nil).

17. 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 2018 and at 31st December 2018 – Audited	641,206	64,121
At 30th June 2019 – Unaudited	641,206	64,121

18. BONDS ISSUED

Bonds issued represented a number of fixed rate 5-year coupon bonds at fixed interest rate of 4% per annum, payable semi-annually, and with an aggregated principal amount of HK$62,000,000 (31st December 2018: HK$62,000,000). The exposure and the contractual maturity dates of the bonds are as follows:

	30th June 2019	31st December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**42,000**	42,000
More than one year but less than five years	**20,000**	20,000
	62,000	62,000

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.

19. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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

19. 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 2019 – unaudited					
Financial assets by counterparty					
Trade receivables from:					
– Margin clients *(note 1)*	**202,826**	**(32,586)**	**170,240**	**(155,300)**	**14,940**
– Clearing houses *(note 2)*	**330,405**	**(102,485)**	**227,920**	**–**	**227,920**
Total	**533,231**	**(135,071)**	**398,160**	**(155,300)**	**242,860**
As at 31st December 2018 – audited					
Financial assets by counterparty					
Trade receivables from:					
– Margin clients *(note 1)*	210,870	(30,630)	180,240	(165,760)	14,480
– Clearing houses *(note 2)*	111,205	(103,497)	7,708	–	7,708
Total	322,075	(134,127)	187,948	(165,760)	22,188

19. 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 2019 – unaudited					
Financial liabilities by counterparty					
Trade payables to:					
– Margin clients *(note 1)*	**(39,214)**	**32,586**	**(6,628)**	**–**	**(6,628)**
– Clearing houses *(note 2)*	**(103,107)**	**102,485**	**(622)**	**–**	**(622)**
Total	**(142,321)**	**135,071**	**(7,250)**	**–**	**(7,250)**
As at 31st December 2018 – audited					
Financial liabilities by counterparty					
Trade payables to:					
– Margin clients *(note 1)*	(35,740)	30,630	(5,110)	–	(5,110)
– Clearing houses *(note 2)*	(124,421)	103,497	(20,924)	–	(20,924)
Total	(160,161)	134,127	(26,034)	–	(26,034)

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.

20. CONTINGENT LIABILITIES

20.1 Outstanding litigation cases

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

Under the share sale agreement dated 13th August 2008 (the "Agreement"), Hantec Holdings Investment Limited ("HHIL", formerly known as Hantec Holdings Limited) and the then chairman of the Company, Mr. Tang Yu Lap ("Mr. Tang"), have undertaken to indemnify and keep indemnified the Company on a fully indemnified basis of any loss or liability suffered by the Group as a result of or in connection with 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.

20.2 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$300 million (31st December 2018: HK$300 million). In addition, the Company has issued corporate guarantees for a total principal amount of HK$300 million (31st December 2018: HK$300 million) for these facilities. As at 30th June 2019 and 31st December 2018, no bank loan was drawn under the banking facilities.

21. CAPITAL AND INVESTMENT COMMITMENTS

(a) 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:

	30th June 2019 ***HK\$'000*** **(Unaudited)**	31st December 2018 *HK\$'000* (Audited)
Contracted but not provided for	**1,348**	721

(b) 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 2019, the carrying values of interest held by the Group in the above unconsolidated structured entities managed by the Group amounted to HK\$9,426,000 (31st December 2018: HK\$8,367,000), which was recognised in financial assets at fair value through profit or loss. 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.

22. FINANCIAL RISK MANAGEMENT

22.1 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.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.1 Financial risk factors (continued)

(a) Market risk

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

Foreign exchange risk

The Group is exposed to foreign exchange risk primarily arising from its financial assets and financial liabilities denominated in foreign 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

At 30th June 2019 and 31st December 2018, the Group was exposed to equity price changes arising from financial assets at fair value through profit or loss (note 12).

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 brokering 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 the Group's exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group.

Fair value interest rate risk

At 30th June 2019 and 31st December 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 10) and financial assets at fair value through profit or loss (note 12). The Group does not have a fair value interest rate hedging policy. However, management is closely monitoring the Group's exposure arising from debt securities investments by regularly performing quantitative analysis, including periodic sensitivity analysis.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.1 Financial risk factors (continued)

(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 two (31st December 2018: two) independent counterparties. 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 consider the concentration of credit risk is remote.

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

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

For debt securities in financial assets 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 2019 and 31st December 2018, such risks are mitigated by the listed securities 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 and exceeded the carrying amount of the fair value through profit or loss debt securities as at 30th June 2019 and 31st December 2018.

Part of the debt instruments at fair value through other comprehensive income are listed debt securities with fixed interest. The Group has a policy in place of spreading the aggregate value of transactions concluded amongst approved counterparties with an appropriate credit quality. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.1 Financial risk factors (continued)

(b) Credit risk (continued)

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 2019, over 49% (31st December 2018: 37%) of the debt securities invested by the Company are B+ or above, 42% (31st December 2018: 45%) of the debt securities invested by the Company are B or below. 9% of the debt securities are non-rated as at 30th June 2019 (31st December 2018: 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 regards, the management of the Group 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.

(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.

22.2 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. For investment funds, the categorisation will depend on the valuation techniques used by the investment funds to derive its net asset value.

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).

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Fair values measurements of financial instruments (continued)

Financial instruments	Fair value 30th June 2019 *HK$'000* (Unaudited)	31st December 2018 *HK$'000* (Audited)	Fair value hierarchy	Valuation technique(s) key input(s)
(a) Financial assets at fair value through profit or loss				
Listed debt securities	**70,262**	38,076	Level 1	Quoted prices in an active market
Listed equity securities	**–**	7,746	Level 1	Quoted prices in an active market
Unlisted investment fund	**–**	22,795	Level 2	Adjusted NAV of investment fund
Unlisted private equity funds	**9,426**	8,367	Level 3	Adjusted NAV of private equity fund
Unlisted equity securities	**1**	1	Level 2	Adjusted NAV of equity security
(b) Debt instruments at fair value through other comprehensive income				
Listed debt investment	**474,539**	328,118	Level 1	Quoted prices in an active market

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Levels 3 for financial assets in current period (for the six months ended 30th June 2018: nil).

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Fair values measurements of financial instruments (continued)

Reconciliation of Levels 3 fair value measurements of financial instruments

	Financial assets at fair value through profit or loss *HK'000*
At 1st January 2018	–
Effect of adoption of HKFRS 9	13,629
Additions	1,197
Exchange difference	(526)
Disposal	(5,933)
At 31st December 2018 and 1st January 2019 – audited	8,367
Additions	1,137
Exchange difference	(56)
Disposal	(22)
At 30th June 2019 – unaudited	9,426

Fair value measurement and valuation process

The management is responsible for determining the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the financial instruments, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group maximize its use of other observable market data relevant to the assets or the liabilities. For example, the Group estimates the fair value with reference to the net asset value report of the investment funds as provided by the fund manager.

Depending on the complexity in the valuation of the financial instruments, the Group will also consider to engage third party qualified valuers to perform valuation and work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

23. MATERIAL RELATED PARTY TRANSACTIONS

23.1 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	
	2019	2018
	HK$'000	*HK$'000*
Brokering commission for securities dealing *(note (a))*	**1,783**	2,233
Service fee income *(note (b))*	**3,687**	4,697
Placing commission *(note (c))*	**1,797**	4,622
Fund management fee and advisory fee income *(note (d))*	**30,039**	35,546
Bank interest income *(note (e))*	**552**	147
Bank charges *(note (f))*	**–**	(75)
Rental expenses *(note (g))*	**–**	(232)
Payment of lease liabilities *(note (g))*	**(226)**	N/A
Service fee expenses *(note (h))*	**(212)**	–
Interest income *(note (i))*	**1,535**	1,395
Capital distribution to non-controlling interest *(note (j))*	**(5,292)**	(1,523)
Advisory fee expense *(note (m))*	**(7,207)**	–

Notes:

(a) In 2019 and 2018, the Group received commission income from its directors and fellow subsidiaries for providing securities brokerage services.

(b) In 2019 and 2018, the Group received service fee income from an associate for providing administrative supporting and consulting services.

23. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

23.1 Material related party transactions (continued)

Notes: (continued)

(c) In 2019 and 2018, the Group received placing commission from a fellow subsidiary for placing securities.

(d) In 2019 and 2018, the Group received fund management fee and advisory fee income from its connected persons for providing asset management services.

(e) In 2019 and 2018, the Group received bank interest income from its fellow subsidiary.

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

(g) In 2019 and 2018, the Group paid rental expenses to its fellow subsidiaries for the use of office premises.

(h) In 2019, the Group paid service fee to its fellow subsidiary. All amount represented continuing connected transactions.

(i) In 2019 and 2018, the Group received interest income from the unlisted investment funds which were also owned by its fellow subsidiaries.

(j) In 2019, the Group distributed cash of HK$5,292,000 to the non-controlling interests of FJSC Fund, which is its fellow subsidiary (2018: nil). In 2018, the Group distributed cash of HK$1,523,000 to the non-controlling interests of CRC fund, which is its fellow subsidiary.

(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 2019 and 31st December 2018. 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 23.2.

(m) In 2019, the Group paid advisory fee expense to an associate for obtaining consulting services.

23.2 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:

	Six months ended 30th June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Basic salaries, discretionary bonus, housing allowances and benefits in kind	**8,476**	8,178
Defined contribution plans	**59**	54
	8,535	8,232