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

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

2019
ANNUAL REPORT

Contents

Corporate Information

Registered office	Clarendon House 2 Church Street Hamilton, HM 11 Bermuda
Head office and principal place of business	45th Floor, COSCO Tower 183 Queen's Road Central Hong Kong
Directors	*Executive Directors* Yu Fan Gong Zhijian Lau Mun Chung *Non-executive Directors* Chow Kwok Wai Zhang Yi *Independent Non-executive Directors* Hung Muk Ming Xia Zhidong Liu Xiaofeng
Authorised representatives	Gong Zhijian Lau Mun Chung
Company secretary	Lau Mun Chung
Bermuda principal share registrar and transfer agent	MUFG Fund Services (Bermuda) Limited 4th floor North, Cedar House 41 Cedar Avenue Hamilton HM 12 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Auditors	Ernst & Young *Certified Public Accountants* 22nd Floor, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Website	http://www.cinda.com.hk

Management Discussion and Analysis

MARKET CONDITIONS

In 2019, as the world financial market continued to be affected by trade protectionism, geopolitical instability, Brexit and other factors, the downward pressure in the global economy increased, among which, economic growth in the Mainland China slowed down and European manufacturing industry contracted. The United States (the "US") Federal Reserve (the "Fed") started the interest rate reduction cycle in the second half of 2019. It cut interest rates three times in July, September and October consecutively, resulting in a total cut of 0.75% of the federal funds rate. At the same time, the Fed started to purchase short-term bonds of less than one year from 15th October and purchased 60 billion US dollars ("US$") every month. This policy may last until the second quarter of 2020 to ensure that there is sufficient liquidity in the market. Central banks worldwide also adopted accommodative monetary policies. In the fourth quarter, global stock markets rebounded with the support of the first-phase agreement reached from the Sino-US trade negotiations. Driven by satisfactory corporate profitability and continued share repurchases, the three major US stock indexes hit record highs successively. Annual performance was the best for S&P 500 Index and National Association of Securities Dealers Automated Quotations Index ("Nasdaq Index") for the last six years. In particular, Nasdaq Index closed at 8,972.60, rose by 35.2% in the year. Dow Jones Industrial Average Index closed at 28,538.44, rose by 22.3% and recorded its best annual performance for the last two years. However, as the global trade friction continued to heat up, funds flowed into safe-haven assets. The US Dollar Index once hit a two-year high of 99.674, and the gold price rose by 18.3%, the best annual performance in the last nine years.

In Europe, in addition to the decline of manufacturing industry in the Euro zone, political instability continued to be the focus of the market in 2019. In particular, the Brexit negotiation process continued to impact the market during the year. The European Commission lowered its 2019 and 2020 gross domestic product ("GDP") growth rate in the Euro zone to 1.1% and 1.2% respectively, and expected it to remain unchanged for the next two years, reflecting increasing worries of the market about the slowdown in the Euro zone's economic growth. The European Central Bank ("ECB") announced a number of measures to stimulate the economy after its interest rate meetings in September 2019, including a 0.1% interest rate cut as expected by the market, further reducing the deposit interest rate to a record low of -0.5%, resuming quantitative easing from November by purchasing bonds of 20 billion Euros each month and revising forward guidance from the original expectation that interest rates would remain unchanged until the middle of 2020, to maintain interest rates at current or lower levels until inflation rate approaches the ECB's target of 2%. These measures will help European financial conditions remain accommodative and provide support to the stock market. In addition, the economy of Euro zone began to recover in the fourth quarter, and in general driving up the performance in stock markets of the Euro zone.

In Mainland China, due to the impact of Sino-US trade frictions, the downward pressure on economy in Mainland China increased. Nonetheless, in 2019, its GDP still recorded a year-on-year growth of 6.1%, in line with the target of 6.0% to 6.5%. As for the stock market, the whole year of 2019 showed a trend of steady movement after starting high. The Shanghai Stock Exchange Composite Index (the "SSECI") reached a peak of 3,288 points in April, hitting a new record high since April 2018, and then hovered around 3,000 points. The SSECI recorded an overall increase of 22.3% throughout the year, mainly due to the market's expectation of the first-phase trade agreement between China and the United States, the Central Government's moves for stabilizing growth, and the plans for inclusion or increase of A shares into their indices by international index companies including MSCI, FTSE Russell and S & P Dow Jones Indices. The RMB exchange rate declined at the beginning followed by a trend of stabilization in the year of 2019. The onshore and offshore RMB exchange rates fell below the psychological threshold of US$1 to RMB7 on 5th August, and then gradually stabilized. The onshore RMB and offshore RMB closed at US$1 to RMB6.9632 and RMB6.9617 respectively, down by 1.2% and 1.4% respectively.

Management Discussion and Analysis

In Hong Kong, there were signs of capital outflows since late February 2019. The US dollar against Hong Kong dollar ("HK$") once hit the 7.85 weak-side convertibility undertakings, forcing the Hong Kong Monetary Authority ("HKMA") to step in and purchase HK$ to safeguard the linked exchange rate. The HKMA made eight purchases in March and purchased a total of more than HK$22.1 billion, causing a reduction in the banking system's balance to approximately HK$54 billion. After the intensive purchases by the HKMA, short-term and medium-term Hong Kong Interbank Offered Rate ("HIBOR") increased across the board. The overnight HIBOR rose to a high of 3.32% in the first half of the year, while one-month HIBOR and three-month HIBOR both rose to over 2.5%, and one-month HIBOR once hit 2.99%, a new record high since the financial tsunami in 2008. Later on, the Hong Kong Association of Banks followed the Fed to lower interest rates in October. However, major banks in Hong Kong only lowered the best lending rate by 12.5 basis points, which was followed by some small and medium-sized banks.

As to Hong Kong economy, the growing trade frictions between China and the US, and the continuous social activities since June, have further hit Hong Kong economy and the employment market. Since the second quarter of 2019, the Hong Kong economy has recorded quarterly declines for three consecutive quarters and has fallen into a technical recession. In particular, the economic growth in the fourth quarter contracted by 2.9% on a year-on-year basis, which was more than the decline in the third quarter. For the full year of 2019, the real GDP contracted by 1.2%, which was the first yearly decline since 2009. The labor market also weakened at the same time. The seasonally adjusted unemployment rate for October to December 2019 rose to 3.3%, a new record high since March 2017. Unemployment rate in the industries of consumption, catering and tourism (including retail industry and hotel industry) reached 5.2% which was the new record high in the last three years. Social unrest in Hong Kong continued to heat up, and two international credit rating agencies successively downgraded Hong Kong's credit rating and rating outlook in September.

As to Hong Kong stock market, after reaching a high of 30,280 points in April, the Hang Seng Index dipped to the lowest level of 24,899 points in mid-August, as a result of substantial pressure arising from the escalation of Sino-US trade frictions, continuous social activities in Hong Kong and performance adjustment among enterprises. However, it gradually rebounded from the low level with the expectation of the first-phase trade agreement between China and the US and the Central Government's moves for stabilizing growth. The Hang Seng Index rose by 9.1% and the Hang Seng China Enterprises Index rose by 10.3% throughout the year. The Hong Kong stock market in 2019 also suffered from a number of uncertainties that led to a sharp decrease in trading volume. The average daily turnover during the year was HK$87.2 billion, representing a decrease of nearly 19% as compared to that of HK$107.4 billion in 2018. With respect to the bonds, the US$ bonds issued by Chinese enterprises also benefited from continuous US$ interest rate cuts, which increased the attractiveness of financing by issuing offshore bonds. However, in 2019, the National Development and Reform Commission (the "NDRC") strengthened the management of local government financing platforms and the medium and long-term foreign debt of real estate enterprises. The NDRC successively issued the Notice of the Relevant Requirements for the Application for Recordation and Registration of Foreign Debt Issuance by Local State-owned Enterprises (Fa Gai Ban Wai Zi [2019] No. 666), Notice of the Relevant Requirements for the Application for Recordation and Registration of Foreign Debt Issuance by Real Estate Enterprises (Fa Gai Ban Wai Zi [2019] No. 778) and other policy documents, which put forward further requirements for companies that issued foreign debt, especially local financing platforms and real estate enterprises for the purpose of preventing medium and long-term foreign debt risks and hidden risks of local government debts, and being in line with China's debt supervision policies for real estate industry and local government. The total volume of US$ bonds issued by Chinese enterprises was US$231.8 billion in 2019, representing an increase of over 20% as compared to that of 2018 and hitting a historical high. Although a satisfactory growth was seen in the issue volume, the default of bonds also increased, which led to market unrest, and especially affected some well-known enterprises. Data from Bloomberg showed that the default size of offshore bonds issued by Chinese enterprises rose to US$3.57 billion in 2019, and the size climbed slightly as compared to the US$3.31 billion in 2018.

Management Discussion and Analysis

OVERALL PERFORMANCE

It had no signs of improvement in local investment market with the harsh market environment in 2019, especially in the second half of the year as a result of the social unrest in Hong Kong. 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 Company. The Group strengthened collaboration with Cinda Securities and planned to provide integrated financial services by linking up both domestic and overseas investment markets. At the same time, the Group closely followed China Cinda Asset Management Co., Ltd. ("China Cinda") in development of the principal business of distressed assets and served as an overseas asset management center of the head office and continued to develop the three core business segments. In spite of a nearly 19% decline in trading volume in the Hong Kong stock market in 2019 and the prosperity of the private sector in Hong Kong fell to its lowest level since the outbreak of SARS in April 2003, the Group minimized the market impact, kept risks under control and developed steadily. The Group's results fell less than that of the market, and the profit after tax attributable to equity holders amounted to HK$51.56 million, representing a decrease of 7% year-on-year. This year, the Group recorded a total revenue of HK$307.69 million (2018: HK$278.74 million), representing an increase of 10% year-on-year, of which turnover was HK$260.38 million (2018: HK$246.02 million), representing an increase of 6% year-on-year. Other income and other losses, net were HK$47.31 million (2018: HK$32.71 million), representing an increase of 45% 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, and human resources expenses remain stable under strict control, while operating expenses increased significantly. Operating expenses (excluding commission expenses and finance costs) amounted to HK$234.52 million (2018: HK$200.14 million), representing an increase of 17% year-on-year, mainly due to the substantial increase in expenditure on advisory fee paid by the Group to an associate, as well as the renewal of tenancy agreement of the Group's office in the midyear. After negotiation with the landlord, rental was increased by 17% compared with the tenancy agreement three years ago. The Group's operating lease expenses for land and buildings was zero due to the inclusion of such expenses in depreciation as a result of the adoption of the Hong Kong Financial Reporting Standard 16. In addition, the finance costs also rose by 15%, mainly due to the increase in market rates at the beginning of the year.

The Group recorded a share of profits from associates and a joint venture amounting to HK$36.77 million (2018: HK$31.26 million), which was mainly contributed by a fund management company, an absolute return fund the Group invested in and an associate engaged in private equity investment. The Group's profit before tax for the year amounted to HK$69.94 million (2018: HK$69.67 million), representing an increase of 0.39% year-on-year. Profit after tax attributable to equity holders amounted to HK$51.56 million (2018: HK$55.17 million), representing a decrease of 7% year-on-year.

ASSET MANAGEMENT

In 2019, the asset management segment was the Group's most important business segment and operations continued to be stable. The segment profits for the year were HK$83.68 million (2018: HK$81.76 million), representing an increase of 2% year-on-year. Currently, the Group operates under light-asset strategy. As the service center 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 asset business by strengthening its business operations. Against the severe situations, the Group, in collaboration with its 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 under tight risk controls, which included debt investments and investments in other structured products. As the Group developed structured products management business together with an associate and its scale increased during the year, the asset management segment recorded revenue from external customers for the year of HK$140.59 million (2018: HK$118.55 million), rose by 19% 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$36.77 million (2018: HK$31.26 million) in the year, representing an increase of 17.63% year-on-year, which was generally attributable to the Group's share of profits of HK$15.29 million (2018: HK$13.11 million) from an associate of the Group, Cinda Plunkett, representing an increase of 17%. 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 fund management company and the absolute return fund invested by the Group posted desirable results. In addition, an associate of the Group engaging in private equity investment business contributed a profit of HK$20.99 million (2018: HK$18.40 million), representing an increase of 14% year-on-year, due to an increase in management fee income and investment income.

CORPORATE FINANCE

The corporate finance business delivered a satisfactory performance in 2019, with operating revenue increased by 38% to HK$57.70 million from HK$41.88 million in 2018, and segment profits amounted to HK$13.17 million (2018: a loss of HK$960,000). In the year, the segment continued to provide equity issuance and debt issuance services to clients. With respect to equity issuance business, it acted as sponsor and underwriter in the initial public offering ("IPO") of four 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, printing and dyeing, raising gross proceeds of HK$80 million from its IPO; the second one is a Beijing-based financial leasing company, raising gross proceeds of HK$420 million from its IPO; the third one is a company engaged in the manufacturing of eyeglass frame, raising gross proceeds of HK$125 million; and the fourth one is a company engaged in driving training service in Zhumadian City, Henan Province, the PRC, raising gross proceeds of HK$128 million. In addition, the segment has been appointed sole sponsor by a number of companies seeking listing on the Stock Exchange and as financial advisor of various companies including M&A projects. The Group maintains sufficient project reserves for business development in the upcoming years. With respect to debt issuance business, the Group successfully completed eight Chinese enterprises offshore US$ bond issuance projects in the year, totalling US$5.12 billion. The Group served as the joint global coordinator in five of the eight projects.

SALES AND TRADING BUSINESS

In the year, the sales and trading business of the Group 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 in the first half of the year 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 becoming wary to tap the stock market. The second half of the year saw a significant drop in trading volume in the stock market as a result of the escalating deterioration of economic situation due to the violent demonstrations in consecutive months. In view of the continuing uncertainty in the market, the Group cautiously maintained margin loans and focused on improving the quality of loans through strict risk control, with no bad or doubtful debts occurred throughout the year. In addition, the securities business competition in Hong Kong was still extremely fierce in the year. According to the information from the Stock Exchange, the number of brokers increased from 625 at the beginning of the year to 656 at the end of the year. In particular, the peers who provide online trading platforms continuously lowered the commission rate and some peers even did not charge commission, resulting in severe competitions. As a result, the Group recorded commission from sales and trading business of HK$30.38 million (2018: HK$46.14 million); and interest income from securities financing and other interest income of HK$20.71 million (2018: HK$26.38 million), posting a loss of HK$14.01 million (2018: a loss of HK$6.38 million) for the segment.

Management Discussion and Analysis

FINANCIAL RESOURCES

The Group maintained sound financial strength during the year, and all subsidiaries licensed by the Securities and Futures Commission had liquid capital in excess of regulatory requirements. Meanwhile, the Group also improved its financing strategies to ensure liquidity. We obtained two floating rate term loans in the middle of 2018, each with duration of three years totalling HK$450 million from two different banks to provide stable funding for the purpose of development of the Group, which in turn strengthen the Group's current ratio. In addition, as at the end of the year, the Group had revolving bank loans and overdrafts facilities for HK$1,050 million, of which, a total of HK$30 million were utilised. In addition, the Group had outstanding fixed-rate medium-term bonds in the principal amount of HK$52 million. The Group did not issue any bond during the year.

FLUCTUATION IN FOREIGN EXCHANGE RATES

A majority of assets and liabilities of the Group are denominated in HK$ and US$ to which HK$ is pegged with. Some assets are denominated in RMB, mainly because the Group has two wholly-owned subsidiaries incorporated and operated in the Mainland China which account for all their assets and incomes in RMB. During the year, the exchange rate of RMB against US$ declined since the middle of 2019 as affected by the strong US$ and the Sino-US trade frictions, and the exchange rate stabilized at the end of 2019 due to the market's expectation of the first-phase trade agreement between China and the US. The Group considered that the decline of exchange rate of RMB would be of short-term, hedging was not carried out for such fluctuation in the exchange rate of RMB, let alone the mean cost-effectiveness of hedging.

REMUNERATION AND HUMAN RESOURCES

The Group has always valued the nurturing of capable personnel and has taken various measures to recruit and retain personnel of high calibre. During the year, the Group ushered new recruits into both business departments and supporting departments, which ensures sufficient support for steady operations amidst business development. The remuneration of the employees provided by the Group consists of basic salary and discretionary bonus. To encourage employees to deliver better performance and strengthen risk control, the Group has set up an incentive mechanism, according to which, performance and work targets for the year are set for each business department and supporting department at the beginning of each year and staff assessment is carried out both in the middle and at the end of each year so as to provide a basis for bonus. Besides, the Group also gives due weight to staff trainings and provides the employees with educational allowances and leave for professional examinations. During the year, the Group organised professional training courses and lectures for the staff and account executives from time to time in furtherance of their comprehension of the updated knowledge pertinent to their work. The Group has established a staff remuneration committee comprising the top management to conduct regular reviews over the remuneration policy of the Group and determine the remuneration package of each staff member, thereby ensuring that such pay and benefits are market-based. The remuneration package of executive directors of the Company is determined by the Remuneration Committee, which is consisted of two independent non-executive directors of the Company and one non-executive director of the Company.

Management Discussion and Analysis

LOOKING FORWARD

The international and external environment will still be complicated in 2020. Although China and the US officially signed the first-phase trade agreement in mid-January, meetings between the two parties on the second-phase agreement may be held in the middle of the year. However, the second-phase trade agreement may only be signed after the US presidential election in November 2020, which means that the progress of trade negotiations between the two parties remains uncertain. In addition, the outbreak of novel coronavirus pneumonia has continued to spread since the beginning of 2020, affecting the activities of major economies and adding another haze to global economic growth of this year. The Mainland China and Hong Kong economies may face greater downward pressure, and the market has also lowered its forecast for economic growth for the whole year, for which the year-on-year contraction has expanded from 1.3% at the beginning of 2020 to 1.6% and the year-on-year economic decline rate for the first half of the year may reach 5.0%. It will further crack down on the tourism, retail and transportation industries and drive the unemployment rate to rise further. Under the combined influence of more stringent regulatory requirements, external uncertainties and the epidemic, the financial industry will face more severe challenges this year. In particular, it is expected to accelerate the consolidation of the Hong Kong securities industry. Hong Kong's financial industry supports local anti-epidemic work and has successively introduced temporary relief measures to help customers overcome difficulties. In Europe and the US, the US saw its stable economic growth in the beginning of 2020, and local employment market continued to be strong, driving wages and consumption growth. At the same time, US$ has fallen recently, which is favorable for exports. With the temporary easing of Sino-US trade frictions which reduces the pressure of tariffs on enterprises, it is expected that the US manufacturing industry will gradually pick up, which is good for US economic growth. On the other hand, the economy of Euro zone is estimated to remain weak in 2020 for lacking driving forces. The unemployment rate will remain high and the decline in desire for consumption continues to be detrimental to business investment. The United Kingdom formally withdrew from the European Union (the "EU") at the end of January 2020, and started subsequent trade negotiations with the EU. In 2020, it still faces a series of uncertain factors, which may lead to continuous sluggish trade. In China, even if the Mainland China has been affected by the epidemic year-to-date and the short-term economic activities have slowed down, the Central Government has recently decided to minimize the impact of the epidemic, work hard to achieve the goals of economic and social development throughout the year, complete the "13th Five-Year Plan" and promote the development of medical equipment, medicine, 5G network and industrial internet. For the work of next stage, it will focus on epidemic prevention and control on one hand, and the resumption of work and production on the other hand. It will implement the precise resumption of work and production by zoning and grading, increase macroeconomic policy adjustments and continue to introduce phased and targeted tax and fee reduction policies to help small and medium-sized enterprises overcome difficulties. It will also focus on the flexibility and moderation of prudent monetary policy, make good use of the existing financial support policies and introduce new policies and measures in due course.

The Group will strengthen its comprehensive integration with Cinda Securities and further build a business structure of "three economic drivers". Firstly, the Group will continue to provide cross-border professional services with focus on main business of non-performing assets of China Cinda Group based on the summary of previous experience. The Group will fully open up businesses of non-performing asset and asset management, extend its main business chain and collaborate with China Cinda and its branches and subsidiaries for their offshore cross-border professional services. Secondly, the Group will expand local traditional main business in Hong Kong, focus on the three major areas of investment banking in local market of Hong Kong, bond investment and brokerage business, seize the development opportunity of the return of China concept stocks, and actively explore projects listed overseas. Thirdly, the Group will strive to become an overseas platform for Cinda Securities which is a domestic broker in China. Relying on the professional advantages of full licenses of the Group, the Group will cooperate with Cinda Securities to become a full-licensed cross-boarder broker in China. Throughout the year, we will focus on the investment banking businesses including overseas issuance of US$ bonds by domestic institutions, IPO of domestic companies in Hong Kong and restructuring of the listed major assets of the H shares companies, the offshore brokerage business on the full circulation of H shares in China, the creation of cross-border asset management products, and the establishment of mechanism in which research departments of the two institutions to share their research resources.

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 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. 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 issuing windows. In respect of the sales and trading business, we will make greater efforts to explore corporate and institutional customers leveraging on 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. 2020 will still be a year full of difficulties, but we would endeavor to bring satisfactory returns to our shareholders through different measures by virtue of the solid foundations the Group has laid so far.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yu Fan, aged 57, was appointed as an executive director, the chairman and the chairman of the Nomination Committee of the Company on 30th October 2018. He is currently a director of Cinda Securities Co., Ltd. 信達證券股份有限公司("Cinda Securities") and was appointed as the director of China Cinda (HK) Holdings Company Limited since 24th June 2019. Mr. Yu holds the professional title of Senior Economist.

Mr. Yu has substantial experience in the financial market of the People's Republic of China (the "PRC"). He was the law lecturer of the Management Officers' College of the then Chemistry Ministry of the PRC and had been the deputy general manager and general manager of the office management department, research department and investment business department of China Cinda Trust and Investment Company. He was the senior manager of the debt management department of China Cinda Asset Management Corporation 中國信達資產管理公司, the predecessor of China Cinda Asset Management Co., Ltd. ("China Cinda"), a joint stock company incorporated in the PRC with limited liability whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1359), the indirect controlling shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) of the Company; the secretary of the board of directors and deputy general manager of Hongyuan Securities Co., Ltd. 宏源證券股份有限公司; the deputy general manager of the investment banking department of China Cinda; the secretary of the board of directors, deputy general manager and executive deputy general manager of Cinda Securities; the general manager of the investment and financing department of China Cinda; and the chairman of the board of Shanghai Cinda Guoxin Equity Investment Management Co., Ltd. 上海信達國鑫股權投資管理有限公司; He has ceased to worked as the general manager of Cinda Securities, a substantial shareholder of the Company since 30th September 2019 and the chairman of the board of First State Cinda Fund Management Co., Ltd. 信達澳銀基金管理有限公司 since 5th December 2019 respectively.

Mr. Gong Zhijian, aged 53, was appointed as an executive Director and the Deputy Chairman of the Company on 2nd December 2008 and 30th October 2018 respectively. He was the Managing Director of the Company since 19th January 2015 and was re-designated from the Managing Director to the chief executive officer of the Company on 12th December 2018. He is also a director of certain subsidiaries of the Company, a director of JianXinJinYuan (Xiamen) Equity Investment Management Limited (a joint venture company of the Company), a director of Cinda Plunkett International Holdings Limited, Cinda International Investment Holdings Limited and Sino-Rock Investment Management Company Limited (associated companies of the Company), a director of China Cinda Foundation Management Company Limited, Well Kent International Enterprises (Shenzhen) Co., Ltd. and Cinda Agriculture Investment Limited (all are the subsidiaries of China Cinda (HK) Holdings Company Limited respectively). Prior to joining the Group, Mr. Gong worked and held management positions in China Construction Bank Corporation (Xiamen Branch), the accounts department of China Construction Bank Corporation (Head Office), China Construction Bank Corporation (Shenzhen Branch) and China Cinda (HK).

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

Biographical Details of Directors and Senior Management

Mr. Lau Mun Chung, aged 55, was appointed an executive Director on 3rd March 2007 and re-designated from the Deputy General Manager to the Deputy Chief Executive Officer of the Company since 12th December 2018. He is a director and/or a secretary of certain subsidiaries of the Company and the Company Secretary of the Company. Mr. Lau is also a director of Cinda Agriculture Investment Limited (a subsidiary of China Cinda (HK)) and a director of a company invested/interested by the Group. Mr. Lau is in charge of the accounting and finance, information technology, company secretarial and sales and trading function of the Group.

Mr. Lau graduated from the University of Hong Kong with a Bachelor Degree in Social Science in 1986 and received his Master Degree in Laws (Corporate and Financial Law) in the same university in 2013. He is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

NON-EXECUTIVE DIRECTORS

Mr. Chow Kwok Wai, aged 53, was appointed as a non-executive director of the Company on 2nd December 2008. He is a member of the Remuneration Committee of the Company. He had worked in PriceWaterhouse, which is now known as PriceWaterhouseCoopers, and accumulated valuable audit experience there. Mr. Chow received his Bachelor Degree in Social Sciences from the University of Hong Kong in 1990. He is a fellow member of the Association of Chartered Certified Accountants, a fellow CPA of the Hong Kong Institute of Certified Public Accountants and a fellow member and a registered Certified Tax Adviser of The Taxation Institute of Hong Kong. He has over 25 years of experience in accounting, financial management and corporate finance. Mr. Chow is also an independent non-executive director of SSY Group Limited (formerly known as Lijun International Pharmaceutical (Holding) Co., Ltd.) (stock code: 2005); He had ceased to worked as an independent non-executive director of Youyuan International Holdings Limited (stock code: 2268) since 9th October 2019 and had ceased to worked as the deputy general manager and the company secretary 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) since 17th July 2019.

Mr. Zhang Yi, aged 41, has been a general manager of capital planning department of Cinda Securities Co., Ltd. since September 2019.

Mr. Zhang graduated from Tsinghua University with a bachelor degree in international accounting in July 2001. He is a Chartered Financial Analyst and a Financial Risk Manager. Mr. Zhang has substantial experience in operation management of securities companies. He worked as a vice president of risk management department and executive director of firm office/operation support department of China International Capital Corporation Limited (a joint stock company incorporated in the PRC with limited liability, the share of which are listed on the Stock Exchange (stock code: 3908) from July 2001 to September 2016; a deputy general manager of Sinodata Co., Ltd. (a joint-stock company incorporated in the PRC with limited liability, the shares of which are listed in the Shenzhen Stock Exchange (stock code: 002657)) from January 2017 to October 2018; and the chairman of Shanghai Baichuan Jinzhi Intelligent Technology Co., Ltd. (a company incorporated in the PRC with limited liability) from October 2018 to June 2019 respectively.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Muk Ming, aged 55, was appointed as an independent non-executive director of the Company on 2nd December 2008. He is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Hung is a Certified Public Accountant (Practising) and is a fellow CPA of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Directors, an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Mr. Hung received his Bachelor Degree in Social Sciences from the University of Hong Kong in 1990, and a Master Degree in Corporate Governance from the Hong Kong Polytechnic University in 2008. He has over 25 years of experience in the accounting and audit sector. Mr. Hung is currently an independent non-executive director of the following companies listed on the Stock Exchange: (i) Silver Grant International Holdings Group Limited (formerly known as Silver Grant International Industries Limited) (stock code: 171); (ii) Century Sage Scientific Holdings Limited (stock code: 1450); (iii) CA Cultural Technology Group Limited (formerly known as China Animation Characters Company Limited) (stock code: 1566); and (iv) IBO Technology Company Limited (stock code: 2708).

Mr. Xia Zhidong, aged 66, was appointed as an independent non-executive director of the Company on 28th July 2016. He is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. He worked as senior management or director of various well-known financial institutions and accounting firms including China Construction Bank, Ernst & Young, Tin Wah CPA Limited (天華會計師事務所) and Grant Thornton. He has been the external director of Qingling Motors (Group) Company Limited (慶鈴汽車(集團)有限公司) since 2014, the independent director of China Jingu International Trust Co., Ltd. (中國金谷國際信託有限責任公司) since 2014, and the independent director of CITIC-Prudential Fund Management Co., Ltd. (中信保誠基金管理有限公司, formerly known as 信誠基金管理有限公司) since 2005. Mr. Xia worked as deputy director of accounting research department of Research Institute for Fiscal Science which is now known as Chinese Academy of Fiscal Sciences from 1985 to 1988. He graduated from Tianjin University of Finance and Economics with a Bachelor degree of Finance in 1982 and completed his master degree of Finance from Research Institute for Fiscal Science in 1985. He has been a qualified accountant and senior qualified accountant in the PRC since 1995.

Mr. Liu Xiaofeng, aged 57, was appointed as an independent non-executive director of the Company on 28th July 2016. He is a member of the Audit Committee and the Nomination Committee of the Company. Mr. Liu has over 25 years of experience in corporate finance and had worked with various international financial institutions since 1993, including NM Rothschild & Sons, N M Rothschild & Sons (Hong Kong) Limited, JP Morgan Chase, DBS Asia Capital Limited and China Resources Capital Holdings Company Limited. He is currently an independent director of UBS Securities Co. Limited and an independent non-executive director of the following companies listed on the Stock Exchange: (i) Kunlun Energy Company Limited (stock code: 135); (ii) Honghua Group Limited (stock code: 196); (iii) Sunfonda Group Holdings Limited (stock code: 1771); and (iv) AAG Energy Holdings Limited (stock code: 2686). He was an independent non-executive director of Hisense Kelon Electrical Holdings Company Limited which is now known as Hisense Home Appliances Group Co., Ltd., the shares of which are listed on the Stock Exchange (stock code: 00921) from September 2017 to August 2018. Mr. Liu obtained a Master's degree and a Ph.D. from the Faculty of Economics, University of Cambridge in 1988 and 1994 respectively, a Master of Science degree in Development Studies from the University of Bath, England, in 1987, and a Bachelor of Economics degree from Southwestern University of Finance and Economics, China (previously known as Sichuan Institute of Science and Technology) in 1983.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Ms. Lau Yuk Ping, aged 54, is the Deputy General Manager of the Group responsible for overseeing the divisions of compliance and internal audit function, risk management, administration and settlement of the Group. She is also a director of certain subsidiaries of the Company. Prior to joining the Group in August 1999, Ms. Lau worked in the compliance division of the Stock Exchange. Ms. Lau holds a Bachelor Degree in Business from Monash University, Australia and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. She has over 26 years of experience in regulatory and compliance matters.

Ms. Zhou Lu, aged 40, was re-designated from the Deputy General Manager to the Deputy Chief Executive Officer of the Company since 12th December 2018. She is responsible for overseeing the asset management department and cross-border business department of the Group. She is also a director of certain subsidiaries of the Company, a director of High Grade (HK) Investment Management Limited, Cinda Agriculture Investment Limited and Cinda International HGB Investment (UK) Limited (all are the subsidiaries of China Cinda (HK)) and a director of certain companies invested/interested by the Group. Prior to joining the Group, Ms. Zhou worked in China Cinda (HK) as an investment manager. She has over 15 years of experience in investment and asset management industry. Ms. Zhou received her Bachelor Degree in Law from the Central University of Finance and Economics in 2001, and a Master Degree in Commerce from the University of New South Wales in 2003.

Mr. Liu Jialin, aged 57, is the Managing Director of the Group's asset management department responsible for overseeing the operation of various funds. He is also a shareholder and a director of Cinda Plunkett International Holdings Limited, an associated company of the Company and an independent non-executive director of the following companies listed on the Stock Exchange: (i) Far East Horizon Limited (stock code: 3360); and (ii) Fortunet e-Commence Group Limited (stock code: 1039). He was an independent non-executive director of China Merchants Securities Co., Ltd., the shares of which are listed on the Stock Exchange (stock code: 6099). Prior to joining the Group in February 2011, Mr. Liu worked for Morgan Stanley group of companies and once served as a member of the Global Management Committee and Asia Executive Committee as well as a Managing Director in the Fixed Income Division in Hong Kong between 1992 to 2007. Mr. Liu has 30 years of experience in finance and securities industry. Mr. Liu obtained a bachelor's degree in science from Peking University and master of science in Physics from Massachusetts Institute of Technology.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

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

Throughout the financial year 2019, the Group has complied with all the code provisions set out in the CG Code save for the deviation from code provisions specified below:

– Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Xia Zhidong and Mr. Liu Xiaofeng, the independent non-executive director of the Company ("INED"), and Ms. Zheng Yi, the non-executive director of the Company ("NED"), 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.

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

BOARD OF DIRECTORS

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

Composition

As at the date of this annual report, the Board comprises three EDs, two NEDs and three INEDs and is in compliance with the minimum number of independent non-executive directors required under Rule 3.10(1), the appropriate professional accounting or related financial management expertise required by Rule 3.10(2) and the proportion of INEDs in the Board required by Rule 3.10A of the Listing Rules.

The Board comprises the following Directors:

EDs

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

NEDs

Mr. Chow Kwok Wai	
Ms. Zheng Yi	(resigned effective from 31st March 2020)
Mr. Zhang Yi	(appointed effective from 31st March 2020)

INEDs

Mr. Hung Muk Ming
Mr. Xia Zhidong
Mr. Liu Xiaofeng

Corporate Governance Report

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

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

Chairman and Chief Executive Officer

Mr. Yu Fan served as the Chairman throughout the year, who is primarily responsible for leading the Board and ensuring that it functions effectively and smoothly whereas Mr. Gong Zhijiang served as the Chief Executive Officer, who is responsible for the overall operation of the Group. The role of the Chairman is separate from that of the chief executive for achieving a clear division of separate responsibility and a balance of power and authority which in turn avoid concentrating of power in any one individual. Directors are encouraged to make a full and active contribution to the Board's affairs and participate actively in all Board and committee meetings.

NEDs and INEDs

The NEDs and the INEDs provide the Group with diversified expertise and experience. Their views and participation in Board and committee meetings bring independent judgment and advice on issues relating to the Group's strategies, policies, performance, accountability, key appointments, conflicts of interest and management process, to ensure that the interests of all shareholders are taken into account. A culture of openness and debate is promoted in order to facilitate effective contribution of the NEDs and the INEDs and ensure constructive relations between EDs and NEDs (including the INEDs).

The two NEDs and the three INEDs were appointed for a term of two years and are subject to rotation in accordance with the provisions in the bye-laws of the Company ("Bye-laws"). The Board has received annual written confirmation from all the INEDs for the year 2019 and is satisfied that all of them were acting independently throughout the year.

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

Board Meetings

The Board meets regularly and at other time when necessary. The Chairman is responsible for ensuring that all Directors are properly briefed on matters to be discussed at Board meetings. All Directors have access to relevant and timely information and are given an opportunity to include matters in the agenda for all Board meetings. They can seek independent professional advice at the Company's expenses when the situation requires. They also have access to the advice and services of the Company Secretary, who is responsible for providing Directors with Board papers and related materials, and ensuring that Board procedures are followed. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible.

Corporate Governance Report

The attendance of the Directors at the Board meetings and general meetings held during the financial year 2019 is set out below:

Name of Directors	Number of Board meetings attended/held	Number of general meetings attended/held
EDs		
Mr. Yu Fan	4/4	1/1
Mr. Gong Zhijian	4/4	1/1
Mr. Lau Mun Chung	4/4	1/1
NEDs		
Mr. Chow Kwok Wai	4/4	1/1
Ms. Zheng Yi (resigned effective from 31st March 2020)	1/4	0/1
Mr. Zhang Yi (appointed effective from 31st March 2020)	0/0	0/0
INEDs		
Mr. Hung Muk Ming	4/4	1/1
Mr. Xia Zhidong	3/4	0/1
Mr. Liu Xiaofeng	3/4	0/1

For a matter to be considered by the Board which has a conflict of interest with the substantial shareholder or a Director and has been determined by the Board as material, the matter would be dealt with by a physical Board meeting. In other cases, where Directors are unable to meet together, matters are resolved by written resolutions in the manner prescribed by the Bye-laws. Full meeting materials are circulated and commented through electronic mail.

Notice of at least 14 days is given of a regular Board meeting to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice will be given. Minutes of the Board meetings are prepared and circulated to all Directors in reasonable time, kept by a designated secretary and open for inspection at any reasonable time on reasonable notice by any Director.

During the year, the Chairman held a meeting with the NEDs and the INEDs without the presence of the EDs.

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

Rotation of Directors

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

Corporate Governance Report

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. Yu was appointed as a director of China Cinda (HK) Holdings Company Limited 中國信達(香港)控股有限公司with effect from 24th June 2019. He ceased to act as the chairman of the board of First State Cinda Fund Management Co., Ltd. 信達澳銀基金管理有限公司with effect from 5th December 2019 and general manager of Cinda Securities Co. Ltd. with effect from 30th September 2019.

- Mr. Chow Kwok Wai ceased to worked as the deputy general manager and the company secretary of Silver Grant International Industries Limited, the shares of which are listed on The Stock Exchange (stock code: 171) with effect from 17th July 2019. He had ceased to worked as an independent non-executive director of Youyuan International Holdings Limited (stock code: 2268) since 9th October 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as 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 financial year 2019.

REMUNERATION COMMITTEE

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

A written terms of reference was adopted by the Remuneration Committee at its inception, and is available on the websites of the Company and the Stock Exchange and is updated when necessary. The Remuneration Committee is responsible for devising the remuneration policy for the Group and determining the specific package of each ED. The Remuneration Committee also approves the terms of all EDs' service contracts. Recommendations on the remuneration of NEDs (including INEDs) are submitted to the Board for consideration. The Remuneration Committee have access to independent professional advice at the Company's expenses if necessary. Full minutes and related materials of the meetings are kept by a designated secretary.

The Remuneration Committee held two meetings in the financial year 2019. The following is the attendance record:

Name of committee members	Number of meetings attended/held	Attendance rate
Mr. Xia Zhidong *(Chairman)*	2/2	100%
Mr. Hung Muk Ming	2/2	100%
Mr. Chow Kwok Wai	2/2	100%

In case members are unable to meet together, issues are resolved through written resolutions in the manner prescribed under the Bye-laws. Full materials are circulated and commented mainly through electronic mail.

Directors' Remuneration

Each ED is entitled to a director's fee determined by the Remuneration Committee. Three EDs, namely Mr. Yu Fan. Mr. Gong Zhijian and Mr. Lau Mun Chung, have entered into service contracts with the Company, the terms of which were approved by the Remuneration Committee. The director's service contracts provide the three EDs with a fixed monthly salary, housing allowance (where applicable) determined in accordance with their qualification, experience and the prevailing market conditions together with an annual management bonus decided with reference to the Group's financial performance, the individual's performance during the year and the market conditions. Mr. Yu Fan's service contract commenced on 1st September 2019 for a period of three years. Prior to 1st September 2019, Mr. Yu did not receive any remuneration. NEDs and the INEDs are entitled to a director's fee decided by the Board except Ms. Zheng Yi who did not receive any director's fee pursuant to her letter of appointment. The Board confirms that no Directors or their associates (as defined in the Listing Rules) are involved in determining their own remuneration.

NOMINATION COMMITTEE

The Nomination Committee comprises three members, including two INEDs, Mr. Xia Zhidong and Mr. Liu Xiaofeng, and the Chairman of the Board, Mr. Yu Fan who is also the chairman of the committee.

A written terms of reference was adopted by the Nomination Committee at its inception, and is available on the websites of the Company and the Stock Exchange and is updated when necessary. The Nomination Committee can seek independent professional advice at the Company's expenses if necessary. The main duties of the Nomination Committee are as follows:

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

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

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

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

The Nomination Committee held one meeting in the financial year 2019. The following is the attendance record. Full minutes and related materials of the meetings are kept by a designated secretary.

Name of committee members	Number of meetings attended/held	Attendance rate
Mr. Yu Fan	1/1	100%
Mr. Xia Zhidong	1/1	100%
Mr. Liu Xiaofeng	1/1	100%

Nomination Policy

The Board has adopted the Nomination Policy. The selection process of Directors will be transparent and fair. The Nomination Committee will select from a broad range of candidates and as far as feasible including those who are outside the Board's circle of contacts and in accordance with the Company's Board Diversity Policy. The Nomination Committee will consider the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity. It will also consider succession planning to ensure the long term success of the Company.

Board Diversity Policy

The Board has adopted the Board Diversity Policy. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, independence that the candidate can bring to the Board in all aspects, commitment in respect of sufficient time and attention to the Company's business, and the conditions required by the Stock Exchange on which its shares are listed and by the regulatory authorities of the places of its listing, etc.

The Company remains committed to meritocracy in the boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard and their concerns are attended to and they serve in an environment where bias and discrimination on any matter are not tolerated.

TRAINING FOR DIRECTORS

The Company will provide a comprehensive, formal and tailored induction to each newly appointed Director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and ensure that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

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

	Number of seminar attended
EDs	
Mr. Yu Fan	1/1
Mr. Gong Zhijian	1/1
Mr. Lau Mun Chung	1/1
NEDs	
Mr. Chow Kwok Wai	0/1
Mr. Zhang Yi (appointed effective from 31st March 2020)	0/0
Ms. Zheng Yi (resigned effective from 31st March 2020)	1/1
INEDs	
Mr. Hung Muk Ming	1/1
Mr. Xia Zhidong	1/1
Mr. Liu Xiaofeng	0/1

INSURANCE COVER FOR DIRECTORS

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

AUDITORS' REMUNERATION

Ernst & Young ("EY") was first appointed as auditor of the Company at the annual general meeting of the Company held on 10th June 2015 upon the retirement of Deloitte Touche Tohmatsu. EY was re-appointed as auditor of the Company at subsequent annual general meetings of the Company held on 26th May 2016, 25th May 2017, 25th May 2018 and 23rd May 2019 respectively.

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

Category of services	**Fee paid/payable** ***HK$***
Audit service	1,207,000
Non-audit service	948,000
Total	2,155,000

AUDIT COMMITTEE

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

A written terms of reference was adopted by the Audit Committee at its inception, and is available on the websites of the Company and the Stock Exchange and is updated when necessary. The major roles and functions of the Audit Committee include:

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

2. reviewing the financial reporting process;

3. reviewing the interim and annual financial statements before submission to the Board for consideration;

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

5. reviewing and approving continuing connected transactions; and

6. monitoring the appointment and remuneration of the auditor.

The Audit Committee held two meetings in the financial year 2019. Representative from the EDs and the Deputy General Manager who supervises, among others, the compliance and internal audit department ("CAIA") and risk management department ("RM") of the Group are answerable in the Audit Committee meetings. During the year, two private sessions between the auditor and the Audit Committee members were held immediately after the Audit Committee meeting in March and August 2019 respectively. Full minutes and related materials of the meetings are kept by a designated secretary. The following is the attendance record of the meetings held by the Audit Committee during the year:

Name of committee members	Number of meetings attended/held	Attendance rate
Mr. Hung Muk Ming *(Chairman)*	2/2	100%
Mr. Xia Zhidong	2/2	100%
Mr. Liu Xiaofeng	2/2	100%

A summary of the work performed by the Audit Committee during the financial year 2019 was listed below:

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

(2) reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process;

(3) reviewed and commented on each of the interim and annual financial statements of the Group and the independent auditor's report before submission to the Board;

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

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

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

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

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

ACCOUNTABILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for the preparation of financial statements for the Company which gives a true and fair view of the state of affairs of the Company as at 31st December 2019, and its profit and the cash flows for the year. The financial statements are prepared on the assumption of going concern and are in accordance with the statutory requirements and applicable accounting and financial reporting standards. The Directors also ensure that the publication of the financial statements of the Group is done in a timely manner.

The statements of the Directors and the auditor of the Company regarding their respective responsibilities on the financial statements of the Company are set out in the Independent Auditor's Report on pages 48 to 53 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Group strives to maintain a sound and effective internal control and risk management system to safeguard the assets of the Group and its clients. The Board acknowledges its responsibilities for the risk management and internal control systems and reviews their effectiveness regularly. To achieve this end, a proper segregation of duties and responsibilities is in place. Procedures have been designed against unauthorized use or disposal, for maintaining proper accounting records, ensuring the reliability and usefulness of financial information for internal business use or for publication, and monitoring the compliance with applicable laws, rules and regulations. They are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses.

The Directors have assessed the effectiveness of the internal control and risk management system with the assistance of the CAIA and RM respectively during the year and perform it annually. The CAIA and RM assess the internal control and risk management procedures respectively to validate its effectiveness and regularly report the findings to the Audit Committee. In addition, to ensure full compliance with related rules and regulations promulgated by the Securities and Futures Commission, the CAIA performs regular compliance and internal control testing. Exceptional results are brought to the management's attention. Disciplinary actions are in place to deal with identified non-compliance cases.

The Directors have also reviewed from time to time adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit, risk management and financial reporting functions. The Board considers the internal control and risk management system of the Company effective and adequate. The Group acknowledges that the strengthening of the internal control and risk management system is an ongoing process and will continue to design and implement appropriate measures to meet the changing business environment.

Dissemination of Inside Information

The Group discloses inside information to the public as soon as reasonably practicable in accordance with the requirements under the Listing Rules and the Securities and Futures Ordinance (Cap. 571). Before full disclosure of the inside information to the public, the Group will ensure that the information is kept strictly confidential. The Group also strives to present information in a clear and balanced way, which requires equal disclosure of both positive and negative facts, and to ensure that information contained in all corporate communications is not false or misleading as to a material fact, or false or misleading through the omission of a material fact.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

OTHER CORPORATE GOVERNANCE PRACTICE

There are three major management committees established by the Group, each charged with specific duties of leading and controlling the daily operation and management of the Group. Chaired by the Chief Executive Officer, the EMC is responsible for setting up and implementing Group policy, exercising control over operational activities, reviewing and approving budgets, and making decisions on all major issues. Other members of the EMC include an ED and members from the senior management of the Group.

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

The Investment Management Committee (the "IMC") is also accountable to the EMC. The IMC is responsible for formulating investment policies including the setting of investment limits of the Group and approving investment projects proposed by business units/departments of the Group. It is chaired by the Chief Executive Officer.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensuring that the Group complies with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company. The Board has the overall responsibility to ensure that the Company maintains an ongoing dialogue with the shareholders, and to provide them with information necessary to evaluate the performance of the Company. The Board adopted the Shareholders Communication Policy in March 2012. Information regularly provided to the shareholders includes annual and interim reports, circulars and announcements in accordance with the Listing Rules.

Notice of at least 20 clear business days for annual general meetings and at least 10 clear business days for all other general meetings will be given respectively to shareholders before the meetings. A separate resolution will be proposed for each substantially separate issue at a general meeting. The chairman of every general meeting will provide an explanation of the detailed procedures for conducting a poll.

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

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

Dividend Policy

The Board adopted the Dividend Policy in December 2018, pursuant to which the Board may propose to declare and distribute dividends to the shareholders after taking into consideration of, inter alia, the following factors:

(a) general economic conditions;

(b) the Group's financial results;

(c) the Group's capital requirement for business strategies and future development needs;

(d) taxation considerations;

(e) possible effects on the Group's liquidity;

(f) shareholders' expectations; and

(g) other factors which the Board may consider appropriate.

Declaration of the dividend by the Company is also subject to any restrictions under the Laws of Bermuda, the Bye-laws and any applicable laws, rules and regulations. The Company in general meeting may from time to time declare dividends in any currency to be paid to the shareholders but no dividend shall be declared in excess of the amount recommended by the Board. The Board may from time to time pay to the shareholders such interim dividends as appeared to the Board to be justified by the profits of the Group.

SHAREHOLDERS' RIGHT

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

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

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

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

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

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

(2) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar and transfer office, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's office in Hong Kong at 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong.

Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

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

COMPANY SECRETARY

The Company Secretary is an employee of the Company, responsible for advising the Board on governance matters and facilitating induction and professional development of Directors. The Company Secretary reports to the Chairman. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, all applicable laws, rules and regulations are followed. The approval for the selection, appointment or dismissal of the Company Secretary rests with the Board at a physical Board meeting.

Mr. Lau Mun Chung, who is a certified public accountant (as defined in the Professional Accountants Ordinance (Cap. 50)), was appointed Company Secretary of the Company since 25th May 2000. During the financial year 2019, Mr. Lau had received no less than 15 hours of relevant professional training.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to actively contributing to the community and fostering a caring culture. To achieve this end, the Group constantly organises various social services activities and encourages staff members to participate in voluntary work. In addition, the Company has become a Silver Member of WWF-Hong Kong since October 2011 in order to support environmental conservation and education work. The Company has been awarded the 10 Years Plus Caring Company Logo starting from 2015/16 in recognition of its contribution to community service continuously. Furthermore, the Company was awarded the Hong Kong Awards for Environmental Excellence under the sector of Servicing and Trading (Merit) for 11 consecutive years since 2008. As a corporate citizen, the Group will continue to uphold its corporate social responsibility.

The Environmental, Social and Governance Report is set out on pages 27 to 39 of this annual report.

Environmental, Social and Governance Report

1. ENVIRONMENT

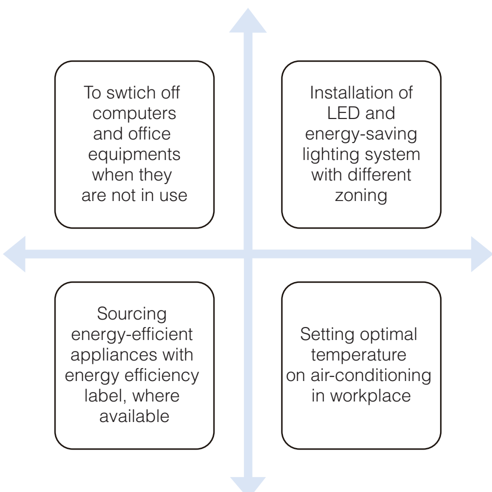
1.1 Emission

Environmental protection plays an essential role for a corporation's sustainability. It is the strategy of the Group to keep reducing the environmental impact from its operations, and to promote awareness of environmental protection of its stakeholders in which the Group's operations are located.

The Group is principally engaged in the provision of corporate finance advisory services, asset management, securities brokering, commodities and futures brokering, financial planning and insurance brokering. We do not have significant air emission nor do we generate hazardous waste, so the main contributors to the Group's carbon footprint are (1) indirect greenhouse gas (GHG) emission from electricity consumption (which is mainly attributed to the use of lighting system, air-conditioning and office equipment), (2) direct GHG emission from petrol consumption of the two motor vehicles, (3) indirect GHG emission from business travel by flight and (4) paper consumption in business operation. As such, the Group keeps minimizing the environmental impacts by reducing GHG emission from its operations with the following means:.

(a) Control of GHG emission from minimizing air travel and electricity consumption

Air travel and electricity consumption are two major generators of the Group's GHG emission. The Group encourages staffs to adopt electronic means of communication such as video or telephone conferencing. Video conference equipment have been installed in two conference rooms. Staffs are also encouraged to use mobile applications such as WeChat, WhatsApp and Zoom to conduct meetings, instead of business travel. At the same time, we have made the following measures to reduce and control the electricity consumption so as to reduce the GHG emission level of the Group:



(b) Control of paper consumption

The business operation of the Group consumes significant amount of papers and the Group has adopted a series of initiatives to reduce the level of paper consumption:

Paperless office by developong our own internal administration system to reduce the use of paper such as leave management, payment management and trip management	Promotion of electronic statements among our clients and provision of platform for online transaction to clients	Paperless board meeting
Selection of new insurer which enables paperless medical insurance claiming procedures	Encourage use of electronic means of communication such as email and intranet	Use duplex printing and reuse single-side printed papers
	Organized events and activities for enhancing staff motivation to minimize the use of electricity and paper in office	

(c) Emission summary:

i) GHG emission

Indicators	2018	**2019**
Scope 1: Direct greenhouse gas emissions (tonnes) – motor vehicles	8.25	**7.67**
Scope 2: Energy indirect greenhouse emissions (tonnes) – electricity consumption	274.13	**271.90**
Scope 3: Other indirect greenhouse gas emissions – paper consumption (tonnes)	23.25	**20.17**
Scope 3: Other indirect greenhouse gas emissions – Flight travel (tonnes)	N/A #	**894.64**
Total	305.63	**1,194.38**

Notes:# The air travel records is the first time included in the GHG emission in accordance with the requirements under Appendix 27 of the Hong Kong Listing Rules.

ii) The key air pollutants from the Group's operation mainly consists of nitrogen oxides, sulphur oxides and respirable suspended particulars, which mainly generated by the two motor vehicles.

Air pollutants emission

Indicators (kg)	2018	**2019**
Nitrogen Oxides (NOx)	1,629.28	**1,440.81**
Sulphur Oxides (SOx)	44.81	**41.62**
Respirable Suspended Particulars (RSP)	119.96	**106.01**

(d) Control of production of hazardous and non-hazardous wastes:

In view of the nature of the Group's operations, it did not generate any hazardous wastes. The Group upholds the principle of waste management. All of our waste management practices comply with relevant laws and regulations. The Group arranges independent third party collector to collect all scrapped electronic equipment for proper treatment.

During the Reporting Period, the Group generated non-hazardous wastes, the majority of which was paper, with a weight of 4,249.27kg.

We strive to reduce, reuse and recycle throughout our operations to minimize the disposal of waste to landfill. Different facilities have been provided to staffs in office to facilitate source separation and waste recycling. The Group has adopted a new policy to evaluate and balance the number of electronic devices replacement for staffs' need and the device performance, aiming to minimize the production of solid and electronic waste by boosting the device performance instead of periodic replacement of new devices. The new policy achieved a remarkable result with a drop of 57% of electronic wastes. The Group will continue this policy.

1.2 Use of Resources

(a) The Group conserves resources for environmental and operating efficiency purposes. Fuel (unleaded petrol) consumption and electricity consumption is respectively the main source of direct and indirect energy consumption. Both fuel and electricity consumptions are the main sources of GHG emissions. To pursue our environmental commitment, an environmental policy and a purchasing policy are in place. We have implemented various initiatives throughout our operations such as deploying energy-efficient devices which carry Energy Label issued by the Electrical and Mechanical Services Department, minimizing the use of paper, reducing water consumption and encouraging the use of public transportation. Through actively monitoring and managing the use of resources, we aim to reduce our carbon footprints as well as our operating cost.

The results achieved by such improvements are reflected in the energy consumption summary below:

Energy consumption summary:

Indicators	2018	**2019**
Total energy consumption (KWh)	350,748	**347,010**
Direct energy consumption (unleaded petrol) (KWh)	3,048	**2,831**
Indirect emissions (electricity) (KWh)	347,700	**344,179**

b) The Group is committed to conserving clean water. Reminders and labels are placed in such water consumption areas as pantries and lavatories to remind staff. As mentioned, the Group is operating in several leased office premises of which the respective building management is responsible for both water consumption and discharge, and thus data in relation to volume of water consumed and discharged would not be provided for any occupants. The management fee of each of the leased premises paid to the respective building management company includes charges for water supply and discharge.

c) The Group provides various financial services including dealings in securities and futures; margin financing; advice on corporate finance; asset management and wealth management. All businesses of the Group do not involve packaging materials.

1.3 Environmental and Natural Resources

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

We regularly assess the environmental risks of our business, and adopt preventive measures as necessary to reduce the risks and ensure the compliance of relevant laws and regulations. In 2019, there were no non-compliance cases reported in relation to air and greenhouse gas emission, discharge into water and land, and generation of waste within the Group.

2. SOCIAL

2.1 Employment and labour standards

Employees are our valuable assets. We strive to attract and retain talents and reconcile economical imperatives with well-beings, aiming at reinforcing satisfaction, loyalty and commitment of human capital.

We have developed a written human resources policy and an employee handbook to govern the compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare of our employees, in accordance with the relevant laws and regulations.

Compensation and dismissal	Recruitment	Workplace management
The Group enters into employment contracts with employees and stipulates the terms and conditions of employment, including remuneration package, probation period and termination. The level of compensation of our employees is reviewed annually on a performance basis with reference to the market standard.	Recruitment is based on job requirements, relevant aptitudes, skills, experience and abilities.	**Holidays and leaves** Apart from statutory holidays, all staffs are entitled to paid annual leaves depending on their ranks and years of services, as well as other leaves such as examination leave, birthday leave and special leave, which all eligible employees are entitled to. **Benefits and welfare** A wide range of benefits including comprehensive medical (including dental and annual body check-up) and life insurance, tuition aid and mandatory provident fund are provided to employees. The medical insurance even covers family members of the employees. Social and recreational activities are organized regularly for the employees in achieving work-life balance. The Company respects cultural and individual diversity. **Equal opportunity and anti-discrimination** Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination against their gender, pregnancy, marital status, disability, family status, race and religion, etc. **Diversity** The Board Diversity Policy sets out the principal and guidelines to achieve diversity of the Board Looking forward, the Group will extend the policy to cover all employees.

As at 31st December 2019, the Group had a total number of 130 employees, of which 58 were male and 72 were female, 129 were full-time employees and 1 was part-time employee, and 121 were based in Hong Kong office and 9 were based in our offices in Mainland China. As regards to disability, the Company did not record the health status of the employees and no employee was recorded as disabled.

Details of total workforce are as follows:

Total Workforce – by Age Group

	Age Group			
	35 or below	36 to 45	46 to 55	56 or above
Hong Kong office	55	36	21	9
Mainland China offices	7	2	0	0

Total Workforce – by Employment Category

	Employment Category		
	Senior Management	Middle Management	General Staff
Hong Kong office	5	17	99
Mainland China offices	0	0	9

New employees

	Age Group			
	35 or below	36 to 45	46 to 55	56 or above
Hong Kong office	13	5	0	2
Mainland China offices	1	0	0	0

Annual turnover

	Age Group			
	35 or below	36 to 45	46 to 55	56 or above
Hong Kong office	16	5	3	6
Mainland China offices	1	0	0	0

2.2 Occupational Health and Safety

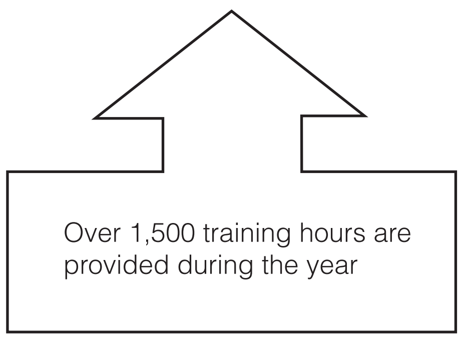
We are committed to providing and maintaining a safe, healthy, and hygienic workplace for all employees, and all other persons likely to be affected by our operations and activities.

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

To improve health level of employees, apart from providing medical insurance, as well as annual body check-ups to employees, the Group also provides indoor workshops and recreational activities so that employees are aware of their health statuses and enhance their health awareness.

There were no non-compliance cases noted in relation to health and safety laws and regulations during the Reporting Period. Neither work-related fatalities nor lost days due to work injury was recorded during the Reporting Period.

2.3 Development and Training



We believe that employee investment is essential. The Group has designed training programmes covering various topics stipulated in different ordinances, rules and guidelines including but not limited to, the SFO, the Personal Data (Privacy) Ordinance (Cap. 486), Main Board Listing Rules and Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations) issued by the Securities and Futures Commission ("SFC").

The Group pays full attention to the continuous development and updates of relevant laws and regulations, our Compliance and Internal Audit Department ("CAIA") and Company Secretarial Department are responsible for gathering information of the relevant regulatory changes and work closely with different departments to determine the continuous professional training required for relevant staff and directors to update their knowledge and skills to maintain their professional competence.

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

During the year, the Group provided the following training programs to the employees:

Training and development

New Employees Training	Video Training	Professional Training
The Group organised new employee trainings by introducing the history and corporate culture of the Group, as well as functions of respective departments, aiming at helping new staffs adapt to the work environment and to settle in.	Staff from respective departments participated in the training provided by the head office through video conferencing. A total of 78 training sessions were conducted throughout the year, aiming at widening the perspective of our empolyees.	Invitation of legal professionals to conduct a series of lectures in relation to popular topics in the financial market, such as latest developments of sponsor, sharing of updates under requirements of the Hong Kong Securities and Futures Ordinance, and opportunities and challenges in the One Belt One Road financial market. Lectures on Prevention of Corruption by the Hong Kong Independent Commission Against Corruption ("ICAC"), money laundering / Foreign Account Tax Compliance Act / Common Reporting Standards.

Number of employees trained by employment type and gender during the year of 2019 are as follows:

Number of employees:	Gender Male	 Female
Hong Kong & China office	72	75

Number of employees:	Senior Management	Employment Category Middle Management	General Staff
Hong Kong & China office	5	23	119

Total training hours completed by employment type and gender during the years of 2019 are as follows:

No. of training hours	Gender Male	 Female
Hong Kong & China office	721.0	791.25

No. of training hours	Senior Management	Employment Category Middle Management	General Staff
Hong Kong & China office	100.25	430.75	981.25

2.4 Labour Standards

The Group strictly complies with the Employment Ordinance in respect of employment in Hong Kong. According to our policy, employment of child and forced labour is strictly prohibited. In addition, all such illegal means as retention of identity cards or passports, intimidation, coercion and undue pressure are strictly prohibited. It is a standard procedure in screening stage that all candidates applying to a position in the Group are required to present their identity documents for inspection for ascertaining their identities, ages and validity of employment status. No employment offer will be made to any candidates whose ages are below 18. In the event that any irregularities in ages, identities and/or validities of employment status is subsequently found, employment with all such concerned candidates will be immediately terminated, and the Group will report such incident to the relevant authorities as soon as practicable.

Our policy also protects the right of free choice of employment of any person and ensure all the employment relationship is established on a voluntary basis.

No non-compliance case was noted in relation to labour standard laws and regulations and no child labour was hired or subsequently found in both 2018 and 2019.

2.5 Supply Chain Management

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

2.6 Product Responsibility

Responsible Investment

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

Quality of Services

As a holding company of certain licensed corporations, the Group is committed to complying with all relevant laws and regulations under the regulatory regime of the financial service industry, in particular, all applicable provisions of the SFO and its supplementary rules and regulations as well as the codes and guidelines issued by SFC. Moreover, one of the Group's subsidiaries is a member of The Hong Kong Insurance Authority. The Group complies with the relevant code and conduct and guidelines applicable to the Group.

Protection of Clients' Data

The Group emphasizes the importance of protecting our clients' personal data and we adhere to the Personal Data (Privacy) Ordinance (Cap. 486) when collecting, processing and using clients' personal data. The Group respects privacy rights of its stakeholders. All personal data collected, processed, used, disclosed and retained are subject to the Personal Data Privacy Policy which is prepared by reference to Personal Data (Privacy) Ordinance, Cap. 486. Personal Information Collection Statement (PICS) will be provided for all candidates pertaining to employment, which sets out the purposes of personal data collection, disclosure, retention and storage.

There were no non-compliance cases noted in relation to our data privacy during the Reporting Period.

2.7 Anti-corruption

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

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

There were no non-compliance cases noted in relation to corruption related laws and regulations during the Reporting Period.

2.8 Community Investment

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

- 10 Years Plus Caring Company Logo starting from 2015/16
- Hong Kong Awards for Environmental Excellence under the sector of Servicing and Trading (Merit) for 10 consecutive years since 2008 and the 10th Anniversary Special Award in 2018
- HSBC Living Business Green Achievement Award for four consecutive years (Certificate of Merit for 2014, 2016 and 2017, Certificate of Excellence for 2015)
- HSBC Living Business Caring for People Award (Certificate of Merit) for 2015 to 2017
- HSBC Living Business Community Engagement Award (Certificate of Merit) for 2016 and 2017
- HSBC Living Business ESG Awards 2018 (Certificate of Merit)
- HSBC Living Business Awards 2018 (Long Term Participation)

Report of the Directors

The board (the "Board") of directors (the "Directors") of Cinda International Holdings Limited (the "Company") is pleased to present this annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December 2019.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATION

The Company is an investment holding company. Principal activities of its subsidiaries are set out in Note 1 to the financial statements. An analysis of the Group's performance for the year by business segments is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 54 of this annual report.

No interim dividend has been declared for the year (2018: nil). Since the coronavirus pneumonia created great uncertainties to the market, and in order to preserve financial resources to meet challenges ahead, the Directors do not recommend the payment of a final dividend for the year ended 31st December 2019 (2018: nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31st December 2019 is set out in the sections headed "Management Discussion and Analysis" on pages 3 to 9 and "Corporate Governance Report" on pages 14 to 26 respectively of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

SHARE CAPITAL

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

BONDS ISSUED

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

During the year, bonds with principal amount of HK$42,000,000 was matured, among which HK$10,000,000 was repaid to the bondholders while bonds with principal amount of HK$32,000,000 was renewed and extended for two years. As at 31st December 2019, bonds with aggregate principal amount of HK$52,000,000 was outstanding, and within which HK$10,000,000 will mature in 2020 and the remaining HK$42,000,000 will mature in 2021. During the year, no bond was issued. Details of the bonds issued by the Company are set out in Note 28 to the financial statements.

Report of the Directors

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 58 of this annual report and in Note 25 to the financial statements.

Distributable reserves of the Company as at 31st December 2019 calculated under the Companies Act 1981 of Bermuda (as amended) amounted to HK$34,123,000 (2018: HK$29,939,000). Details are set out in Note 25 to the financial statements.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$50,000 (2018: HK$50,000).

PROPERTY AND EQUIPMENT

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five years is set out on page 152 of this annual report.

DIRECTORS

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

EDs

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

NEDs

Mr. Chow Kwok Wai	
Ms. Zheng Yi	(resigned effective from 31st March 2020)
Mr. Zhang Yi	(appointed effective from 31st March 2020)

INEDs

Mr. Hung Muk Ming
Mr. Xia Zhidong
Mr. Liu Xiaofeng

In accordance with bye-law 87 of the Company, Mr. Xia Zhidong and Mr. Liu Xiaofeng shall retire at the forthcoming annual general meeting of the Company ("AGM") and they, being eligible, offer themselves for re-election.

Report of the Directors

Pursuant to bye-law 86(2) of the Company, any Director appointed by the Board shall hold office only until the first general meeting of the Company after his or her appointment (in the case of filling a casual vacancy) and shall then be eligible for re-election at that meeting. Accordingly, Mr. Zhang Yi is subject to retirement at the forthcoming AGM and he, being eligible, offers himself for re-election.

DIRECTORS' SERVICE CONTRACT

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

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

Save as disclosed in this annual report, no transaction, arrangement or contract of significance to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, or in which a Director or an entity connected with a Director had a material interest, subsisted at the end of the year or at any time during the year.

COMPETING INTEREST

During the year, none of the Directors was interested in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY PROVISION

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

A Directors liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to an agreement dated 18th December 2015 (as supplemented by a supplemental agreement dated 31st March 2016, collectively, the "Master Agreement") entered into between the Company and China Cinda Asset Management Co., Ltd. ("China Cinda", together with its associates, the "China Cinda Group"), the Group has agreed to provide (i) brokering services for securities, futures and options trading; placing, underwriting and sub-underwriting services for securities ("Category I Transactions"); (ii) corporate finance advisory services ("Category II Transactions"); and (iii) asset management services ("Category III Transactions"), to the China Cinda Group; as well as to pay advisory fee to the China Cinda Group for their provision of corporate finance advisory services to the Group ("Category IV Transactions"), for a term of 3 years commencing from 1st January 2016 and ending on 31st December 2018.

On 30th October 2018, the Company entered into the new master agreement ("New Master Agreement") with China Cinda, pursuant to which the Group has agreed to provide the Category I Transactions, Category II Transactions and Category III Transactions to the China Cinda Group. The New Master Agreement shall have a term of 3 years commencing from 1st January 2019 and ending on 31st December 2021. The annual caps in respect of each category of transactions contemplated under the New Master Agreement are as follows:

	For the year ended 31st December 2019 *HK$*	For the year ending 31st December 2020 *HK$*	For the year ending 31st December 2021 *HK$*
Category I Transactions	42,000,000	60,000,000	78,000,000
Category II Transactions	15,000,000	15,000,000	15,000,000
Category III Transactions	120,000,000	150,000,000	180,000,000

Since members of the China Cinda Group are connected persons of the Company, the transactions contemplated under the New Master Agreement constitute continuing connected transactions of the Company under Rule 14A.31 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange" and "Listing Rules", respectively). The entering into of the New Master Agreement was subject to and the Company has complied with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The terms of the New Master Agreement (including the annual caps) were determined after arm's length negotiations between the parties thereto and will be no less favourable to the Group than terms offered to independent third parties. The Directors, including the INEDs, are of the view that the New Master Agreement was entered into in the ordinary and usual course of business of the Group, on normal commercial terms and the terms of which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Mr. Yu Fan, the Chairman and executive Director, Mr. Gong Zhijian, the Deputy Chairman and Chief Executive Officer, and Ms. Zheng Yi, the then non-executive Director, all held management positions in or were employed by the China Cinda Group, and therefore were considered having interests in the New Master Agreement and had therefore abstained from voting on the Board resolutions approving the New Master Agreement and the transactions contemplated thereunder. The New Master Agreement was approved by the independent shareholders of the Company at the special general meeting held on 14th December 2018 with China Cinda Group abstained from voting at the meeting on the relevant resolution.

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

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

Facility Agreement I

On 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 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 31st December 2019, HK$30,000,000 has been drawn under Facility Agreement I.

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 loan facility is subject to an annual review by the bank.

(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 31st December 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 31st December 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 31st December 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 31st December 2019, loan amount outstanding under Facility Agreement VI was nil.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st December 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

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

As at 31st December 2019, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as was known by the Directors and the chief executives of the Company, the following are details of the persons (other than Directors or chief executives of the Company) who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which need to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position

Name of substantial shareholder	Capacity	Number of shares or underlying shares held	Approximate percentage of the Company's issued share capital
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.

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

–	the largest customer	12.07%
–	the five largest customers combined	43.69%

As at 31st December 2019, the largest customer is a corporation controlled by the ultimate holding company of the Company. The subsequent four largest customers consisted of one corporation controlled by the ultimate holding company of the Company and three independent third parties. Saved as disclosed, at no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers.

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

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the year ended 31st December 2019. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year ended 31st December 2019.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The financial statements of the Company for the year ended 31st December 2019 have been audited by Ernst & Young ("EY"). EY shall retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of EY as auditor of the Company is to be proposed at the meeting.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report is set out on pages 27 to 39 of this annual report.

Discussions of the Group's key relationships with its employees form part of this Report of the Directors and are contained in the Environmental, Social and Governance Report.

By order of the Board

Yu Fan
Chairman

Hong Kong, 31st March 2020

Independent Auditor's Report

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

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

OPINION

We have audited the consolidated financial statements of Cinda International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 151, which comprise the consolidated statement of financial position as at 31st December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matters	How our audit addressed the key audit matters

Impairment assessment on loans receivable, margin loans arising from securities broking and debt instruments classified as fair value through other comprehensive income

Refer to summary of significant accounting policies, critical accounting estimates and judgments and financial risk management on impairment of financial assets in notes 2, 4 and 37 and the disclosures on financial instruments subject to expected credit loss model (the “ECL” model), including loans receivable, margin loans arising from securities broking and debt instruments classified as fair value through other comprehensive income, and the related credit risk disclosures in notes 20, 22 and 14 to the financial statements.

The Group applied an ECL model to measure the impairment allowance of financial assets according to HKFRS 9. These models involved significant management judgement and estimates on determination of significant increases in credit risk, future macroeconomic conditions, borrower’s creditworthiness, definition of impaired credit asset and parameters used for measuring ECL.

As at 31st December 2019, the impairment provision of loans receivable, margin loans arising from securities broking and debt instruments classified as fair value through other comprehensive income were HK$0.4 million, HK$13.7 million and HK$4.1 million respectively.

For the respective ECL models, the procedures we performed to address the key audit matter included, but were not limited to:

- Evaluated the design and tested the operating effectiveness of controls over the approval, recording and credit monitoring of financial instruments subject to ECL;

- Obtained an understanding of the methodology of the ECL model through review of documentation and discussion with the Group’s management;

- Assessed the appropriateness of the Group’s criteria for the determination of significant increases in credit risk and tested the application of staging classification in the ECL model; and

- Assessed the appropriateness of related disclosures including the disclosure of credit risk and impairment allowance against the requirements of HKFRS.

Additionally, for the estimation of ECL of margin loans arising from securities broking, we have:

- Evaluated the Group’s methodology for estimation of ECL of margin loans arising from securities broking and checked the key model parameters to external data sources, including the price volatility of underlying stock collateral; and

- Assessed the accuracy of the input of major parameters for the year end computation of ECL, on a sample basis, such as ratio of the loan to collateral value, and available market information such as the price volatility of underlying stock collaterals.

Additionally, for the estimation of ECL of loans receivables and debt instruments classified as fair value through other comprehensive income; we have:

- Assessed the ECL model design of loans receivable and debt instruments classified as fair value through other comprehensive income and the assumptions over key parameters such as probability of default (PD), loss given default (LGD), exposure at default (EAD), through back-testing, and comparison with external available market data, where available, and those commonly adopted in the market; and

- Assessed the Group’s consideration of forward-looking information, including the reasonableness of the Group’s judgement and review of the usage and adjustment of macroeconomic information through independent review by internal specialists and comparison with those commonly adopted in the market.

Key audit matters	How our audit addressed the key audit matters

Equity accounting for investment in Sino Rock Investment Management Company Limited

Refer to the details of the Group's investment in Sino-Rock Investment Management Company Limited ("Sino-Rock") included in note 18 to the financial statements.

The Group owns 27.6% interest in Sino-Rock, a company incorporated in Hong Kong with principal activities of investment management and investment holding. It is audited by a non-Ernst & Young auditor ("the Sino-Rock Auditor"). The Group's interest in Sino-Rock is accounted for under the equity method.

The Group's share of profit after tax from Sino-Rock for the year ended 31st December 2019 was HK$20,990,000 and the Group's share of Sino-Rock's net asset was HK$234,053,000 as at 31st December 2019.

As at 31st December 2019, Sino-Rock held financial assets measured at fair value of HK$533,590,000 that were categorised as level 3, representing 47% of Sino Rock's total assets. With the assistance from an external specialist, the management of Sino-Rock applied valuation techniques to determine the fair value of the level 3 financial instruments which are not quoted in active markets. The valuation of these level 3 financial instruments involves significant unobservable inputs, assumptions and judgement. With different valuation techniques, inputs and assumptions applied, the valuation results can vary significantly.

Given the level of judgement and assumptions involved in the valuations, we determined this to be a key audit matter.

The procedures we performed to address the key audit matter included, but were not limited to:

- Communicated with the Sino-Rock Auditor on the Group audit requirements and oversaw its overall risk assessment, audit strategy, and the execution of the audit through group audit instructions and conference call and meeting with the Sino-Rock Auditor, and the review of audit deliverables submitted by them;

- Obtained financial information of Sino-Rock from management for the year to assess the significance of the financial impacts from the level 3 financial instruments held by Sino-Rock to the consolidated financial statements of the Group for designing our audit procedures;

- Held conference call and meeting with Sino Rock management to understand the key management processes and the implementation of internal controls over the fair value measurement of level 3 financial instruments;

- Understood the procedures performed by the Sino-Rock auditor to address the fair value measurement of the level 3 financial instruments in respect of their evaluation on the valuation techniques, inputs, assumptions and the judgment applied by management in the fair value measurement of such financial instruments; and

- With the assistance from our internal valuation specialist, performed an independent valuation to assess the fair value of the level 3 financial instruments, on a sample basis in order to assess the appropriateness of the valuation results as concluded by Sino-Rock management and Sino-Rock Auditor.

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong

31st March 2020

Consolidated Statement of Profit or Loss

For the year ended 31st December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Revenue	5	**260,380**	246,023
Other income	5	**62,099**	48,441
Other losses, net	5	**(14,789)**	(15,729)
		307,690	278,735
Staff costs	6	**102,978**	102,233
Commission expenses		**13,117**	16,743
Operating leases for land and buildings		**–**	26,118
Other operating expenses	7	**131,540**	71,788
Finance costs	8	**26,890**	23,443
		274,525	240,325
		33,165	38,410
Share of profits of associates and a joint venture, net	18	**36,771**	31,256
Profit Before Taxation		**69,936**	69,666
Income tax	9	**(17,455)**	(13,156)
Profit For The Year		**52,481**	56,510
Attributable to:			
Equity holders of the Company		**51,559**	55,174
Non-controlling interests	16	**922**	1,336
		52,481	56,510
Basic and diluted earnings per share attributable to equity holders of the Company	11	**HK8.04 cents**	HK8.60 cents

The notes on pages 60 to 151 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2019

	2019 **HK$'000**	2018 HK$'000
Profit for the year	**52,481**	56,510
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss		
Debt instruments at fair value through other comprehensive income:		
– Change in fair value	**13,004**	(21,416)
– Change in impairment allowances charged to profit or loss	**(5,063)**	(3,640)
– Reclassification adjustments on disposal	**7,959**	(451)
Share of an associate's investment revaluation reserve:		
– Change in fair value, net of deferred tax	**–**	(6,791)
Net movement in investment revaluation reserve	**15,900**	(32,298)
Share of associates' exchange difference	**(2,332)**	(4,221)
Exchange differences on translation of:		
– Financial statements of a joint venture	**(191)**	(452)
– Financial statements of foreign operations	**(3,780)**	(8,209)
Net movement in exchange difference	**(6,303)**	(12,882)
Item that would not be reclassified subsequently to profit or loss		
Share of a joint venture's capital reserve	**83**	–
Net movement in capital reserve	**83**	–
Other comprehensive income for the year	**9,680**	(45,180)
Total comprehensive income for the year	**62,161**	11,330
Total comprehensive income attributable to:		
Equity holders of the Company	**61,607**	10,615
Non-controlling interests	**554**	715
	62,161	11,330

The notes on pages 60 to 151 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31st December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Intangible assets	*12*	**1,439**	1,439
Property and equipment	*13*	**8,831**	10,147
Financial assets at fair value through profit or loss	*15*	**6,693**	27,411
Interests in associates and a joint venture	*18*	**375,674**	351,314
Other assets	*19*	**10,966**	13,484
Right-of-use assets	*17*	**43,188**	–
Loans receivable	*20*	**–**	26,981
Deferred tax assets	*21(b)*	**192**	239
		446,983	431,015
CURRENT ASSETS			
Loans receivable	*20*	**71,546**	68,096
Debt instruments at fair value through other comprehensive income	*14*	**362,718**	328,118
Financial assets at fair value through profit or loss	*15*	**75,185**	49,574
Trade and other receivables	*22*	**454,878**	343,521
Taxation recoverable		**–**	1,270
Pledged bank deposits	*23*	**12,129**	12,100
Bank balances and cash	*23*	**579,395**	503,372
		1,555,851	1,306,051
CURRENT LIABILITIES			
Trade and other payables	*26*	**288,221**	266,360
Borrowings	*27*	**272,425**	125,000
Taxation payable	*21(a)*	**10,128**	5,375
Lease liabilities	*17*	**19,894**	–
Bonds issued	*28*	**10,000**	42,000
		600,668	438,735
NET CURRENT ASSETS		**955,183**	867,316
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,402,166**	1,298,331

Consolidated Statement of Financial Position

As at 31st December 2019

	Notes	2019 HK$'000	2018 HK$'000
CAPITAL AND RESERVES			
Share capital	*24*	**64,121**	64,121
Other reserves		**454,021**	443,973
Retained earnings		**359,121**	307,562
Total equity attributable to equity holders of the Company		**877,263**	815,656
Non-controlling interests	*16*	**7,741**	12,246
TOTAL EQUITY		**885,004**	827,902
NON-CURRENT LIABILITIES			
Bonds issued	*28*	**42,000**	20,000
Lease liabilities	*17*	**24,733**	–
Borrowings	*27*	**450,000**	450,000
Deferred tax liability	*21(b)*	**429**	429
		517,162	470,429
		1,402,166	1,298,331

Approved and authorised for issue by the Board of Directors on 31st March 2020 and are signed on it behalf of:

Yu Fan
Executive Director

Lau Mun Chung
Executive Director

The notes on pages 60 to 151 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2019

		Attributable to equity holders of the Company								
	Note	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
Balance at 1st January 2018		64,121	421,419	43,175	26,831	3,700	262,255	821,501	13,054	834,555
Effect of adopting HKFRS 9		–	–	–	(6,593)	–	4,493	(2,100)	–	(2,100)
Effect of adopting HKFRS 15		–	–	–	–	–	(14,360)	(14,360)	–	(14,360)
At 1st January 2018 (restated)		64,121	421,419	43,175	20,238	3,700	252,388	805,041	13,054	818,095
Profit for the year		–	–	–	–	–	55,174	55,174	1,336	56,510
Other comprehensive income		–	–	–	(32,298)	(12,261)	–	(44,559)	(621)	(45,180)
Total comprehensive income for the year		–	–	–	(32,298)	(12,261)	55,174	10,615	715	11,330
Distribution to non-controlling interests	*38(j)*	–	–	–	–	–	–	–	(1,523)	(1,523)
Balance at 31st December 2018 and 1st January 2019		64,121	421,419	43,175	(12,060)	(8,561)	307,562	815,656	12,246	827,902
Profit for the year		–	–	–	–	–	51,559	51,559	922	52,481
Other comprehensive income		–	–	83	15,900	(5,935)	–	10,048	(368)	9,680
Total comprehensive income for the year		–	–	83	15,900	(5,935)	51,559	61,607	554	62,161
Distribution to non-controlling interests	*38(j)*	–	–	–	–	–	–	–	(5,059)	(5,059)
Balance at 31st December 2019		64,121	421,419	43,258	3,840	(14,496)	359,121	877,263	7,741	885,004

The notes on pages 60 to 151 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2019

	Notes	2019 HK$'000	2018 HK$'000
Net cash (outflow)/inflow from operating activities	34	**(11,697)**	460,404
INVESTING ACTIVITIES			
Purchase of property and equipment	13	**(2,769)**	(1,746)
Proceeds from disposal of an associate		**–**	4,686
Interest received from debt securities		**27,954**	25,103
Purchase of financial assets at fair value through profit or loss		**(34,464)**	(44,692)
Purchase of debt instruments at fair value through other comprehensive income		**(322,322)**	(45,263)
Proceeds from disposal of debt instruments at fair value through other comprehensive income		**293,585**	85,547
Proceeds from disposal of financial assets at fair value through profit or loss		**31,935**	102,831
Dividend from an associate	18(a)	**9,971**	3,588
Net cash outflow upon deconsolidation of a subsidiary	33	**–**	(27,663)
Decrease in fixed deposits with maturity over 3 months		**–**	2,000
Net cash inflow from investing activities		**3,890**	104,391
FINANCING ACTIVITIES			
Principal portion of lease liabilities	17	**(22,502)**	–
Interest paid	34	**(22,587)**	(24,976)
Proceeds from bank loans		**30,000**	672,000
Repayment of bank loans		**(125,000)**	(634,411)
Repayment of borrowing under a securities sale agreement		**–**	(153,072)
Proceeds from borrowings under repurchase agreements		**538,131**	–
Repayment of borrowings under repurchase agreements		**(295,706)**	(125,382)
Redemption of bond		**(10,000)**	(24,000)
Distribution to non-controlling interests	38(j)	**(5,059)**	(1,523)
Distribution to financial liabilities at fair value through profit or loss		**–**	(26,473)
Net cash inflow/(outflow) from financing activities		**87,277**	(317,837)
Increase in Cash and Cash Equivalents		**79,470**	246,958
Cash and cash equivalents at the beginning of the year		**503,372**	269,391
Effect of foreign exchange rate changes, net		**(3,447)**	(12,977)
Cash and Cash Equivalents at the End of The Year	23	**579,395**	503,372
Analysis of balances of cash and cash equivalents:			
Bank balances – general accounts and cash in hand	23	**579,395**	503,372

The notes on pages 60 to 151 form part of these financial statements.

1. CORPORATE AND GROUP INFORMATION

The principal activity of the Company is investment holding.

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

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

Information about subsidiaries

The following is the list of subsidiaries at 31st December 2019 and 2018:

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ share capital held	Interest held directly		Interest held indirectly	
				2019	2018	**2019**	2018
Cinda International Capital Limited ("CICL")	Hong Kong	Corporate finance services	54,000,100 ordinary shares of HK$1 each and 21,000,000 non-voting deferred shares of HK$1 each	**–**	–	**100%**	100%
Cinda International Securities Limited ("CISL")	Hong Kong	Securities brokering and margin financing service	150,000,100 ordinary shares of HK$1 each and 50,000,000 non-voting deferred shares of HK$1 each	**–**	–	**100%**	100%
Cinda International Futures Limited ("CIFL")	Hong Kong	Commodities and futures brokering	40,000,100 ordinary shares of HK$1 each and 10,000,000 non-voting deferred shares of HK$1 each	**–**	–	**100%**	100%
Cinda International Asset Management Limited ("CIAM")	Hong Kong	Asset management	33,500,100 ordinary shares of HK$1 each and 2,000,000 non-voting deferred shares of HK$1 each	**100%**	100%	**–**	–
Cinda Asset Management (Cayman) Limited ("CAMCL")	Cayman Islands	Fund management	1 ordinary share of US$1 each	**–**	–	**100%**	100%
Cinda International Wealth Management Advisor Limited ("CIWM")	Hong Kong	Financial planning and insurance brokering	18,000,000 (2018: 15,500,000) ordinary shares of HK$1 each	**–**	–	**100%**	100%
Chinacorp Nominees Limited ("CNL")	Hong Kong	Provision of administrative support services	100 ordinary shares of HK$1 each and 10,000 non-voting deferred shares of HK$1 each	**–**	–	**100%**	100%
Cinda Strategic (BVI) Limited ("CSBVIL")	British Virgin Islands	Investment holding	50,000 ordinary shares of US$1 each	**100%**	100%	**–**	–

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ share capital held	Interest held directly		Interest held indirectly	
				2019	2018	**2019**	2018
Cinda (BVI) Limited ("CBVIL")	British Virgin Islands	Investment holding	7 ordinary shares of US$1 each	**100%**	100%	**–**	–
Cinda International Direct Investment Limited ("CIDI")	British Virgin Islands	Investment holding	1,000 ordinary shares of US$1 each	**100%**	100%	**–**	–
Cinda International Research Limited ("CIRL")	Hong Kong	Provision of research services	1,000,000 ordinary shares of HK$1 each	**–**	–	**100%**	100%
Cinda International Nominees Limited ("CINL")	Hong Kong	Provision of administrative support services	100,000 ordinary shares of HK$1 each	**–**	–	**100%**	100%
Cinda International Consultant Limited ("CICON")	Hong Kong	Investment holding	120,000 ordinary shares of HK$1 each	**100%**	100%	**–**	–
Cinda International Capital Management Limited ("CICM")	British Virgin Islands	Investment holding	1 ordinary share of US$1 each	**100%**	100%	**–**	–
信達國際(上海)投資諮詢有限公司 *(note 2)*	People's Republic of China ("PRC")	Provision of consultancy services	RMB20,000,000	**100%**	100%	**–**	–
Cinda Resources Investment Limited	Cayman Islands	Asset management	1 ordinary share of US$1 each	**–**	–	**100%**	100%
Cinda International Strategic Limited	Hong Kong	Investment	100,000 ordinary shares of HK$1 each	**–**	–	**100%**	100%
Cinda International Investment Management Limited	Hong Kong	Dormant	100 ordinary shares of HK$1 each and 100,000,000 non-voting deferred shares of HK$1 each	**–**	–	**100%**	100%
Rainbow Stone Investments Limited	British Virgin Islands	Investment holding	1 ordinary share of US$1 each	**–**	–	**100%**	100%
Cinda General Partner Limited	Cayman Islands	Asset management	1 ordinary share of US$1 each	**–**	–	**100%**	100%

Notes to the Financial Statements

Name	Place of incorporation and operation	Principal activities	Particulars of issued share capital/ share capital held	Interest held directly		Interest held indirectly	
				2019	2018	**2019**	2018
福建海峽文化產業股權投資管理有限公司("FJSC") *(note 3)*	PRC	Private equity investment and fund management	RMB10,000,000	**–**	–	**55%**	55%
Cinda Retail and Consumer Fund L.P. ("CRC Fund")	Cayman Islands	Investment	US$100	**–**	–	**38.89% *(Note 1)***	38.89% *(Note 1)*
Cinda International Finance Limited ("CIFIN")	Hong Kong	Money lender	1,000,000 ordinary shares of HK$1 each	**–**	–	**100%**	100%
Full Creation Investments Ltd. ("FCL")	British Virgin Islands	Investment holding	1 ordinary share of US$1 each	**–**	–	**100%**	100%
Cinda International GP Management Limited ("CIGP")	Cayman Islands	Asset management	1 ordinary share of US$1 each	**–**	–	**100%**	100%
Wisdom Fortune Investments Limited	British Virgin Islands	Investment holding	1 ordinary share of US$1 each	**–**	–	**100%**	100%
信達領先(深圳)股權投資基金管理有限公司 *(note 2)*	PRC	Provision of consultancy services	RMB13,000,000	**–**	–	**100%**	100%
Special Praise Investments Ltd.	British Virgin Islands	Investment holding	1 ordinary share of US$1 each	**100%**	100%	**–**	–
Stayreal Investments Ltd.	British Virgin Islands	Investment holding	1 ordinary share of US$1 each	**100%**	100%	**–**	–
Cinda Advance Investment (HK) Limited	Hong Kong	Dormant	1 ordinary share of HK$1 each	**–**	–	**100%**	100%
Cinda Advance Investment Fund L.P.	Cayman Islands	Dormant	US$10	**–**	–	**100%**	100%

Notes:

(1) Notes 4.6 and 16 describe the details of CRC Fund. Note 38(j) describes CRC Fund's transactions with CRC Fund's non-controlling interest.

(2) 信達國際(上海)投資諮詢有限公司 and 信達領先(深圳)股權投資基金管理有限公司 are limited liability company wholly-foreign-owned enterprise registered under PRC law.

(3) 福建海峽文化產業股權投資管理有限公司 is a limited liability company registered under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 31st March 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

2.2 Basis of preparation

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

2.3 Basis of consolidation

Investments in subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

Investments in associates and a joint venture

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

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

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

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

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

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

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

2.4 Segment reporting

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

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

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

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

2.6 Property and equipment

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

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

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

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

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

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

2.7 Intangible assets

(a) Trading rights

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

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

(b) Club membership

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

2.8 Impairment of non-financial assets

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

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

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

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

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

2.9 Investments and other financial assets

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out in note 2.19 below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

(b) Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

– The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures the debt instruments at fair value through other comprehensive income if both of the following conditions are met:

– The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial instruments held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(c) Derecognition

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

– the rights to receive cash flows from the asset have expired; or

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

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

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

(d) Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt instruments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt instruments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt instruments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.10 Financial liabilities

(a) Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, borrowings and bond issued.

(b) Subsequent measurement

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

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in note 2.9(d); and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

(c) Derecognition

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

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

2.11 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.12 Fair value measurement

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

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

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

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

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

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

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

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

2.13 Cash and cash equivalents

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

2.14 Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2.15 Share capital

Ordinary shares are classified as equity.

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

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

2.16 Income tax

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

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

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.17 Employee benefits

(a) Pension obligations

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

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

(b) Equity-settled share-based transactions

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

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

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

2.18 Provisions, contingent liabilities and contingent assets

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

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

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.19 Revenue recognition

(a) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

– Provision of securities and futures brokerage business:

  The Group earns commission and fee income from securities and futures brokerage business, which the Group provides to the customers. For those services that are provided over a period of time, commission and fee income are accrued in accordance with the actual progress. For other services, commission and fee income are recognised when the transactions are completed. The performance obligation is satisfied at a point in time when the customer has obtained control of the service, generally when the trades are executed. Commission and handling income on securities and futures dealing and brokering is generally due within two days after trade date.

– Provision of corporate finance service:

The Group providing services to companies listed or seeking listing in Hong Kong or other stock exchanges and other unlisted corporates, on both equity and debt financing. Under HKFRS 15, the Group assessed that the performance obligation for sponsoring services is fulfilled when all the relevant duties of a sponsor as stated in the contract are completed. Revenue from sponsoring fee is recognised at a point in time when all the relevant duties of a sponsor as stated in the contract are completed.

– Provision of asset management service:

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Management service contracts are for periods of one year or less, or are billed based on the time incurred.

– Provision of underwriting and placement service:

The performance obligation is satisfied upon the completion of the offering of the securities.

(b) Revenue from other sources

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.20 Leases (applicable from 1st January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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.

(a) ***Right-of-use assets***

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). 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. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land and Buildings	Over the lease terms

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) ***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 its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) ***Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the rewards and risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the minimum lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

2.21 Leases (applicable before 1st January 2019)

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

Operating leases

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

2.22 Dividend distribution

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

2.23 Related parties

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

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

2.24 Finance costs

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

2.25 Borrowings

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

Effective interest method

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

2.26 Fiduciary activities

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

2.27 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 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 to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

3.1 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

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

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.

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, motor 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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1st January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact 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.

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.

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

- Using a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on its assessment of whether leases are onerous immediately before the date of initial application
- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/ terminate the lease

Financial impact at 1st January 2019

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

	HK$'000
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
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

3.2 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 financial position or performance of the Group.

3.3 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. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have significant impact on the financial position or performance of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

4.1 Provision for expected credit losses on in-scope financial instruments under HKFRS 9

The Company uses an expected credit loss model to calculate ECLs for in-scope financial instruments under HKFRS 9. For trade receivables, with a large number of diversified customers and no similar credit ratings benchmark, the provision rates are based on historical data on default cases of the Company with adjustment to reflect the current conditions and forecasts of future economic conditions, as appropriate. For other financial instruments, the provision rates are days based on the estimated probability of default of companies with similar credit ratings, with adjustment to reflect the current conditions and forecasts of future economic conditions, as appropriate. The Company calibrates the model to adjust the expected credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the brokerage sector, the probability of default rates are adjusted. At each reporting date, the parameters are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among the probability of default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company's expected credit loss experience and forecast of economic conditions may also not be representative of the actual default in the future. The information about the ECLs on the Company's in-scope financial instruments is disclosed in notes 14, 20 and 22 to the financial statements.

4.2 Income taxes

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

4.3 Deferred tax assets

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

Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences arising from depreciation of non-current assets. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised. Management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Further details are available in note 21(b) to the financial statements.

4.4 Litigation

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

4.5 Estimation of fair values

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

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

Note 16 describes that CRC Fund is a subsidiary of the Group although the Group had only a 38.89% ownership interest in CRC Fund as at 31st December 2019 and 2018. The Group is the investment manager, general partner and limited partner of CRC Fund. The Group considered that it has the power to direct the relevant activities of CRC Fund taking into account (a) its 38.89% ownership in CRC Fund, and (b) its roles as the investment manager and general partner of CRC Fund which give it wide ranging discretion in directing CRC Fund's relevant activities, pursuant to the agreement entered into between the Group and the other limited partner, a fellow subsidiary of the Group. Accordingly, the Group has accounted for CRC Fund as a subsidiary.

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

Note 18(a) describes that CPIAAR Fund is an associate of the Group. The assessment was made taking into account that (a) the Group has 15.08% (2018: 11.87%) ownership in CPIAAR Fund, (b) the Group has significant influence over the investment manager of CPIAAR Fund and (c) the Group is the investment advisor which holds the license to perform regulatory activities – asset management under the SFO of CPIAAR Fund which give it significant influence over CPIAAR Fund.

Details of CPIAAR Fund are set out in note 18(a).

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

JXJY is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Pursuant to the shareholder agreement between the parties to the joint arrangement, the decisions about the relevant activities of JXJY require the unanimous consent of these parties. Furthermore, there are no contractual arrangements or any other facts and circumstances that give the parties to the joint arrangement rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, JXJY is classified as a joint venture of the Group. See note 18(b) for details.

4.9 Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4.10 Provision for litigation

Cinda International Securities Limited ("CISL"), a subsidiary of the Group, as a defendant received a writ of summons, issued in the Court of First Instance of the High Court of Hong Kong by the solicitors acting for Mr. Chiu Chi Shun Clarence as a plaintiff (the"Plaintiff"), against the Defendant.

The Plaintiff was a client of CISL who claims to be the holder and/or beneficial owner of certain American Depository Shares (the "ADS") of a company which was once listed on the New York Stock Exchange (now delisted), and who has deposited the ADS in a securities account maintained with CISL. The Plaintiff alleges that CISL did not follow his instruction in dealing with the ADS and is now claiming for (i) an order that CISL do forthwith cause or procure a transfer of the subject ADS to the Plaintiff, or alternatively, damages in lieu thereof in the sum of US$546,662.20 or its Hong Kong dollars equivalent (equivalent to approximately HK$4,263,965.16) or in such sum as the Court deems fit; (ii) interest; (iii) costs; and (iv) further or other orders or relief as the Court deems fit.

Details of the provision for litigation are set out in note 26.

5. REVENUE, OTHER INCOME, OTHER LOSSES AND SEGMENT INFORMATION

	2019 *HK$'000*	2018 *HK$'000*
Revenue		
Revenue from contracts with customers		
Fees and commission		
Asset management	**82,596**	56,897
Sales and trading business	**30,384**	45,820
Corporate finance	**34,034**	25,361
	147,014	128,078
Underwriting income and placing commission		
Sales and trading business	**–**	320
Corporate finance	**23,596**	16,505
	23,596	16,825
Management fee and service fee income		
Asset management	**68,597**	74,414
	68,597	74,414
	239,207	219,317
Revenue from other sources		
Interest income		
Asset management	**214**	144
Sales and trading business	**20,709**	26,380
Corporate finance	**66**	16
Others	**184**	166
	21,173	26,706
	260,380	246,023

Analysis of the disaggregated 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*
Year ended 31st December 2019				
Revenue from contracts with customers				
Brokerage service	**–**	**30,384**	**–**	**30,384**
Underwriting and placing service	**–**	**–**	**23,596**	**23,596**
Corporate finance service	**–**	**–**	**34,034**	**34,034**
Asset management service	**151,193**	**–**	**–**	**151,193**
	151,193	**30,384**	**57,630**	**239,207**
Year ended 31st December 2018				
Revenue from contracts with customers				
Brokerage service	–	45,820	–	45,820
Underwriting and placing service	–	320	16,505	16,825
Corporate finance service	–	–	25,361	25,361
Asset management service	131,311	–	–	131,311
	131,311	46,140	41,866	219,317

	2019 HK$'000	2018 HK$'000
Other income		
Loan interest income	**5,959**	9,621
Interest income from debt securities classified as:		
Debt instruments at fair value through other comprehensive income	**28,792**	25,073
Financial assets at fair value through profit or loss	**5,045**	5,542
Investment income	**5,684**	3,939
Dividend income	**–**	421
Gain on disposal of an associate	**–**	1,065
Government grants *(Note)*	**8,015**	–
Others	**8,604**	2,780
	62,099	48,441
Other losses, net		
Net exchange losses	**(2,718)**	(8,185)
Net gains/(losses) on disposal of financial assets at fair value through profit or loss	**230**	(382)
Net losses on disposal of debt instruments at fair value through other comprehensive income	**(15,098)**	(1,923)
Gains/(losses) from changes in fair value of financial assets at fair value through profit or loss	**2,797**	(2,249)
Losses from changes in fair value of financial liabilities at fair value through profit or loss	**–**	(2,990)
	(14,789)	(15,729)
	307,690	278,735

Note:

The Group acted as an asset manager received various government grants for setting up investment fund to invest within Wuhu and Shanghai Province, Mainland. There are no unfulfilled conditions or contingencies relating to these grants.

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 the exception of unallocated head office and corporate liabilities.

The measure used for reporting segment results are earnings before finance costs and taxes ("EBIT"). To arrive at the Group's profit for the year, the Group's reportable segment results are further adjusted for items not specifically attributed to individual segments, such as share of profits or losses of associates and a joint venture, finance costs, other head office expenses and other income.

Inter-segment revenue and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31st December 2019

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
Revenue from external customers	140,590	51,093	57,696	249,379
Revenue from an associate *(note)*	10,817	–	–	10,817
Inter-segment revenue	–	20	–	20
Reportable segment revenue	151,407	51,113	57,696	260,216
Reportable segment results (EBIT)	83,680	(14,011)	13,166	82,835
Interest income from bank deposits	204	4,211	55	4,470
Interest expense	(21,169)	(2,233)	(633)	(24,035)
Depreciation of property and equipment for the year	(600)	(1,219)	(114)	(1,933)
Reportable segment assets	993,591	541,817	64,789	1,600,197
Additions to non-current segment assets during the year	110	177	261	548
Reportable segment liabilities	724,954	216,118	39,197	980,269

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

Year ended 31st December 2018

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
Revenue from external customers	118,546	72,520	41,882	232,948
Revenue from an associate *(note)*	12,909	–	–	12,909
Inter-segment revenue	1	206	–	207
Reportable segment revenue	131,456	72,726	41,882	246,064
Reportable segment results (EBIT)	81,763	(6,381)	(956)	74,426
Interest income from bank deposits	110	3,420	16	3,546
Interest expense	(16,294)	(5,172)	(741)	(22,207)
Depreciation for the year	(572)	(1,672)	(80)	(2,324)
Reportable segment assets	777,717	488,287	95,469	1,361,473
Additions to/(disposal 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 38(b).

Reconciliations of reportable revenue

	2019 ***HK$'000***	2018 *HK$'000*
Revenue		
Reportable segment revenue	**260,216**	246,064
Elimination of inter-segment revenue	**(20)**	(207)
Unallocated head office and corporate revenue	**184**	166
Consolidated revenue	**260,380**	246,023

Reconciliations of reportable results

	2019 HK$'000	2018 HK$'000
Results		
Reportable segment results (EBIT)	**82,835**	74,426
Elimination of inter-segment profits (EBIT)	**–**	(6)
	82,835	74,420
Share of profits of associates and a joint venture, net	**36,771**	31,256
Finance costs	**(26,890)**	(23,443)
Unallocated head office expenses and other income	**(22,780)**	(12,567)
Consolidated profit before taxation	**69,936**	69,666
Income tax	**(17,455)**	(13,156)
Profit for the year	**52,481**	56,510

Reconciliations of reportable assets and liabilities

	2019 HK$'000	2018 HK$'000
Assets		
Reportable segment assets	**1,600,197**	1,361,473
Elimination of inter-segment receivables	**(74,548)**	(44,881)
	1,525,649	1,316,592
Interests in associates and a joint venture	**375,674**	351,314
Deferred tax assets	**192**	239
Taxation recoverable	**–**	1,270
Unallocated head office and corporate assets	**101,319**	67,651
Consolidated total assets	**2,002,834**	1,737,066
Liabilities		
Reportable segment liabilities	**980,269**	781,182
Elimination of inter-segment payables	**(35,597)**	(29,529)
	944,672	751,653
Taxation payable	**10,128**	5,375
Deferred tax liability	**429**	429
Unallocated head office and corporate liabilities	**162,601**	151,707
Consolidated total liabilities	**1,117,830**	909,164

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 revenue from external 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 assets, in the case of property and equipment; and the location of the core operations in the case of other specified non-current assets.

	Revenue from external customers		**Specified non-current assets**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**221,451**	200,152	**133,211**	119,246
Mainland China	**38,929**	45,871	**252,733**	243,654
	260,380	246,023	**385,944**	362,900

3 (2018: no) customers contributed over 10% to the total revenue of the Group.

6. STAFF COSTS

		2019	2018
	Note	***HK$'000***	*HK$'000*
Salaries and allowances		**100,416**	99,783
Defined contribution plans	*29*	**2,562**	2,450
		102,978	102,233

Staff costs include directors' emoluments as set out in note 30.

7. OTHER OPERATING EXPENSES

	2019 *HK$'000*	2018 *HK$'000*
Auditor's remuneration	**2,155**	1,973
Advisory fee expenses	**71,416**	36,802
Depreciation of property and equipment	**4,085**	4,939
Depreciation of right-of-use assets	**22,752**	–
Equipment rental expenses	**7,842**	7,184
Impairment loss reversal on:		
– debt instruments at fair value through other comprehensive income	**(5,063)**	(3,640)
– loans receivable	**(234)**	(468)
– trade and other receivables	**(209)**	(498)

8. FINANCE COSTS

	2019 *HK$'000*	2018 *HK$'000*
Interest on borrowings – repayable on demand and within one year	**7,770**	12,028
Interest on borrowings – repayable in more than one year but not more than five years	**15,620**	8,150
Interest on bonds issued – repayable within one year	**1,911**	2,465
Interest on bonds issued – repayable in more than one year but not more than five years	**400**	800
Interest on lease liabilities	**1,189**	–
	26,890	23,443

9. INCOME TAX

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

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

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

	2019	2018
	HK$'000	*HK$'000*
Current taxation – Hong Kong		
– Charge for current year	**3,782**	2,818
– Under/(over)-provision in prior year	**1,022**	(1,607)
Current taxation – PRC		
– Charge for current year	**12,442**	11,993
– Under/(over)-provision in prior year	**162**	(214)
	17,408	12,990
Deferred taxation		
– Hong Kong	**47**	166
	17,455	13,156

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

	2019	2018
	HK$'000	*HK$'000*
Profit before taxation	**69,936**	69,666
Statutory tax on profit before taxation, calculated at a taxation rate of 16.5% (2018: 16.5%)	**11,539**	11,495
Tax effect of share of profits of associates and a joint venture	**(6,067)**	(5,157)
Tax effect of income not subject to taxation purposes	**(2,526)**	(3,163)
Tax effect of expenses not deductible for taxation purposes	**2,810**	222
Utilisation of previously unrecognised tax losses and other temporary differences	**(1,619)**	382
Tax losses for which no deferred income tax assets were recognised	**7,961**	7,030
Effect of higher tax rate enacted by PRC tax authority	**4,173**	4,092
Under/(over)-provision	**1,184**	(1,745)
Income tax expense	**17,455**	13,156

10. DIVIDENDS

The directors do not recommend the payment of the final dividend for the year ended 31st December 2019 (2018: nil).

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of HK$51,559,000 (2018: HK$55,174,000) and the number of 641,205,600 ordinary shares (2018: 641,205,600 ordinary shares) in issue during the year. The calculation is as follows:

(i) Earnings attributable to equity holders of the Company

	2019 ***HK$'000***	2018 *HK$'000*
Earnings for the year attributable to equity holders of the Company	**51,559**	55,174

(ii) Number of ordinary shares

	2019	2018
Issued ordinary shares at 1st January and at 31st December	**641,205,600**	641,205,600

(b) Diluted earnings per share

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

12. INTANGIBLE ASSETS

	Stock Exchange trading rights ***HK$'000***	**Futures Exchange trading right** ***HK$'000***	**Club membership** ***HK$'000***	**Total** ***HK$'000***
Cost and carrying amount				
At 1st January 2018, 31st December 2018 and 31st December 2019	913	406	120	1,439

Notes to the Financial Statements

13. PROPERTY AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture & fixtures *HK$'000*	Office & computer equipment and computer software *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost					
At 1st January 2018	7,855	2,646	25,088	1,825	37,414
Additions	–	435	1,311	–	1,746
Disposals	(1,122)	(23)	(253)	–	(1,398)
Exchange difference	(15)	(4)	(6)	–	(25)
At 31st December 2018 and 1st January 2019	6,718	3,054	26,140	1,825	37,737
Additions	155	50	2,564	–	2,769
Disposals	(255)	(117)	(157)	(487)	(1,016)
Exchange difference	(6)	(2)	(2)	–	(10)
At 31st December 2019	**6,612**	**2,985**	**28,545**	**1,338**	**39,480**
Accumulated depreciation					
At 1st January 2018	4,042	1,832	16,587	1,605	24,066
Charge for the year	1,913	219	2,687	120	4,939
Disposals	(1,122)	(17)	(253)	–	(1,392)
Exchange difference	(15)	(4)	(4)	–	(23)
At 31st December 2018 and 1st January 2019	4,818	2,030	19,017	1,725	27,590
Charge for the year	1,463	264	2,258	100	4,085
Disposals	(256)	(116)	(157)	(487)	(1,016)
Exchange difference	(6)	(2)	(2)	–	(10)
At 31st December 2019	**6,019**	**2,176**	**21,116**	**1,338**	**30,649**
Net book value					
At 31st December 2019	**593**	**809**	**7,429**	**–**	**8,831**
At 31st December 2018	1,900	1,024	7,123	100	10,147

14. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 *HK$'000*	2018 *HK$'000*
Listed debt investment:		
– debt securities with fixed interest	**362,718**	328,118

As at 31st December 2019 and 31st December 2018, an analysis of the ending balance of the carrying amount in debt instruments at fair value through other comprehensive income ("FVOCI") 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 31st December 2019	**362,718**	**–**	**–**	**362,718**
Fair value as at 31st December 2018	**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 other comprehensive income as an accumulated impairment allowance, with a corresponding charge to profit or loss.

During the year, impairment allowance of HK$5,063,000 (2018: HK$3,640,000) was reversed and credited to the profit or loss. As of 31st December 2019, impairment allowance of HK$4,101,000 (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$'000*	**Between 1 and 2 years** *HK$'000*	**Between 2 and 5 years** *HK$'000*	**Over 5 years** *HK$'000*	**Indefinite** *HK$'000*	**Total** *HK$'000*
31st December 2019	147,110	103,027	110,973	1,608	–	362,718
31st December 2018	101,089	120,834	98,290	–	7,905	328,118

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	*HK$'000*
Non-current:		
Unlisted private equity funds	**6,693**	4,616
Unlisted investment fund	**–**	22,795
	6,693	27,411
Current:		
Unlisted private equity funds	**2,891**	3,751
Listed debt securities *(note (a))*	**72,293**	38,076
Listed equity securities	**–**	7,746
Unlisted equity securities	**1**	1
	75,185	49,574
	81,878	76,985

Note:

(a) As at 31st December 2019, the debt securities with fair value of HK$72,293,000 (31st December 2018: HK$38,076,000) were listed perpetual bonds.

16. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

Name of subsidiary	Place of incorporation	Principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
			2019	2018	**2019**	2018	**2019**	2018
			HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
福建海峽文化產業股權投資管理有限公司("FJSC")	PRC	PRC	**45%**	45%	**922**	1,326	**7,741**	12,246
Cinda Retail and Consumer Fund L.P. ("CRC Fund")	Cayman Islands	Hong Kong	**61.11%**	61.11%	**–**	10	**–**	–
					922	1,336	**7,741**	12,246

Summarised financial information in respect of 福建海峽文化產業股權投資管理有限公司 is set out below. The summarised financial information below represents amounts prepared in accordance with HKFRSs.

	2019	2018
	HK$'000	*HK$'000*
福建海峽文化產業股權投資管理有限公司		
Current assets		
– Bank balances and cash	**7,392**	12,858
– Other current assets	**10,056**	16,701
	17,448	29,559
Non-current assets		
– Financial assets at fair value through profit or loss	**2,891**	3,751
	2,891	3,751
Current liabilities	**(3,136)**	(6,095)
Total equity	**17,203**	27,215
Equity attributable to the Company	**9,462**	14,969
Non-controlling interests	**7,741**	12,246

	Note	2019 HK$'000	2018 HK$'000
福建海峽文化產業股權投資管理有限公司			
Revenue		**3,499**	6,735
Other gains		**1,118**	340
Operating expenses		**(1,875)**	(3,146)
Income tax		**(693)**	(982)
Profit for the year		**2,049**	2,947
Profit and total comprehensive income for the year		**1,231**	2,947
Profit attributable to non-controlling interests		**922**	1,326
Profit and total comprehensive income attributable to non-controlling interests		**554**	1,326
Net cash (outflow)/inflow from operating activities		**(2,093)**	549
Net cash inflow from investing activities		**8,073**	3,800
Net cash outflow from financing activities		**(11,446)**	–
Net cash (outflow)/inflow		**(5,466)**	4,349
Dividends paid to non-controlling interests of FJSC	*38(j)*	**5,059**	–

17. LEASES

The Group as a lessee

The Group has lease contracts for various items of land and building used in its operations. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

Right-of-use assets and lease liabilities

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year are as follows:

	Right-of-use assets Land and buildings *HK$'000*	**Lease liabilities** *HK$'000*
As at 1st January 2019	65,940	65,940
Depreciation expenses	(22,752)	–
Interest expense	–	1,189
Payments	–	(22,502)
As at 31st December 2019	43,188	44,627
Analysed into:		
Current portion		19,894
Non-current portion		24,733

The maturity analysis of lease liabilities is disclosed in note 37.1(c) to the financial statements.

18. INTERESTS IN ASSOCIATES AND A JOINT VENTURE

	2019 *HK$'000*	2018 *HK$'000*
Interests in associates	**366,721**	343,003
Interest in a joint venture	**8,953**	8,311
	375,674	351,314

(a) Interests in associates

	2019 HK$'000	2018 HK$'000
Share of net assets at 1st January	**343,003**	329,326
Share of profits for the year, net	**36,021**	31,898
Share of other comprehensive income for the year	**(2,332)**	(11,012)
Dividend from an associate	**(9,971)**	(3,588)
Disposal of an associate	**–**	(3,621)
	23,718	13,677
Share of net assets at 31st December	**366,721**	343,003

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 2019	Effective equity interest to the Group 2018	Principal activities
Sino-Rock Investment Management Company Limited ("Sino-Rock")	18,000,000 ordinary shares of HK$1 each	Hong Kong	**27.6%**	27.6%	Investment holding and provision of capital management and consultancy services
Cinda Plunkett International Holdings Limited ("CPHL")	4,000,000 ordinary shares of HK$1 each	Cayman Islands	**40%**	40%	Fund management
Cinda Plunkett International Asia Absolute Return Fund ("CPIAAR Fund") *(note 1)*	100,000 units of US$100 each	Cayman Islands	**15.08%**	11.87%	Investment fund
Dawen Investment Management Limited ("DIML") *(note 2)*	49 ordinary shares of US$1 each	Cayman Islands	**–%**	49%	Asset management
Cinda International Investment Holdings Limited ("CIIH")	2,820,000 Class-A shares	British Virgin Islands	**47%**	47%	Investment holding

Notes:

1. It is considered that the Group had significant influence over CPIAAR Fund through the Group's significant influence over the investment manager of CPIAAR Fund who has wide discretion over the relevant activities of CPIAAR Fund. Note 4.7 provides more details about the management judgment.

2. On 4th March 2019, the effective equity interest was disposed to its existing major shareholder.

Summarised consolidated financial information of associates

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

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

Sino-Rock

	2019	2018
	HK$'000	*HK$'000*
Current assets		
– Bank balances and cash	**349,601**	523,247
– Other current assets	**97,373**	101,643
	446,974	624,890
Non-current assets		
– Financial assets at fair value through profit or loss		
– Level 1 and 2	**33,640**	24,141
– Level 3	**533,590**	489,133
– Other non-current assets	**110,639**	93,967
	677,869	607,241
Current liabilities	**(202,365)**	(349,015)
Non-current liabilities	**(36,828)**	(33,959)
Net assets	**885,650**	849,157
Revenue	**102,544**	99,926
Other income, other gains and losses, net	**142,244**	143,983
Profit for the year	**76,052**	66,682
Other comprehensive income for the year	**(8,448)**	(39,899)
Total comprehensive income for the year	**67,604**	26,783
Group's effective interest on profit for the year	**20,990**	18,404
Group's effective interest on other comprehensive income for the year	**(2,332)**	(11,012)
Dividend from associate	**(9,971)**	(3,588)

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

	2019 HK$'000	2018 HK$'000
Net assets of Sino-Rock	**885,650**	849,157
Total equity attributed to owners of the Company	**880,626**	849,157
Proportion of the Group's ownership interest in Sino-Rock	**27.6%**	27.6%
Carrying amount of the Group's interest in Sino-Rock	**243,053**	234,367

CPHL

	2019 HK$'000	2018 HK$'000
Current assets		
– Bank balances and cash	**7,176**	7,032
– Financial assets at fair value through profit or loss	**132,186**	109,488
– Trade and other receivables	**56,559**	40,412
	195,921	156,932
Non-current assets		
– Financial assets at fair value through profit or loss	**10**	10
	10	10
Current liabilities	**(118,806)**	(95,274)
Net assets	**77,125**	61,668
Revenue, other gains and losses, net	**115,594**	114,312
Profit and total comprehensive income for the year	**15,458**	45,637
Group's effective interest on profit and total comprehensive income for the year	**6,183**	18,255
Net assets of CPHL	**77,125**	61,668
Proportion of the Group's ownership interest in CPHL	**40%**	40%
Carrying amount of the Group's interest in CPHL	**30,850**	24,667

CPIAAR Fund

	2019	2018
	HK$'000	*HK$'000*
Current assets		
– Financial assets at fair value through profit or loss	**464,666**	642,931
– Bank balances and cash	**122,988**	51,626
– Other current assets	**19,853**	12,633
	607,507	707,190
Current liabilities	**(21,580)**	(19,899)
Net assets	**585,927**	687,291
Revenue, other gains and losses, net	**81,845**	(33,995)
Profit/(loss) and total comprehensive income for the year	**63,368**	(50,849)
Group's share of profit/(loss) and total comprehensive income for the year	**9,110**	(5,148)
Net assets of CPIAAR Fund	**585,927**	687,291
Proportion of the Group's ownership interest in CPIAAR Fund	**15.08%**	11.87%
Carrying amount of the Group's interest in CPIAAR Fund	**90,667**	81,557

CIIH

The Group recognised a loss of HK$262,000 (31st December 2018: loss of HK$226,000) from the interest in CIIH for the year ended 31st December 2019.

(b) Interest in a joint venture

	2019 HK$'000	2018 HK$'000
Share of net assets at 1st January	**8,311**	9,405
Share of profit/(loss) for the year	**750**	(642)
Share of other comprehensive income for the year	**83**	–
Translation difference	**(191)**	(452)
	642	(1,094)
Share of net assets at 31st December	**8,953**	8,311

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

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

Note: JianXinJinYuan (Xiamen) Equity Investment Management Limited is a limited liability company (equity joint venture enterprise) registered under PRC law.

Summarised financial information of a joint venture

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

	2019 HK$'000	2018 HK$'000
Non-current assets	**31,108**	18,365
Current assets	**2,491**	6,885
Current liabilities	**(8,020)**	(1,504)
Net assets	**25,579**	23,746

	2019 HK$'000	2018 HK$'000
Revenue	**6,583**	6,395
Profit/(loss) for the year	**2,142**	(1,835)
Other comprehensive income for the year	**238**	–
Total comprehensive income for the year	**2,380**	(1,835)
Group's effective interest on profit/(loss) for the year	**750**	(642)
Group's effective interest on total comprehensive income for the year	**833**	(642)

19. OTHER ASSETS

	2019 HK$'000	2018 HK$'000
Stock Exchange stamp duty deposit	**250**	500
Stock Exchange Fidelity Fund deposit	**100**	100
Stock Exchange Compensation Fund deposit	**100**	100
Guarantee Fund deposits with the Hong Kong Securities Clearing Company Limited	**1,904**	2,137
Clearing link deposits with Hong Kong Securities Clearing Company Limited	**346**	507
Statutory deposits and deposits with the Hong Kong Futures Exchange Limited ("HKFE")	**1,500**	1,500
Reserve fund deposit with the SEHK Options Clearing House Limited ("SEOCH")	**1,609**	1,569
Rental deposits	**5,041**	6,970
Others	**116**	101
	10,966	13,484

20. LOANS RECEIVABLE

During the year, the Group has granted an unsecured, interest bearing loan with a principal of HK$44,620,000 at the rate of 10% per annum with maturity date in July 2020.

As at 31st December 2018, the Group has two unsecured, interest bearing loans with principals of HK$68,385,000 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 a principal of HK$68,385,000 with interest was repaid in July 2019.

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

As at 31st December 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 31st December 2019	**71,920**	**–**	**–**	**71,920**
Expected credit losses	**(374)**	**–**	**–**	**(374)**
Net carrying amount as at 31st December 2019	**71,546**	**–**	**–**	**71,546**
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	95,077	–	–	95,077

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

	Movement
	HK$'000
At 1st January 2018	1,076
Reversal of impairment losses	(468)
At 31st December 2018 and 1st January 2019	608
Reversal of impairment losses	(234)
At 31st December 2019	374

21. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation payable

	2019 *HK$'000*	2018 *HK$'000*
Provision for		
Hong Kong Profits Tax for the year	**7,354**	3,508
PRC Corporate Income Tax for the year	**2,774**	1,867
	10,128	5,375

(b) Deferred income tax

The movements in deferred tax (assets)/liabilities during the year are as follows:

	Accelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Impairment allowances *HK$'000*	Total *HK$'000*
At 1st January 2018	1,946	(1,517)	–	429
Effect of adoption of HKFRS 9	–	–	(478)	(478)
At 1st January 2018, after adoption of HKFRS 9	1,946	(1,517)	(478)	(49)
Charged to consolidated statement of profit or loss	651	(651)	239	239
At 31st December 2018 and 1st January 2019	2,597	(2,168)	(239)	190
Charged to consolidated statement of profit or loss	1,722	(1,722)	47	47
At 31st December 2019	**4,319**	**(3,890)**	**(192)**	**237**

The Group has unrecognised tax losses and temporary differences arising from depreciation of property and equipment in excess of related depreciation allowances as at 31st December 2019 of HK$182,421,000 (2018: HK$148,185,000) and HK$6,011,000 (2018: HK$4,625,000), respectively. These tax losses have no expiry dates.

Other than the above, no other deferred tax asset is recognised as the management of the Group considers that it is not probable that future assessable profits will be available to utilise the recognised deferred tax assets.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019	2018
	HK$'000	*HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**(192)**	(239)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**429**	429
Net deferred tax liabilities in respect of continuing operations	**237**	190

22. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables from clients arising from		
– corporate finance *(note (a))*	**12,685**	8,788
– securities brokering *(note (b))*	**113,956**	103,994
Margin and other trade related deposits with brokers and financial institutions arising from *(note (c))*		
– commodities and futures brokering	**6,935**	13,664
– securities brokering	**3,202**	491
Margin loans arising from securities brokering *(note (d))*	**248,529**	180,240
Trade receivables from clearing houses arising from securities brokering *(note (e))*	**37,654**	7,708
Less: impairment allowance for trade receivables arising from		
– corporate finance *(note (a) and (f))*	**(3,373)**	(3,373)
– securities brokering *(note (d) and (f))*	**(13,724)**	(13,933)
Total trade receivables	**405,864**	297,579
Deposits	**2,727**	832
Other receivables *(note (g))*	**46,369**	45,192
Less: impairment allowance for other receivables *(note (f))*	**(82)**	(82)
Total trade and other receivables	**454,878**	343,521

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

Notes:

(a) For trade receivables related to corporate finance, no additional impairment allowance was provided for the current year (2018: nil). As at 31st December 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:

	2019 *HK$'000*	2018 *HK$'000*
Current	**4,169**	198
30–60 days	**185**	2,600
Over 60 days	**8,331**	5,990
	12,685	8,788
Less: impairment allowance	**(3,373)**	(3,373)
	9,312	5,415

(b) For trade receivables from clients arising from securities brokering, the amounts represent outstanding unsettled trades due from clients as of the end of the reporting period. It normally takes two to three days to settle after the trade date of those transactions. As at 31st December 2019, it included overdue balances of HK$3,745,000 (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 was 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 to be immaterial and there was 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 rates 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 31st December 2019, the fair value of shares accepted as collateral amounted to HK$2,305,314,000 (2018: HK$1,273,188,000) and the fair value of the majority of clients' 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 considered to be 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 year ended 31st December 2019 and 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 year, an impairment allowance of HK$209,000 (2018 HK$498,000) were reversed. As at 31st December 2019, impairment allowance of HK$13,724,000 (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.

(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 31st December 2019, the designated accounts with the SEOCH and HKFECC not otherwise dealt with in these accounts amounted to HK$1,634,000 (2018: HK$2,974,000) and HK$9,930,000 (2018: HK$10,067,000) respectively.

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

	HK$'000
At 1st January 2018	17,886
Reversal of impairment losses	(498)
At 31st December 2018 and 1st January 2019	17,388
Reversal of impairment losses	**(209)**
At 31st December 2019	**17,179**

As at 31st December 2019 and 31st December 2018, an analysis of the gross amount of trade and other receivables is as follows:

	Stage 1 *HK$'000*	**Stage 2** *HK$'000*	**Stage 3** *HK$'000*	**Simplified approach** *HK$'000*	**Total** *HK$'000*
2019					
Gross amount as at 31st December 2019					
Trade receivables from clients	**113,956**	**–**	**–**	**12,685**	**126,641**
Margin and other trade related deposits with brokers and financial institutions	**10,137**	**–**	**–**	**–**	**10,137**
Margin loans arising from securities brokering	**235,500**	**100**	**12,929**	**–**	**248,529**
Trade receivables from clearing houses arising from securities brokering	**37,654**	**–**	**–**	**–**	**37,654**
Deposit	**2,727**	**–**	**–**	**–**	**2,727**
Other receivables	**46,287**	**–**	**82**	**–**	**46,369**
	446,261	**100**	**13,011**	**12,685**	**472,057**
2018					
Gross amount as at 31st December 2018					
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

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Expected credit losses as at 31st December 2019					
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	**(794)**	**(1)**	**(12,929)**	**–**	**(13,724)**
Trade receivables from clearing houses arising from securities brokering	**–**	**–**	**–**	**–**	**–**
Deposit	**–**	**–**	**–**	**–**	**–**
Other receivables	**–**	**–**	**(82)**	**–**	**(82)**
	(794)	**(1)**	**(13,011)**	**(3,373)**	**(17,179)**
Expected credit losses as at 31st December 2018					
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)
Expected credit losses rate as at 31st December 2019					
Trade receivables from clients	**–**	**–**	**–**	**26.59%**	**2.66%**
Margin loans arising from securities brokering	**0.34%**	**1.00%**	**100.00%**	**–**	**5.52%**
Other receivables	**–**	**–**	**100.00%**	**–**	**0.18%**
Expected credit losses rate as at 31st December 2018					
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%

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	167,145	166	12,929	180,240
Other changes (including new assets and derecognised assets)	68,355	(66)	–	68,289
As at 31st December 2019	235,500	100	12,929	248,529

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
Expected credit losses				
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	(1,003)	(1)	(12,929)	(13,933)
Other changes (including new assets and derecognised assets)	209	–	–	209
As at 31st December 2019	(794)	(1)	(12,929)	(13,724)

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) As at 31st December 2018, other receivables for the Group included a shareholder loan advanced to an associate of HK$4,000,000, which is unsecured, non-interest bearing and repayable on demand. The shareholder loan was repaid in 2019.

23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	2019 HK$'000	2018 HK$'000
Cash in hand	**21**	21
Bank balances		
– pledged deposits	**12,129**	12,100
– general accounts	**579,374**	503,351
	591,503	515,451
	591,524	515,472
By maturity:		
Bank balances		
– current and savings accounts	**579,374**	501,351
– fixed deposits (maturing within three months)	**12,129**	14,100
	591,503	515,451

As at 31st December 2019, bank deposits amounting to HK$12,129,000 (31st December 2018: HK$12,100,000) which included 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 31st December 2019, segregated trust accounts not dealt with in these consolidated financial statements amounted to HK$737,000,000 (2018: HK$702,797,000).

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

Cash and cash equivalents

	2019 HK$'000	2018 HK$'000
Analysis of balances of cash and cash equivalents		
Cash in hand and at banks (excluding pledged bank deposits)	**579,395**	503,372
Cash and cash equivalents at the end of the year	**579,395**	503,372

24. SHARE CAPITAL

	2019		2018	
	No. of shares	**Amount** *HK$'000*	No. of shares	Amount *HK$'000*
Authorised share capital				
Ordinary shares	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid				
Ordinary shares				
At 1st January	**641,205,600**	**64,121**	641,205,600	64,121
At 31st December	**641,205,600**	**64,121**	641,205,600	64,121

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

Capital management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures each of them maintains a liquid capital level adequate to support the activities level with sufficient buffer to accommodate the increase in liquidity requirements arising from potential increases in business activities. SF(FR)R returns are filed to the SFC by the licensed subsidiaries on a monthly or semi-annually basis as required. During the current and prior financial years, all the licensed subsidiaries complied with the liquid capital requirements under the SF(FR)R.

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

Further, the Group strived to maintain highly liquid assets to prepare for any unexpected sudden changes in the market. As at the end of the reporting period, the current ratio was 259% (2018: 298%).

The Group has adopted HKFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1st January 2019 with no adjustments to the comparative amounts as at 31st December 2018. This resulted in an decrease in the Group's net current assets and hence the Group's current ratio decreased from 298% to 284% on 1st January 2019 when compared with the position as at 31st December 2018.

The net debt-to-adjusted capital ratios at 31st December 2019 and 2018 are as follows:

	Notes	**31st December 2019** ***HK$'000***	**1st January 2019** ***HK$'000***	31st December 2018 *HK$'000*
Current liabilities:				
Trade and other payables	*26*	**288,221**	**266,360**	266,360
Borrowings	*27*	**272,425**	**125,000**	125,000
Lease liabilities	*17*	**19,894**	**21,313**	–
Bonds issued	*28*	**10,000**	**42,000**	42,000
		590,540	**454,673**	433,360
Non-current liabilities:				
Bonds issued	*28*	**42,000**	**20,000**	20,000
Borrowings	*27*	**450,000**	**450,000**	450,000
Lease liabilities	*17*	**24,733**	**44,627**	–
Total debt		**1,107,273**	**969,300**	903,360
Less: Cash and cash equivalents	*23*	**(591,524)**	**(515,472)**	(515,472)
Adjusted net debt		**515,749**	**453,828**	387,888
Total equity and adjusted capital		**885,004**	**827,902**	827,902
Adjusted net debt-to-capital ratio		**58.28%**	**54.82%**	46.85%

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2019 *HK$'000*	2018 *HK$'000*
NON-CURRENT ASSETS		
Intangible assets	**120**	120
Investments in subsidiaries	**312,681**	312,681
Investment in an associate	**78,000**	78,000
Loans receivable	**–**	26,981
	390,801	417,782
CURRENT ASSETS		
Loans receivable	**27,168**	–
Other receivables	**9,863**	9,572
Debt investments at fair value through other comprehensive income	**362,718**	328,118
Financial assets at fair value through profit or loss	**72,293**	45,821
Amounts due from subsidiaries	**580,471**	520,151
Bank balances	**132,681**	39,383
	1,185,194	943,045
CURRENT LIABILITIES		
Other payables	**24,680**	18,849
Borrowings	**272,425**	125,000
Amounts due to subsidiaries	**257,227**	189,499
Bonds issued	**10,000**	42,000
	564,332	375,348
NET CURRENT ASSETS	**620,862**	567,697
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,011,663**	985,479

	2019 HK$'000	2018 HK$'000
CAPITAL AND RESERVES		
Share capital	**64,121**	64,121
Other reserves	**501,521**	485,621
Accumulated losses	**(45,979)**	(34,263)
TOTAL EQUITY	**519,663**	515,479
NON-CURRENT LIABILITIES		
Bonds issued	**42,000**	20,000
Borrowings	**450,000**	450,000
	1,011,663	985,479

Yu Fan
Executive Director

Lau Mun Chung
Executive Director

Reserves

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

	The Company					
	Share premium *HK$'000*	Capital reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1st January 2018	421,419	22,468	1,414	53,023	(33,434)	464,890
Effect of adopting HKFRS 9	–	–	12,804	–	(12,804)	–
At 1st January 2018 (restated)	421,419	22,468	14,218	53,023	(46,238)	464,890
Profit for the year	–	–	–	–	11,975	11,975
Other comprehensive income	–	–	(25,507)	–	–	(25,507)
Total comprehensive income for the year	–	–	(25,507)	–	11,975	(13,532)
At 31st December 2018 and 1st January 2019	421,419	22,468	(11,289)	53,023	(34,263)	451,358
Loss for the year	–	–	–	–	(11,716)	(11,716)
Other comprehensive income	–	–	15,900	–	–	15,900
Total comprehensive income for the year	–	–	15,900	–	(11,716)	4,184
At 31st December 2019	**421,419**	**22,468**	**4,611**	**53,023**	**(45,979)**	**455,542**

Notes:

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

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

26. TRADE AND OTHER PAYABLES

	2019 *HK$'000*	2018 *HK$'000*
Trade payables to margin clients arising from securities brokering	**9,011**	5,110
Trade payables to securities trading clients arising from securities brokering	**146,610**	110,121
Margin and other deposits payable to clients arising from commodity and futures brokering	**6,828**	13,563
Trade payables to brokers arising from securities brokering	**737**	2,766
Trade payables to clearing houses arising from securities brokering	**7,843**	20,924
Total trade payables	**171,029**	152,484
Accruals, provision and other payables *(note)*	**83,172**	75,136
Deferred revenue	**34,020**	38,740
Total trade and other payables	**288,221**	266,360

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

The settlement terms of payable to clearing houses and securities trading clients from the ordinary course of business of 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.

Note: Cinda International Securities Limited, an indirectly wholly-owned subsidiary of the Company, as a defendant received a writ of summons on 12th November 2019, through its instructed solicitors, under action number HCA 2085 issued in the High Court of Hong Kong by the solicitors acting for a client as a plaintiff. The Company has started a defense and sufficient litigation provision has been provided.

27. BORROWINGS

	2019 *HK$'000*	2018 *HK$'000*
NON-CURRENT		
Bank loans *(note (a))*	**450,000**	450,000
CURRENT		
Bank loans *(note (a))*	**30,000**	125,000
Borrowings under repurchase agreements *(note (b))*	**242,425**	–
	272,425	125,000
	722,425	575,000

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

	2019 *HK$'000*	2018 *HK$'000*
Within one year	**30,000**	125,000
More than one year	**450,000**	450,000
	480,000	575,000

As at 31st December 2019, the Group had total banking facilities of HK$1,500,000,000 (31st December 2018: HK$1,890,000,000).

Among these banking facilities, HK$200,000,000 (31st December 2018: HK$200,000,000) of it was secured by pledged deposits with principals of HK$12,000,000 (31st December 2018: HK$12,000,000).

Further, 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 31st December 2019, HK$480,000,000 (31st December 2018: HK$575,000,000) was drawn from the banking facilities under the specific performance obligation.

As at 31st December 2019 and 2018, the Group has not utilised any of the banking facilities secured by the pledged deposits.

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

(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$242,425,000, There are no maturity dates stated in the agreements and the interests are calculated with reference to LIBOR. The Group is required to repurchase the debt securities at HK$242,425,000 plus interest at variable rates calculated with reference to LIBOR upon the termination of the agreements. As at 31st December 2019, the borrowings under repurchase agreements were collateralised by the Group's debt securities with a fair value of HK$300,713,000 (31st December 2018: nil).

28. BONDS ISSUED

Bonds issued represented a number of fixed rate 5-year coupon bonds at a fixed interest rate of 4% per annum, payable semi-annually and with a principal amount in aggregate of HK$52,000,000 (31st December 2018: HK$62,000,000). The exposure and the contractual maturity dates of the bonds are as follows:

	2019 *HK$'000*	2018 *HK$'000*
Within one year	**10,000**	42,000
More than one year but within five years	**42,000**	20,000
	52,000	62,000

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

29. DEFINED CONTRIBUTION PLANS – MPF SCHEME

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

	2019 ***HK$'000***	2018 *HK$'000*
Employer's contributions charged to consolidated statement of profit or loss	**2,562**	2,450

30. DIRECTORS' EMOLUMENTS

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

The remuneration of the directors for the year ended 31st December 2019 is set out below:

Name of Director	**Fees** ***HK$'000***	**Basic salaries** ***HK$'000***	**Housing allowances and benefits in kind** ***HK$'000***	**Discretionary bonuses** ***HK$'000***	**Employer's contribution to pension scheme** ***HK$'000***	**Total** ***HK$'000***
Executive Directors						
Yu Fan	100	832	160	–	–	1,092
Gong Zhijian	285	1,884	456	–	194	2,819
Lau Mun Chung	240	2,214	–	–	18	2,472
Non-executive Directors						
Chow Kwok Wai	240	–	–	–	–	240
Zheng Yi	–	–	–	–	–	–
Independent Non-executive Directors						
Hung Muk Ming	240	–	–	–	–	240
Xia Zhidong	240	–	–	–	–	240
Liu Xiaofeng	240	–	–	–	–	240
	1,585	4,930	616	–	212	7,343

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

The remuneration of the directors for the year ended 31st December 2018 is set out below:

Name of Director	Fees *HK$'000*	Basic salaries *HK$'000*	Housing allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000* (restated)	Employer's contribution to pension scheme *HK$'000*	Total *HK$'000*
Executive Directors						
Yu Fan [1]	–	–	–	–	–	–
Gong Zhijian	240	1,416	384	1,051	–	3,091
Lau Mun Chung	240	2,160	–	1,080	18	3,498
Non-executive Directors						
Chow Kwok Wai	240	–	–	–	–	240
Zheng Yi	–	–	–	–	–	–
Independent Non-executive Directors						
Hung Muk Ming	240	–	–	–	–	240
Xia Zhidong	240	–	–	–	–	240
Liu Xiaofeng	240	–	–	–	–	240
	1,440	3,576	384	2,131	18	7,549

1 Appointed effective from 30th October 2018

Note: The evaluation of the performance of the Executive Directors for the year ended 31st December 2018 was finalized in 2019 and the amount was restated accordingly. The discretionary bonuses of certain executive directors are payable by instalments.

31. KEY MANAGEMENT PERSONNEL'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Key management personnel's emoluments

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

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

	Group **2019** ***HK$'000***	Group 2018 *HK$'000*
Basic salaries, discretionary bonuses, housing allowances and benefits in kind	**18,735**	22,301
Defined contribution plans	**303**	108
	19,038	22,409

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

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

	Number of individuals	
	2019	2018
Emolument bands		
HK$Nil–HK$1,000,000	**6**	6
HK$1,000,001–HK$1,500,000	**2**	–
HK$1,500,001–HK$2,000,000	**2**	–
HK$2,000,001–HK$2,500,000	**2**	3
HK$2,500,001–HK$3,000,000	**1**	2
HK$3,000,001–HK$3,500,000	**–**	1
HK$3,500,001–HK$4,000,000	**–**	–
HK$4,000,001–HK$4,500,000	**1**	–
HK$4,500,001–HK$5,000,000	**–**	–
HK$5,000,001–HK$5,500,000	**–**	–
HK$5,500,001–HK$6,000,000	**–**	1
	14	13

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two directors (2018: one) whose emoluments are reflected in note 30. The emoluments payable to the remaining three (2018: four) individuals during the year are as follows:

	2019 *HK$'000*	2018 *HK$'000*
Basic salaries, discretionary bonuses, housing allowances and benefits in kind	**8,313**	14,413
Defined contribution plans	**51**	72
	8,364	14,485

The emoluments of the remaining three (2018: four) individuals fell within the following bands:

	Number of individuals 2019	2018
Emolument bands		
HK$Nil–HK$1,000,000	–	–
HK$1,000,001–HK$1,500,000	–	–
HK$1,500,001–HK$2,000,000	–	–
HK$2,000,001–HK$2,500,000	**2**	–
HK$2,500,001–HK$3,000,000	–	2
HK$3,000,001–HK$3,500,000	–	1
HK$3,500,001–HK$4,000,000	–	–
HK$4,000,001–HK$4,500,000	**1**	–
HK$4,500,001–HK$5,000,000	–	–
HK$5,000,001–HK$5,500,000	–	–
HK$5,500,001–HK$6,000,000	–	1
	3	4

32. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

During the years ended 31st December 2019 and 2018, no share options were granted.

33. DISPOSAL OF A SUBSIDIARY

	2019 *HK$'000*	2018 *HK$'000*
Net assets disposed of:		
Bank balances and cash	–	27,663
Trade and other payables	–	(37)
Taxation payable	–	(4,240)
Financial liabilities at fair value through profit or loss	–	(23,386)
Satisfied by:		
Cash	–	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2019 HK$'000	2018 HK$'000
Cash consideration	–	–
Cash and bank balances disposed of	–	(27,663)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	–	(27,663)

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before taxation to net cash (outflow)/inflow from operating activities:

	2019 HK$'000	2018 HK$'000
Profit before taxation	**69,936**	69,666
Depreciation of property and equipment	**4,085**	4,939
Depreciation of right-of-use assets	**22,752**	–
Fair value (gains)/losses, net:		
– Financial assets at fair value through profit or loss	**(2,797)**	2,249
– Financial liabilities at fair value through profit or loss	**–**	2,990
Gain on disposal of an associate	**–**	(1,065)
Net (gains)/losses on disposal of financial assets at fair value through profit or loss	**(230)**	382
Net losses on disposal of debt instruments at fair value through other comprehensive income	**15,098**	1,923
Interest expenses (other than interest on lease liabilities)	**25,701**	23,443
Interest expenses on lease liabilities	**1,189**	–
Interest income from debt securities	**(28,792)**	(25,073)
Share of profits of associates and a joint ventures, net	**(36,771)**	(31,256)
Impairment losses reversed	**(5,506)**	(4,606)
(Increase)/decrease in pledged deposits	**(29)**	2,993
Operating profit before working capital changes	**64,636**	46,585
Decrease in other assets	**2,518**	690
Decrease in loans receivable	**23,765**	94,546
(Increase)/decrease in trade and other receivables	**(110,310)**	385,383
Increase/(decrease) in trade and other payables	**18,747**	(54,892)
Cash (outflow)/inflow from operations	**(644)**	472,312
Hong Kong profits tax paid	**(532)**	(1,104)
Overseas profits tax paid	**(10,521)**	(10,804)
Net cash (outflow)/inflow from operating activities	**(11,697)**	460,404

Change in liabilities arising from financing activities

	Bank and other loans *HK$'000*	Bonds issued *HK$'000*	Interest payable *HK$'000*	Lease liabilities *HK$'000*
At 31st December 2018	575,000	62,000	1,746	–
Effect of adoption of HKFRS 16	–	–	–	65,940
At 1st January 2019 (restated)	**575,000**	**62,000**	**1,746**	**65,940**
Changes from financing cash flows				
New bank borrowings	**30,000**	**–**	**–**	**–**
Repayment	**(125,000)**	**(10,000)**	**–**	**–**
Proceeds from borrowings under repurchase agreements	**538,131**	**–**	**–**	**–**
Payment of borrowings under repurchase agreements	**(295,706)**	**–**	**–**	**–**
Principal portion of lease liabilities	**–**	**–**	**–**	**(22,502)**
Changes in liabilities arising from financing activities				
Interest paid	**–**	**–**	**(22,587)**	**–**
Non-cash changes				
Interest expense	**–**	**–**	**25,701**	**1,189**
At 31st December 2019	**722,425**	**52,000**	**4,860**	**44,627**

	Bank and other loans *HK$'000*	Bonds issued *HK$'000*	Interest payable *HK$'000*	Financial liabilities at fair value through profit or loss *HK$'000*
At 1st January 2018	815,865	86,000	3,279	46,870
Changes from financing cash flows				
New borrowings	672,000	–	–	–
Repayment	(912,865)	(24,000)	–	–
Distribution	–	–	–	(49,860)
Interest paid	–	–	(24,976)	–
Non-cash changes				
Interest expense	–	–	23,443	–
Changes in fair value	–	–	–	2,990
At 31st December 2018	575,000	62,000	1,746	–

35. CONTINGENT LIABILITIES

35.1 Outstanding litigation cases

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

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

For an on going litigation and its provision, see note 4.10 and 26 for details.

35.2 Financial guarantees issued

As at 31st December 2019, 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 31st December 2019, no bank loan (31st December 2018: nil) was drawn under the banking facilities.

36. LEASE, CAPITAL AND INVESTMENT COMMITMENTS

(a) Lease commitments as at 31st December 2018

At 31st December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

Land and buildings

	2018 *HK$'000*
Within one year	22,597
After one year but within five years	46,653
	69,250

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are mainly negotiated for a fixed lease term of one to three years.

(b) Capital commitments

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

	2019 *HK$'000*	2018 *HK$'000*
Contracted but not provided for	**507**	721

(c) Investment commitments

As part of the Group's asset management business, the Group sets up structured entities (for example, investment funds) and generate 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 31st December 2019, the carrying values of the interests held by the Group in the above unconsolidated structured entities managed by the Group amounted to HK$9,584,000 (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.

37. FINANCIAL RISK MANAGEMENT

37.1 Financial risk factors

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

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

(a) **Market risk**

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

Foreign exchange risk

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

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

	Japanese Yen *HK$'000*	**United States Dollars** *HK$'000*	**Renminbi** *HK$'000*	**Others** *HK$'000*
At 31st December 2019				
Debt instruments at fair value through other comprehensive income	**–**	**362,718**	**–**	**–**
Loans receivable, trade and other receivables and other assets	**190**	**64,228**	**1,789**	**270**
Financial assets at fair value through profit or loss	**–**	**72,293**	**–**	**–**
Cash and cash equivalents	**84**	**138,285**	**17,168**	**239**
Trade and other payables	**–**	**(264,533)**	**(124)**	**–**
Net exposure arising from recognised net assets	**274**	**372,991**	**18,833**	**509**
At 31st December 2018				
Debt instruments at fair value through other comprehensive income	–	328,118	–	–
Loans receivable, trade and other receivables and other assets	15	49,853	1,529	204
Financial assets at fair value through profit or loss	–	38,076	–	–
Cash and cash equivalents	82	59,454	11,670	157
Trade and other payables	–	(7,319)	(59)	(30)
Net exposure arising from recognised net assets	97	468,182	13,140	331

Sensitivity analysis

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

	2019		2018	
	Appreciation/ depreciation of foreign currencies	**Effect on profit before tax** ***HK$'000***	Appreciation/ depreciation of foreign currencies	Effect on profit before tax *HK$'000*
RMB	**+ 10%**	**1,883**	+ 10%	1,314
	– 10%	**(1,883)**	– 10%	(1,314)

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

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

Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit before tax measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2018.

Equity price risk

At 31st December 2019 and 2018, the Group was mainly exposed to equity price changes arising from listed equity securities classified as financial assets at fair value through profit or loss (note 15).

At 31st December 2019, it was estimated that an increase/(decrease) of 10% in the relevant stock price, with all other variables held constant, would have significantly increased/decreased the Group's profit before tax as follows:

	Increase/ Decrease	**2019 Effect on profit before tax** ***HK$'000***	2018 Effect on profit before tax *HK$'000*
Listed equity securities classified as financial assets at fair value through profit or loss	10%	–	775
	(10%)	–	(775)

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

Interest rate risk

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the financial instrument subject to floating interest rate. Financial assets subject to cash flow interest rate risk mainly include margin loans arising from securities brokering and bank balances. Financial liabilities subject to floating interest rates are bank loans and borrowings under repurchase 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.

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

	2019 Effective interest rate	**2019** HK$'000	2018 Effective interest rate	2018 HK$'000
Assets				
Bank balances	**0.01%**	**433,550**	0.01%	378,924
Margin finance loans	**8.125%**	**248,529**	8.125%	180,240
		682,079		559,164
Liabilities				
Bank loans	**4.129%**	**(480,000)**	3.518%	(575,000)
Borrowings under repurchase agreements	**2.342%**	**(242,425)**	–	–
		(40,346)		(15,836)
Sensitivity analysis				
Assume interest rate increased/(decreased) by		**0.25%/(0.25%)**		0.25%/(0.25%)
Profit before tax (decreased)/increased by		**(101)/1,141**		(40)/949

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 25 basis points increase/decrease (2018: 25 basis points increase/decrease) represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

Fair value interest rate risk

At 31st December 2019 and 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 14) and financial assets at fair value through profit or loss (note 15). 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.

A sensitivity analysis of the Group's fair value interest rate risk arising from the debt securities classified as debt instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss is as follows:

Change in market interest rate	**2019** **Effect on equity** ***HK$'000***	2018 Effect on equity *HK$'000*
Increase by 25 basis points	**(4,185)**	(3,072)
Decrease by 25 basis points	**4,472**	3,269

(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 (including margin loans arising from securities broking) 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 their current ability to pay, the 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 (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 considers 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 the 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 the trading of commodities and futures contracts can be closed at the Group's discretion in margin shortfall situation to settle any margin call requirements imposed by their respective commodities and futures contracts transactions.

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

For debt securities in financial assets at fair value through profit or loss, the Group structures the levels of credit risk it undertakes by placing limits on the amount of advance in relation to any borrower or issuer. 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 31st December 2019 and 2018.

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.

The Group primarily invested in rated debt securities with credit ratings of at least B+ or equivalent as determined by Standard & Poor's, Moody's or Fitch. Any exception shall be approved by the management of the Group. As at 31st December 2019, over 59% (2018: over 37%) of the debt securities invested by the Company are B+ or above, 23% (31st December 2018: 45%) of the debt securities invested by the Company are B or below, 18% (31st December 2018: 18%) of the debt securities are non-rated as at 31st December 2019. The management of the Group reviews the portfolio of debt securities on a regular basis to ensure that there is no significant concentration risk. In this regard the management of the Group considers 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 to limit the amount of credit exposure to any financial institution. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

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

	Weighted average effective interest rate	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 1 year or on demand *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*
At 31st December 2019						
Trade and other payables	NA	288,221	288,221	288,221	–	–
Non-current bank loan	4.061%	450,000	474,875	18,273	456,602	–
Current bank loan	5.157%	30,000	30,192	30,192	–	–
Borrowings under repurchase agreements	2.342%	242,425	242,425	242,425	–	–
Bonds issued	4%	52,000	54,913	43,951	10,962	–
Lease liabilities	3.671%	44,627	46,653	21,211	25,442	–
		1,107,273	1,137,279	644,273	493,006	–

	Weighted average effective interest rate	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 1 year or on demand *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*
At 31st December 2018						
Trade and other payables	NA	266,360	266,360	266,360	–	–
Non-current bank loan	3.715%	450,000	489,486	16,717	16,717	456,052
Current bank loan	2.809%	125,000	125,298	125,298	–	–
Bonds issued	4%	62,000	64,655	43,900	10,671	10,084
		903,360	945,799	452,275	27,388	466,136

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

37.2 Fair value measurement of financial instruments

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

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

Financial instruments	**Fair value as at 31st December 2019** *HK$'000*	Fair value as at 31st December 2018 *HK$'000*	Fair value hierarchy	Valuation technique(s) key input(s)
(a) Financial assets at fair value through profit or loss				
Listed equity securities	–	7,746	Level 1	Quoted prices in an active market
Listed debt securities	**72,293**	38,076	Level 1	Quoted prices in an active market
Unlisted investment fund	–	22,795	Level 2	Adjusted NAV of investment fund
Unlisted private equity funds *(note (i))*	**9,584**	8,367	Level 3	Adjusted NAV of private equity fund
Unlisted equity securities	**1**	1	Level 2	Adjusted NAV of equity security
(b) Debt investments at fair value through other comprehensive income				
Listed debt investments	**362,718**	328,118	Level 1	Quoted prices in an active market

Notes:

(i) Financial assets at fair value through profit or loss – unlisted private equity fund

The fair values of unlisted equity funds are determined with reference to its net asset value. Accordingly, no sensitivity analysis was prepared.

Reconciliation of Level 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 from of HKFRS 9	13,629
Additions	1,197
Exchange difference	(526)
Disposal	(5,933)
At 31st December 2018 and 1st January 2019	**8,367**
Additions	**2,231**
Exchange difference	**(177)**
Disposal	**(837)**
At 31st December 2019	**9,584**

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.

38. RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

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

	2019 *HK$'000*	2018 *HK$'000*
Brokering commission for securities dealing *(note (a))*	**3,378**	3,506
Service fee income *(note (b))*	**10,817**	12,909
Placing commission *(note (c))*	**2,421**	4,622
Fund management fee and advisory fee income *(note (d))*	**66,619**	67,945
Bank interest income *(note (e))*	**1,252**	437
Bank charges *(note (f))*	**–**	(72)
Rental expenses *(note (g))*	**(444)**	(463)
Interest income *(note (h))*	**1,607**	2,719
Service fee expense *(note (i))*	**(985)**	(435)
Capital distribution to non-controlling interest *(note (j))*	**5,059**	1,523
Advisory fee expense *(note (m))*	**(67,260)**	(36,802)

(a) In 2019 and 2018, the Group received commission income from its directors and fellow subsidiaries for providing securities brokerage services, of which HK$3,026,000 (2018: HK$3,489,000) represented continuing connected transactions.

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

(c) In 2019, the Group received placing commission from its fellow subsidiaries and ultimate holding company for placing securities. In 2018, the Group received placing commission from its ultimate holding company for placing securities. The total amount represented continuing connected transactions.

(d) In 2019 and 2018, the Group received management fee income from its connected persons for providing asset management services. The total amount represented continuing connected transactions.

(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 and 2018, the Group received interest income from the unlisted investment funds which were also owned by its fellow subsidiaries and a joint venture.

(i) In 2019 and 2018, the Group paid service fee to its fellow subsidiary.

(j) In 2019, the Group distributed cash of HK$5,059,000 to the non-controling interests of FJSC, which is its fellow subsidiary. 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"). MOF is the major shareholder of China Cinda as at 31st December 2019 and 2018. For the current and prior years, the Group undertakes some transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to making bank deposits, receiving banking facilities, renting properties and rendering and obtaining other services. The Group is of the 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 31(a).

(m) In 2019 and 2018, the Group paid advisory fee expense to an associate for obtaining consulting services.

39. IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31st December 2019,the directors consider the immediate parent and ultimate controlling party of the Group to be Cinda Securities Co., Ltd. and China Cinda Asset Management Co., Ltd., which are both incorporated in the People's Republic of China.

At 31st December 2018, the directors consider the immediate parent and ultimate controlling party of the Group to be Sinoday Limited and China Cinda Asset Management Co., Ltd., which are incorporated in the British Virgin Islands and the People's Republic of China respectively.

40. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

- offset in the Group's consolidated statement of financial position; or
- not offset in the Group's 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.

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

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position: Financial instruments received as collateral *(note 3)*	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st December 2019					
Financial assets by counterparty					
Trade receivables from:					
– Margin clients *(note 1)*	**519,347**	**(270,818)**	**248,529**	**(233,187)**	**15,342**
– Clearing houses *(note 2)*	**410,618**	**(372,964)**	**37,654**	**–**	**37,654**
Total	**929,965**	**(643,782)**	**286,183**	**(233,187)**	**52,996**
As at 31st December 2018					
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

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position: Financial instruments pledged as collateral *(note 3)*	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st December 2019					
Financial liabilities by counterparty					
Trade payables to:					
– Margin clients *(note 1)*	**(279,829)**	**270,818**	**(9,011)**	**–**	**(9,011)**
– Clearing houses *(note 2)*	**(380,807)**	**372,964**	**(7,843)**	**–**	**(7,843)**
Total	**(660,636)**	**643,782**	**(16,854)**	**–**	**(16,854)**
As at 31st December 2018					
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 agreement signed between the Group and the customers, money obligations receivable and payable with the same customer on the same date are settled on net basis simultaneously.

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

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

41. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9 HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1st January 2020

2 Effective for annual periods beginning on or after 1st January 2021

3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1st January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1st January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1st January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

42. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020.

The Group has not seen a significant impact on business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they will have an impact on the Group's earnings, cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, the Group does not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

The financial statements have been prepared based upon conditions existing at 31st December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31st December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31st December 2019 for the impacts of COVID-19.

Five Year Financial Summary

31st December 2019

FIVE YEAR FINANCIAL SUMMARY

Results	Year ended 31st December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit attributable to equity holders	**51,559**	55,174	66,361	41,080	40,586

Assets and liabilities	As at 31st December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**2,002,834**	1,737,066	2,102,313	1,802,782	1,319,738
Total liabilities	**(1,117,830)**	(909,164)	(1,267,758)	(1,037,957)	(561,276)
Total equity	**885,004**	827,902	834,555	764,825	758,462

Notes:

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

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