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

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

2020
Interim Report

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

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MARKET CONDITIONS

The worldwide spread of the COVID-19 pandemic in 2020 has led to the suspension of economic activities and concern for the rapid decline in economic growth. The large-scale suspension of economic activities has put many companies at risk of rupture in their cash flow, resulting in tight United States of America ("US") dollar liquidity and panic selling of risk assets in the market. The global financial market fluctuated considerably in the first half of 2020. In particular, the VIX index surged by 1.2 times as compared to its closing at the end of last year. The three major US stock indexes triggered the circuit breaker mechanism for several times in the first quarter, and once fell more than 20% in total, entering a technical bear market. Emerging market stocks and exchange rate indexes fell by 10%. In April, the price of New York oil futures fell sharply to historical negative value due to the reason that local crude oil inventories in the US was close to saturation. As market volatility increased, funds flowed into the US dollar, US debt and gold as safe haven. The US dollar index hit a three-year high of 102.99.

The central banks of major countries have successively introduced large-scale monetary stimulus policies since March, including substantial cuts of interest rate and re-introduction of quantitative easing. In particular, the US Federal Reserve launched unlimited quantitative easing and bought junk bonds in the secondary market for the first time in its history. US dollar liquidity eased in the second quarter. European and US stock markets and commodity prices bottomed out. In the first half of the year, the Dow Jones Industrial Average Index still fell by nearly 10% while the technology stocks led Nasdaq index rose by 12%. The three major European indexes fell by an average of 14%, international oil prices fell by 30%, and spot gold rose by 17%. After the turbulence in March, the bond market began to rebound in the second quarter. The Markit iBoxx Asian Chinese US Dollar Bond Index rebounded by 18% from its low in March and rose by 3.7% in the first half of the year. The MSCI Emerging Market Bond Index rebounded by 13% from its low in early April.

In the Mainland, due to the outbreak of COVID-19 pandemic in the first quarter, many provinces and cities had announced lockdown and suspended work and production since late January. This caused a serious impact on economic activities and dragged down the first quarter's gross domestic product ("GDP") to shrink by 6.8% year-on-year, more serious than market expectation of 6.0%. With the pandemic basically under control, various economic indicators in the Mainland have improved since March, driving economic growth to restore in the Mainland. In the second quarter, GDP grew by 3.2% year-on-year, higher than market expectation of 2.4%; GDP grew by 11.5% quarter-on-quarter, higher than market expectation of 9.6%. For Renminbi ("RMB") exchange rate, under the impact of the pandemic, the RMB exchange rate weakened in the first half of 2020. Both onshore RMB ("CNY") and offshore RMB ("CNH") fell by approximately 1.5% against the US dollar. In the second quarter, CNY and CNH both rebounded by approximately 0.3% against the US dollar, which was mainly due to the US Federal Reserve's significant cut in interest rate in March and the introduction of unlimited quantitative easing. After alleviating the US dollar shortage, the US dollar's upward momentum faded.

Since mid-February, the pandemic has escalated overseas, and major stock markets in many countries have continued to plummet. Overseas institutions faced redemption pressure which led to outflow of fund from A shares. The Shanghai – Shenzhen Stock Connect (Northbound) recorded a net capital outflow of approximately RMB67.9 billion in March, and the Shanghai Composite Index once fell to 2,647 points in March. As soon as the pandemic peaked in China, overseas stock markets became stable, and funds flowed into A shares again, leading to a rebound of A shares. The Shanghai Composite Index reached a peak of 2,991 points and closed at 2,984 points in the second quarter. The Shanghai Composite Index rose by 8.5% during the quarter but fell by approximately 2.1% in the first half of the year. In addition, the trading volume of the Shanghai and Shenzhen stock markets also rebounded from a low level to an average daily trading volume of RMB761.7 billion in the first half of the year.

Management Discussion and Analysis

In Hong Kong, the economy has not improved since 2020. The economic recession intensified this year as the spread of the COVID-19 and the required pandemic prevention and control measures exerted severe impact on Hong Kong's extensive economic activities and supply chains in the region. Hong Kong's economy contracted for four consecutive quarters as at the second quarter of this year. GDP dropped by 9.0% year-on-year in the second quarter. The unemployment rate rose sharply from 3.3% at the end of 2019 to 6.2% by June 2020, setting a record high over 15 years. The underemployment rate rose to 3.7% from 3.5%, a new record high in 17 years, of which the combined unemployment rate in relation to the consumption and tourism industries, including retail, accommodation and catering service industries, rose to 10.7%, setting at a record high since the outbreak of SARS in 2003.

As to Hong Kong stock market, the Hang Seng Index rose and then fell in the first half of 2020. As a result of the heavy selling of financial assets arising from the rapid spread of COVID-19 pandemic around the world and coupled with a period of tight US dollar liquidity, after reaching a high of 29,175 points in January, Hang Seng Index dipped to the lowest level of 21,139 points in March, the lowest level since August 2016 and a 27.5% decline over the period. The Hong Kong stock market has entered a technical bear market, of which slumped nearly 5,000 points or 19% in March alone. As the pandemic retreated from its peak in China and Europe, the market expected that economic recovery would drive the economy to bottom out in the second half of the year. Coupled with the quantitative easing policies implemented by the central banks of various countries, the European and US stock markets have rebounded significantly from the low levels. In addition, the Hong Kong dollar exchange rate has been strong again since June and has repeatedly hit the strong-side Convertibility Undertaking offered by the Hong Kong Monetary Authority, along with Hong Kong stock market recovered some of its lost as well. The Hang Seng Index had a slight rebound in the second quarter and once returned to the barrier of 25,000 points. In the second quarter alone, it rebounded 824 points or 3.5%. However, in the first half of the year, the Hang Seng Index closed at 24,427 points, fell by 3,763 points or by 13.3% accumulatively. Despite a poor performance in the first half of the year in Hong Kong stock market, the market's average daily turnover reached HK$117.5 billion, rose by 20% year-on-year. Moreover, the new issue market was booming, 59 new share listings were recorded during the period, raising a total of approximately HK$87.3 billion, up 22% year-on-year, which was mainly due to the return of China concept stocks that boosted the investment atmosphere of Hong Kong stocks. Following the secondary listing of Alibaba (9988) in Hong Kong last year, NetEase (9999) and JD.com (9618) were also listed in Hong Kong in June successively. It is expected that the listing of China concept stocks and leading new-economy companies in Hong Kong will diversify companies listed in Hong Kong.

As to bonds, affected by US dollar liquidity, the market of the US dollar bonds issued by Chinese enterprises fluctuated in the period. In January 2020, Chinese enterprises issued a substantial amount of US dollar bonds, with an issuing amount of US$25.1 billion in a single month. However, affected by the US dollar liquidity risk, the amount of US dollar bonds issued by Chinese enterprises in April and May dropped sharply, with an issuing amount of only US$4.86 billion and US$6.61 billion in a single month, respectively. In June, because of the easing of the US dollar liquidity, the amount of US dollar bonds issued by Chinese enterprises rebounded, with an issuing amount of US$26.16 billion in a single month. To sum up, the total amount of US dollar bonds issued by Chinese enterprises in the first half of the year was US$92.81 billion, with net proceeds amounting to US$23.82 billion, representing a significant decline as compared with that of US$106.55 billion and US$55.52 billion in the first half of last year respectively.

Management Discussion and Analysis

OVERALL PERFORMANCE

In the first half of 2020, despite the continuous impact of the social events and the spread and recurrence of the COVID-19 pandemic in Hong Kong, the Group adhered to the operation strategy of "three economic drivers" formulated years ago and masterminded integrated financial services available for both domestic and overseas markets together with Cinda Securities Co., Ltd. ("Cinda Securities"), the parent company. While closely following the main business of distressed assets of China Cinda Asset Management Co., Ltd. (together with its associates, the "China Cinda Group") as the head office's asset management centre overseas, the Group proactively strengthened its traditional business and continued with the development of the three core business segments (i.e. asset management business, corporate finance business and sales and trading business). By strictly controlling risks and ensuring compliance with laws and regulations in the course of operation, the Group worked hard to minimize the market impact and thus the decrease in results was less than expected. The total revenue in the first half of the year amounted to HK$141.02 million (2019: HK$121.71 million), representing an increase of 16% year-on-year, among which, the turnover was HK$113.57 million (2019: HK$96.21 million), representing an increase of 18% year-on-year. Other income and gains amounted to HK$27.45 million (2019: HK$25.50 million), representing an increase of 8% year-on-year. As to expenses, the Group endeavored to control costs, and human resources expenses remained stable, while other expenses slightly increased. Operating expenses (excluding commission expenses and finance costs) amounted to HK$85.14 million (2019: HK$82.32 million), representing an increase of 3% year-on-year, mainly due to the increase in the rental in the period. In addition, the finance costs also rose by 23% year-on-year, mainly due to the increase in the borrowing size. The Group recorded a profit before taxation of HK$25.21 million (2019: HK$13.96 million) before accounting for the results of associates and a joint venture, representing an increase of 81% year-on-year, mainly due to the satisfactory performance from corporate finance and sales and trading business.

The Group recorded a share of profits from associates and a joint venture amounting to HK$7.80 million (2019: HK$23.31 million), representing a decrease of 67% year-on-year, which was mainly contributed by an absolute return fund the Group invested in and an associate engaged in private equity investment. As a result, the Group's profit before tax for the first half of the year amounted to HK$33.01 million (2019: HK$37.27 million). Profit after tax attributable to equity holders amounted to HK$26.54 million (2019: HK$28.11 million), representing a decrease of 6% year-on-year.

ASSET MANAGEMENT

In the first half of 2020, the asset management segment was the Group's most important business segment and operations continued to be stable. The segment results for the first half of the year were HK$43.57 million (2019: HK$43.75 million), leveled year-on-year. Currently, the Group operates under light-asset strategy and remains the service centre of China Cinda Group's overseas asset management. The Group proactively developed its business revolving around the main business of China Cinda Group, concentrated its efforts to branch out to the troubled asset business, and actively explored innovative cross-border distressed asset business by strengthening its business operations. Against the severe situations, the Group, in collaboration with the parent company, focused on developing products such as the offshore troubled asset merger and acquisition ("M&A") fund and onshore distressed asset M&A fund so as to provide supporting asset management services to the main business of China Cinda Group and expand the size of assets under management. Moreover, debt investments and investments in other structured products for the period increased and recorded good return under prudent investment. As the size of management business of structured products developed by the Group and an associate during the period decreased, the asset management segment recorded revenue from external customers of HK$36.24 million (2019: HK$45.21 million), down by 20% year-on-year.

Management Discussion and Analysis

The Group proactively cooperated with associates and joint ventures in development of diversified businesses. However, as the profit from associates was affected by the recession of capital market, the Group recorded a share of profits from associates and a joint venture amounting to HK$7.80 million (2019: HK$23.31 million) during the period. An associate of the Group engaging in private equity investment business, Sino-Rock Investment Management Company Limited, recorded a decrease in the growth rate of fair value of its certain financial assets held for investment year-on-year. In addition, an absolute return fund invested by the Group also underperformed as impacted by the market environment.

CORPORATE FINANCE

The corporate finance business delivered a satisfactory performance in the first half of 2020, with operating revenue increased by 67% to HK$44.01 million from HK$26.28 million in the first half of 2019, and segment profit amounted to HK$22.48 million (2019: HK$6.49 million). In the first half of 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 three companies which successfully listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). At the same time, the segment completed a financial advisor project on M&A during the period. In addition, the segment has been appointed as sole sponsor by a number of companies seeking listing on the Stock Exchange and as financial advisor of these companies. The Group maintains sufficient project reserves for business development in the upcoming years. With respect to debt issuance business, the Group successfully completed two Chinese enterprises offshore US dollar bond issuance projects in the first half of the year, totalling US$2.3 billion. The Group served as the joint global coordinator in these two projects.

SALES AND TRADING BUSINESS

Although the global stock market was very volatile in the first half of the year, the trading volume did not fall but rose. The Group benefited from the increase in stock trading volume and the expansion of its own business scale, and welcomed an increase in its market share. As a result, the operating revenue increased by 35% to HK$33.24 million during the period from HK$24.61 million in the first half of 2019, of which the Group recorded commission of HK$20.66 million (2019: HK$16.25 million) and interest income from securities financing and other interest income of HK$12.54 million (2019: HK$8.35 million). In view of the continuing uncertainty in the market, the Group prudently maintained margin loans and focused on improving the quality of loans through strict risk control, with no bad or doubtful debts occurred throughout the period. In addition, the securities business competition in Hong Kong was still extremely fierce in the year. According to the information from the Stock Exchange, there were still 646 Stock Exchange participants as at 30th June 2020. The peers who provide online trading platforms continuously lowered and their brokerage commission rate and some of them even do not charge commission resulting in fiercer competition among peers. As a result, for the first half of the year, the Group recorded segment profit of HK$2.05 million (2019: loss of HK$7.65 million).

Management Discussion and Analysis

LOOKING FORWARD

The external environment will remain complex and uncertain in the second half of 2020. Recent rising tensions between China and the US and the impending US Presidential election in November have raised concern that the US may take further steps to damage the relationship between both parties, causing market turmoil. Moreover, as an outpost of Sino-US rivalry, Hong Kong may face an even bigger shock. In addition, after many countries worldwide gradually attempted to resume the economy since the end of the second quarter, economic activities picked up slightly on the back of compensatory demand. However, the resurgence of COVID-19 pandemic is expected to continue to affect the recovery of major economies in the second half of the year and cast a gloom over global economic growth. The International Monetary Fund has lowered again its forecast for global economic growth this year, from a contraction of 3.0% in April to a contraction of 4.9%. The outbreak of the pandemic once again in July in Hong Kong is expected to further hit various industries and cause the unemployment rate to rise further. The economy will continue to face considerable downward pressure in the second half of the year. In response, the market has lowered its forecast for full-year economic growth, with the annual contraction of -6.7% from -1.6% at the beginning of 2020. Under the influence of external uncertainties and the pandemic, the financial industry will face severer challenges this year, and the integration of Hong Kong's securities industry is expected to accelerate.

In Europe and the US, after gradual resumption of the economy since the end of the second quarter, the outbreak of COVID-19 pandemic rebounded again and the labor market continued to remain weak in the US, which in turn depress the local wage and consumption growth continuously. Despite the recent depreciation of the US dollar, which had been favorable for export activities, external demand had not recovered significantly. To make it worse, the renewed tension between China and the US led to an unchanged negative sentiment in local foreign trade. The road to recovery of the US economy is still full of challenges. In addition, the Euro zone economy is expected to continue to be in lack of momentum to drive growth, with unemployment rate remaining at a high level, and the decline in consumption desires hindered business investment. After its formal exit from the European Union ("EU") at the end of January 2020, the United Kingdom ("UK") continued to conduct trade negotiations with the EU. In the second half of 2020, the UK will still face a series of uncertainties, which may cause the trade situation to remain depressed.

In China, the outbreak of the pandemic in the Mainland has been under control, and economic activities have gradually returned to normal. As a result, the economic growth rate reached 3.2% in the last quarter, beating market expectations. The Central Government recently set the tone that current economic situation remains complex and severe, with considerable instability and uncertainty. A meeting of the political bureau of the Communist Party of China central committee pointed out that in order to coordinate and carry out the economic work well in the second half of the year, we must follow the general principle of making progress while working to maintain stable performance, carefully carry out "six-stability" tasks and fully implement "six-security" missions, namely, ensuring effective macro policy implementation, fiscal policy proactiveness, monetary policy flexibility and accuracy, money supply and growth of social financing reasonableness, significant comprehensive financing cost reduction and new financing flows to manufacturing industry, small and medium-sized enterprises. At the same time, the Central Government put forward long-term economic development ideas as well by proposing, for the first time, to deal with multiple risks facing the economy on the basis of acceleration of the formation of "a large domestic cycle" and mutual promotion of "domestic and international double cycles". The long-term development of the new economy, such as medical equipment, medicine, 5G network and industrial internet, will be driven by domestic demand and investment through supply-side reform as a major means. The follow-up policy guidance will cover the whole "14th Five-Year Plan".

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 act as the overseas asset management centre of China Cinda Group with focus on main business of distressed assets of China Cinda Group based on the summary of previous experience. The Group will fully open up businesses of distressed asset and asset management, extend its main business chain and collaborate with the head office 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 asset management, corporate finance, and sales and trading businesses, seize the development opportunity of the return of China concept stocks, and actively explore projects listed overseas. Thirdly, the Group will comprehensively enhance the collaborative integration with Cinda Securities, and jointly mastermind and open up domestic and foreign integrated financial services, and become an overseas business platform of Cinda Securities. Meanwhile, we will actively explore business opportunities brought by Greater Bay Area Initiative. Specifically, we will focus on the investment banking business including overseas issuance of US dollar 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.

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 and special opportunity fund for 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 sponsor and underwriting services and expand M&A businesses. 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. In addition, the Group believes that for the rest of the year, the pandemic will ease and the market will stabilize, and contributions to the Group's earnings by the associates of the Group will increase. Therefore, although the second half of 2020 will still be full of difficulties, the Group would endeavor to overcome various disadvantages to improve the results during the second half of 2020 and bring satisfactory returns to our shareholders through different measures by virtue of the solid foundations the Group has laid so far.

Management Discussion and Analysis

FINANCIAL RESOURCES

The Group maintained sound financial strength during the period, 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. During the period, we obtained a floating rate term loan facility from a bank with duration of three years totalling HK$300 million (or US dollar equivalent) and obtained another bank's extension agreement for a floating rate term loan with duration of three years totalling HK$250 million to the end of June 2023 in advance to provide long-term funding for the purpose of development of the Group, which in turn strengthened the Group's current ratio. As of 30th June 2020, the Group had term loan facility of HK$750 million from banks, of which, a total of HK$640 million were utilised. In addition, as of 30th June 2020, the Group had revolving bank loans and overdrafts facilities of HK$1,280 million, of which, a total of HK$200 million were utilised. In addition, the Group had outstanding fixed-rate medium-term bonds in the principal amount of HK$52 million as at the period end. The Group did not issue any bond during the interim period.

FLUCTUATION IN FOREIGN EXCHANGE RATES

A majority of assets and liabilities of the Group are denominated in HK dollar and US dollar to which HK dollar 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 middle of the year, the exchange rate of RMB against US dollar declined as affected by the Sino-US frictions. However, taking into account the growth of China's economy, the information on the import and export, the measures for domestic economic protection and other factors, the Group considered that the slight decline of exchange rate of RMB would be of short-term within the year, and 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

As at 30th June 2020, the Group had a total number of 126 employees, of which 58 were male and 68 were female, 125 were full-time employees and 1 was part-time employee, and 118 were based in Hong Kong office and 8 were based in our offices in Mainland China. The total remuneration costs of the Group for the six months ended 30th June 2020 are set out in note 4(a) to the condensed consolidated financial statements.

The Group has always valued the nurturing of capable personnel and has taken various measures to recruit and retain personnel of high calibre, 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 period, the Group organized 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, certain of which were conducted through electronic means. 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.

Corporate Governance and Other Information

BOARD OF DIRECTORS

As at the date of this interim report, the board (the "Board") of directors (the "Directors") of Cinda International Holdings Limited (the "Company", and together with its subsidiaries, the "Group") comprises three executive Directors (the "EDs"), two non-executive Directors (the "NEDs") and three independent non-executive Directors (the "INEDs") as follows:

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2020 (2019: nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June 2020, 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) (the "SFO")) as recorded in the register of directors' interests and short positions required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Corporate Governance and Other Information

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

As at 30th June 2020, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as was known to the Directors and the chief executives of the Company, the following are details of the persons (other than Directors or chief executives of the Company) who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would need to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position

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

Note:

These shares were held by Cinda Securities, a subsidiary of China Cinda. By virtue of the provisions of the SFO, China Cinda was deemed to be interested in all the shares in which Cinda Securities was interested.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company had not redeemed any of its shares during the six months ended 30th June 2020. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the six months ended 30th June 2020.

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 (or its equivalent in US dollars or RMB) revolving term loan facility (the "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 final maturity date of the Facility Agreement I is 30th November 2020 and the loan facility is subject to an annual review by the bank.

As at 30th June 2020, loan amount outstanding under Facility Agreement I was nil.

Facility Agreement II and Facility Agreement III

(1) On 25th October 2017, the Company as borrower entered into a facility agreement with a licensed bank in Hong Kong in relation to a HK$300,000,000 (or its equivalent in US dollars) revolving loan facility. On 27th April 2018, a supplemental facility agreement to the facility agreement (the facility agreement together with the supplemental facility agreement, collectively the "Facility Agreement II") was entered into between the parties pursuant to which certain specific performance obligation was imposed on the controlling shareholder of the Company. The final maturity date of the Facility Agreement II was extended to 31st May 2021. 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 (or its equivalent in US dollars) term loan facility (the "Facility Agreement III"). The final maturity date of the Facility Agreement III shall be the date upon the expiration of three years from the date of the first drawdown of the Facility Agreement III. As the loan was first drawn on 2nd May 2018, the final maturity date of the Facility Agreement III shall be 1st May 2021.

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 (the "PRC") shall hold more than 50% shareholding of China Cinda.

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

As at 30th June 2020, US$26,000,000 (equivalent to HK$202,800,000) and HK$200,000,000 have been drawn under Facility Agreement II and Facility Agreement III respectively.

Facility Agreement IV

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 (or its equivalent in US dollars or RMB) revolving loan facility (the "Facility Agreement IV"). As one of the conditions of the loan facility, China Cinda shall directly or indirectly own at least 50% of the issued share capital of the Company. Upon the breach of any of the conditions, the loan facility is repayable in full on demand by the bank. The loan facility is subject to an annual review by the bank.

As at 30th June 2020, loan amount outstanding under Facility Agreement IV was nil.

Facility Agreement V

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 (the "Facility Agreement V"). 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 V, upon which all amounts (including principal and interest) due or owing by CISL to the bank shall become immediately due and payable. The general banking facilities is subject to an annual review by the bank.

As at 30th June 2020, loan amount outstanding under Facility Agreement V was nil.

Facility Agreement VI

On 15th June 2020, the Company as borrower entered into a facility agreement with a licensed bank in Macau in relation to a HK$300,000,000 (or its equivalent in US dollars) loan facility (the "Facility Agreement VI"). Pursuant to the Facility Agreement VI, default will be triggered if any default events occurred, including breach of any one of the following loan undertakings, among others: (i) China Cinda shall remain more than 50% held by the Ministry of Finance of the PRC; (ii) Cinda Securities shall remain more than 50% directly or indirectly held by China Cinda; and (iii) the Company shall remain more than 50% directly or indirectly held by Cinda Securities. 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 VI if default is being triggered. The maturity date of the loan facility shall be three years from the date of signing of the Facility Agreement VI, i.e., 14th June 2023.

As at 30th June 2020, US$24,000,000 (equivalent to HK$187,200,000) has been drawn under Facility Agreement VI.

Facility Agreement VII

On 26th June 2020, the Company as borrower entered into a loan facility letter with a licensed bank in Hong Kong regarding a HK$250,000,000 committed term loan facility (the "Facility Agreement VII"), in replacement of the facility agreement dated 18th May 2018 entered into by the Company with a syndicate of banks regarding a HK$250,000,000 term loan facility. Pursuant to the Facility Agreement VII, 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 PRC 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 VII occurs, the bank may cancel the Facility Agreement VII 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 VII. The final maturity date of the Facility Agreement VII shall be the date falling three years after the acceptance date of the Facility Agreement VII by the Company, i.e., 25th June 2023.

As at 30th June 2020, HK$250,000,000 has been drawn under Facility Agreement VII.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Company has always strived to enhance its corporate governance and transparency by adopting and implementing appropriate corporate governance practices. The Company has also complied with all the code provisions set out in the Corporate Governance Code under Appendix 14 to the Listing Rules during the period from 1st January 2020 to 30th June 2020.

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct for Directors' dealing in its shares. All Directors confirmed that they had complied with the required standards at all times throughout the six months ended 30th June 2020.

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. Xia Zhidong was appointed as an independent director of Wangfujing Group Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600859), effective from 23rd December 2019.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group with the management, and discussed the internal controls and financial reporting matters with the Directors, including a review of the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30th June 2020. The Group's external auditors have carried out a review of the unaudited interim condensed consolidated financial statements of the Group in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

On behalf of the Board

Yu Fan
Chairman

27th August 2020

Report on Review of Interim Financial Information

EY 安永

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

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 15 to 72, which comprises the condensed consolidated statement of financial position of Cinda International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2020 and the related condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong

27th August 2020

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30th June 2020 – Unaudited

		Six months ended 30th June	
	Notes	**2020**	2019
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**113,573**	96,213
Other income	*3*	**28,569**	23,524
Other (losses)/gains, net	*3*	**(1,120)**	1,972
		141,022	121,709
Staff costs	*4(a)*	**51,702**	53,221
Commission expenses		**15,911**	13,378
Other operating expenses	*4(b)*	**33,441**	29,101
Finance costs	*4(c)*	**14,761**	12,048
		115,815	107,748
		25,207	13,961
Share of profits of associates and a joint venture, net	*10*	**7,804**	23,310
Profit before taxation	*4*	**33,011**	37,271
Income tax	*5*	**(5,499)**	(8,573)
Profit for the period		**27,512**	28,698
Attributable to:			
Equity holders of the Company		**26,544**	28,105
Non-controlling interests		**968**	593
		27,512	28,698
Basic and diluted earnings per share attributable to equity holders of the Company	*7*	**HK4.14 cents**	HK4.38 cents

The notes on pages 22 to 72 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June 2020 – Unaudited

	Six months ended 30th June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**27,512**	28,698
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss		
Debt instruments at fair value through other comprehensive income:		
– Change in fair value	**4,884**	14,437
– Change in impairment allowances charge to profit or loss	**3,902**	(1,726)
– Reclassification adjustments on disposal	**1,801**	1,297
Net movement in investment revaluation reserve	**10,587**	14,008
Share of associates' exchange difference	**(1,846)**	1,026
Exchange differences on translation of:		
– Financial statements of a joint venture	**(153)**	(26)
– Financial statements of foreign operations	**(2,269)**	(942)
Net movement in exchange difference	**(4,268)**	58
Other comprehensive income for the period	**6,319**	14,066
Total comprehensive income for the period	**33,831**	42,764
Total comprehensive income attributable to:		
Equity holders of the Company	**32,791**	42,116
Non-controlling interests	**1,040**	648
	33,831	42,764

The notes on pages 22 to 72 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30th June 2020 – Unaudited

	Notes	30th June 2020 HK$'000 (Unaudited)	31st December 2019 HK$'000 (Audited)
NON-CURRENT ASSETS			
Intangible assets	8	**1,439**	1,439
Property and equipment	9	**7,372**	8,831
Financial assets at fair value through profit or loss	13	**9,396**	6,693
Interests in associates and a joint venture	10	**381,479**	375,674
Other assets		**15,484**	10,966
Right-of-use assets	20	**51,552**	43,188
Deferred tax assets		**91**	192
		466,813	446,983
CURRENT ASSETS			
Loans receivable	12	**33,941**	71,546
Debt instruments at fair value through other comprehensive income	11	**619,525**	362,718
Financial assets at fair value through profit or loss	13	**117,618**	75,185
Trade and other receivables	14	**491,659**	454,878
Taxation recoverable		**801**	–
Pledged bank deposits	15	**12,134**	12,129
Bank balances and cash	15	**578,611**	579,395
		1,854,289	1,555,851
CURRENT LIABILITIES			
Trade and other payables	16	**349,742**	288,221
Borrowings	17	**504,522**	272,425
Taxation payable		**6,109**	10,128
Lease liabilities	20	**23,276**	19,894
Bonds issued	19	**10,000**	10,000
		893,649	600,668
NET CURRENT ASSETS		**960,640**	955,183
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,427,453**	1,402,166

Condensed Consolidated Statement of Financial Position

As at 30th June 2020 – Unaudited

	Notes	30th June 2020 HK$'000 (Unaudited)	31st December 2019 HK$'000 (Audited)
CAPITAL AND RESERVES			
Share capital	*18*	**64,121**	64,121
Other reserves		**460,268**	454,021
Retained earnings		**385,665**	359,121
Total equity attributable to equity holders of the Company		**910,054**	877,263
Non-controlling interests		**8,781**	7,741
Total equity		**918,835**	885,004
NON-CURRENT LIABILITIES			
Bonds issued	*19*	**42,000**	42,000
Lease liabilities	*20*	**29,418**	24,733
Borrowings	*17*	**437,200**	450,000
Deferred tax liability		**–**	429
		508,618	517,162
		1,427,453	1,402,166

The notes on pages 22 to 72 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2020 – Unaudited

	Attributable to equity holders of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling Interests *HK$'000*	Total equity *HK$'000*
At 1st January 2020 - audited	**64,121**	**421,419**	**43,258**	**3,840**	**(14,496)**	**359,121**	**877,263**	**7,741**	**885,004**
Total comprehensive income for the period	–	–	–	**10,587**	**(4,340)**	**26,544**	**32,791**	**1,040**	**33,831**
At 30th June 2020 - unaudited	**64,121**	**421,419**	**43,258**	**14,427**	**(18,836)**	**385,665**	**910,054**	**8,781**	**918,835**
At 1st January 2019 - audited	64,121	421,419	43,175	(12,060)	(8,561)	307,562	815,656	12,246	827,902
Total comprehensive income for the period	–	–	–	14,008	3	28,105	42,116	648	42,764
	64,121	421,419	43,175	1,948	(8,558)	335,667	857,772	12,894	870,666
Distribution to non-controlling interest	–	–	–	–	–	–	–	(5,292)	(5,292)
At 30th June 2019 - unaudited	64,121	421,419	43,175	1,948	(8,558)	335,667	857,772	7,602	865,374

The notes on pages 22 to 72 form part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2020 – unaudited

	Notes	Six months ended 30th June 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**33,011**	37,271
Adjustments for:			
Depreciation of property and equipment	*9*	**1,859**	2,310
Depreciation of right-of-use assets	*20*	**10,878**	10,958
Fair value gains, net:			
– Financial assets at fair value through profit or loss	*3*	**(5,260)**	(1,883)
Interest expense on lease liabilities	*4(c)*	**745**	225
Interest expenses (other than interest on lease liabilities)	*4(c)*	**14,016**	11,823
Share of profits of associates and a joint venture, net	*10*	**(7,804)**	(23,310)
Net losses/(gains) on disposal of financial assets at fair value through profit or loss	*3*	**254**	(231)
Net losses on disposal of debt instruments at fair value through other comprehensive income	*3*	**3,349**	399
Interest income from debt securities	*3*	**(19,920)**	(14,934)
Impairment allowances charged/(reversed)	*4(b)*	**3,254**	(2,655)
Increase in pledged bank deposits	*15*	**(5)**	(15)
Operating profit before working capital changes		**34,377**	19,958
(Increase)/decrease in other assets		**(4,518)**	1,299
Decrease in loans receivable		**37,921**	–
Increase in trade and other receivables		**(31,854)**	(165,445)
Increase in trade and other payables		**63,598**	156,305
Cash inflow from operations		**99,524**	12,117
Hong Kong profits tax paid		**(4,472)**	(152)
Overseas profits tax paid		**(5,678)**	(6,052)
Net cash inflow from operating activities		**89,374**	5,913

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2020 – unaudited

	Notes	Six months ended 30th June 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	9	**(401)**	(436)
Purchase of debt instruments at fair value through other comprehensive income		**(368,378)**	(217,501)
Proceeds from disposal of debt instruments at fair value through other comprehensive income		**114,909**	86,415
Purchase of financial assets at fair value through profit or loss		**(44,229)**	(31,440)
Proceeds from disposal of financial assets at fair value through profit or loss		**4,006**	30,748
Interest received from debt securities		**15,326**	10,975
Dividends from an associate		**–**	12,840
Net cash outflow from investing activities		**(278,767)**	(108,399)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	20	**(11,920)**	(11,124)
Proceeds from bank loans		**640,000**	–
Repayment of bank loans		**(280,000)**	(125,000)
Proceeds from borrowings under repurchase agreements		**101,722**	252,725
Repayment of borrowings under repurchase agreements		**(242,425)**	–
Distribution to non-controlling interests		**–**	(5,292)
Interest paid		**(16,096)**	(11,031)
Net cash inflow from financing activities		**191,281**	100,278
Net increase/(decrease) in cash and cash equivalents		**1,888**	(2,208)
Cash and cash equivalents at the beginning of the period		**579,395**	503,372
Effect of foreign exchange rate changes, net		**(2,672)**	(868)
Cash and cash equivalents at the end of the period	15	**578,611**	500,296
Analysis of balances of cash and cash equivalents:			
Bank balances – general accounts and cash in hand	15	**578,611**	500,296

The notes on pages 22 to 72 form part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30th June 2020 – Unaudited

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "*Interim Financial Reporting*", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These unaudited condensed consolidated financial statements have been approved for issue by the Board of Directors on 27th August 2020.

The condensed consolidated financial statements contain selected explanatory notes, which include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31st December 2019, except for the adoption of following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for current period's financial information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the current interim period, the Group has applied, for the first time, the following revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and impact of the revised HKFRSs are described below:

Amendment to HKFRS 3 *Definition of a Business*

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 has applied the amendments prospectively to transactions or other events that occurred on or after 1st January 2020. The amendments did not have any impact on the financial position and performance of the Group.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Amendment to HKFRS 9, HKAS 39 and HKFRS 7 *Interest Rate Benchmark Reform*

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 did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

Amendments to HKFRS 16 *Covid-19-Related Rent Concessions (early adopted)*

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30th June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

Amendments to HKAS1 and HKAS 8 *Definition of Material*

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. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

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

	Six months ended 30th June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Revenue from contracts with customers		
Fees and commission		
Asset management	**7,527**	13,982
Sales and trading business	**20,655**	16,246
Corporate finance	**31,772**	14,055
	59,954	44,283
Underwriting income and placing commission		
Corporate finance	**12,240**	12,183
	12,240	12,183
Management fee and service fee income		
Asset management	**28,632**	31,105
	28,632	31,105
	100,826	87,571
Revenue from other sources		
Interest income		
Asset management	**79**	123
Sales and trading business	**12,540**	8,346
Corporate finance	**1**	43
Others	**127**	130
	12,747	8,642
	113,573	96,213

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

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

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
Six months ended 30th June 2020 – Unaudited				
Revenue from contracts with customers				
Brokerage service	**–**	**20,655**	**–**	**20,655**
Underwriting and placing service	**–**	**–**	**12,240**	**12,240**
Corporate finance service	**–**	**–**	**31,772**	**31,772**
Asset management service	**36,159**	**–**	**–**	**36,159**
	36,159	**20,655**	**44,012**	**100,826**
Six months ended 30th June 2019 – Unaudited				
Revenue from contracts with customers				
Brokerage service	–	16,246	–	16,246
Underwriting and placing service	–	–	12,183	12,183
Corporate finance service	–	–	14,055	14,055
Asset management service	45,087	–	–	45,087
	45,087	16,246	26,238	87,571

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

	Six months ended 30th June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income		
Loan interest income	**4,383**	2,925
Interest income from debt securities classified as:		
– Debt instruments at fair value through other comprehensive income	**17,386**	13,167
– Financial assets at fair value through profit or loss	**2,534**	1,767
Investment income	**2,121**	3,682
Dividend income	**1**	–
Government grants *(Note)*	**451**	–
Others	**1,693**	1,983
	28,569	23,524
Other (losses)/gains, net		
Net exchange (losses)/gains	**(2,777)**	257
Net (losses)/gains on disposal of financial assets at fair value through profit or loss	**(254)**	231
Net losses on disposal of debt instruments at fair value through other comprehensive income	**(3,349)**	(399)
Gains from changes in fair value of financial assets at fair value through profit or loss	**5,260**	1,883
	(1,120)	1,972
	141,022	121,709

Note: The Group received government grants to support enterprises in business innovation and corporate transformation in Shanghai Province, Mainland. There is no unfulfilled conditions or contingencies relating to these grants.

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

Segment information

The Group manages its businesses by divisions. Under HKFRS 8 *Operating Segments*, and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

1. Asset management – provision of advisory service and related auxiliary services on fund management, managing private funds and provide other related proprietary investment.

2. Sales and trading business – provision of brokering services in securities, equity linked products, unit trusts 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 services including underwriting and advisory services to companies listed or seeking listing in Hong Kong or other stock exchanges and other unlisted corporates, on both equity and debt financing.

The Group's senior executive management monitors the assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and a joint venture and other unallocated head office and corporate assets. Segment liabilities include trade creditors, accruals and borrowings attributable to the operating activities of the individual segments with exception of unallocated head office and corporate liabilities.

The measure used for reporting segment results is earnings before finance costs and taxes ("EBIT"). To arrive at the Group's profit for the period, 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.

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

Segment information (continued)

Six months ended 30th June 2020 – Unaudited

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
Revenue from external customers	30,899	33,195	44,013	108,107
Revenue from an associate *(Note)*	5,339	–	–	5,339
Inter-segment revenue	–	40	–	40
Reportable segment revenue	36,238	33,235	44,013	113,486
Reportable segment results (EBIT)	43,565	2,052	22,478	68,095
Interest income from bank deposits	79	2,401	1	2,481
Interest expense	(12,136)	(1,283)	(285)	(13,704)
Depreciation of property and equipment for the period	(283)	(519)	(67)	(869)

As at 30th June 2020 – Unaudited

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
Reportable segment assets	1,161,561	643,562	71,557	1,876,680
Additions to/(disposals of) non-current segment assets during the period	(3)	2,582	1	2,580
Reportable segment liabilities	952,210	317,636	22,290	1,292,136

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

Segment information (continued)

Six months ended 30th June 2019 – Unaudited

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

As at 31st December 2019 – Audited

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
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 25.1(b).

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

Reconciliations of reportable revenue

	Six months ended 30th June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**113,486**	96,103
Elimination of inter-segment revenue	**(40)**	(20)
Unallocated head office and corporate revenue	**127**	130
Consolidated revenue	**113,573**	96,213

Reconciliations of reportable results

	Six months ended 30th June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Results		
Reportable segment profit (EBIT)	**68,095**	42,592
	68,095	42,592
Share of profits of associates and a joint venture, net	**7,804**	23,310
Finance costs	**(14,761)**	(12,048)
Unallocated head office and corporate expenses	**(28,127)**	(16,583)
Consolidated profit before taxation	**33,011**	37,271
Income tax	**(5,499)**	(8,573)
Profit for the period	**27,512**	28,698

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

Reconciliations of reportable assets and liabilities

	30th June 2020 *HK$'000* **(Unaudited)**	31st December 2019 *HK$'000* (Audited)
Assets		
Reportable segment assets	**1,876,680**	1,600,197
Elimination of inter-segment receivables	**(71,240)**	(74,548)
	1,805,440	1,525,649
Interests in associates and a joint venture	**381,479**	375,674
Deferred tax assets	**91**	192
Taxation recoverable	**801**	–
Unallocated head office and corporate assets	**133,291**	101,319
Consolidated total assets	**2,321,102**	2,002,834
Liabilities		
Reportable segment liabilities	**1,292,136**	980,269
Elimination of inter-segment payables	**(28,181)**	(35,597)
	1,263,955	944,672
Taxation payable	**6,109**	10,128
Deferred tax liability	**–**	429
Unallocated head office and corporate liabilities	**132,203**	162,601
Consolidated total liabilities	**1,402,267**	1,117,830

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

Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers (including its associates) and (ii) the Group's property and equipment, intangible assets and interests in associates and a joint venture ("specified non-current assets"). The geographical location of 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 Six months ended 30th June		Specified non-current assets	
			As at 30th June	As at 31st December
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Hong Kong	**94,783**	75,733	**129,603**	133,211
Mainland China	**18,790**	20,480	**260,687**	252,733
	113,573	96,213	**390,290**	385,944

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging/(crediting):

(a) Staff costs

	Six months ended 30th June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and allowances	**50,918**	51,867
Defined contribution plans	**784**	1,354
	51,702	53,221

4. PROFIT BEFORE TAXATION (CONTINUED)

(b) Other operating expenses

	Six months ended 30th June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Advertising and promotion	**574**	859
Auditor's remuneration	**1,370**	1,437
Bank charges	**304**	331
Data service fee	**4,037**	3,723
Depreciation of property and equipment	**1,859**	2,310
Depreciation of right-of-use assets	**10,878**	10,958
Employee relation expense	**252**	616
Entertainment	**390**	605
Impairment allowances charged/(reversed) on:		
– debt instruments at fair value through other comprehensive income	**3,902**	(1,726)
– loans receivable	**(316)**	(328)
– trade and other receivables	**(332)**	(601)
Insurance fee	**953**	909
Legal and professional fee	**1,794**	1,937
Printing and stationery fee	**724**	314
Property management and other related fee	**1,918**	1,917
Repair and maintenance fee	**1,362**	1,162
Service fee	**390**	152
Short-term lease payment not included in the measurement of lease liabilities	**468**	-
Staff recruitment fee	**60**	528
Telecommunication fee	**1,128**	1,282
Travelling expense	**302**	940
Others	**1,424**	1,776
	33,441	29,101

4. PROFIT BEFORE TAXATION (CONTINUED)

(c) Finance costs

	Six months ended 30th June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on borrowings – repayable on demand and within one year	**7,251**	3,064
Interest on borrowings – repayable in more than one year but not more than five years	**5,732**	7,493
Interest on bonds issued – repayable within one year	**198**	869
Interest on bonds issued – repayable in more than one year but not more than five years	**835**	397
Interest on lease liabilities *(note 20)*	**745**	225
	14,761	12,048

5. INCOME TAX

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

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

The amount of taxation charged/(credited) to the condensed consolidated statement of profit or loss:

	Six months ended 30th June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current taxation		
– Hong Kong Profits Tax	**1,735**	2,593
– PRC Corporate Income Tax	**4,092**	5,820
Deferred taxation		
– Hong Kong	**(328)**	160
	5,499	8,573

6. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2020 (2019: nil).

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$26,544,000 (2019: HK$28,105,000) and the number of 641,205,600 ordinary shares (2019: 641,205,600 ordinary shares) in issue during the period. The calculation is as follows:

Earnings attributed to equity holders of the Company

	Six months ended 30th June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings for the period attributable to equity holders of the Company	**26,544**	28,105

Number of ordinary shares

	Six months ended 30th June	
	2020	2019
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1st January and 30th June	**641,205,600**	641,205,600

(b) Diluted earnings per share

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

8. INTANGIBLE ASSETS

	Stock Exchange trading rights *HK$'000*	Futures Exchange trading right *HK$'000*	Club membership *HK$'000*	Total *HK$'000*
Six months ended 30th June 2020 – unaudited				
Cost and carrying amount:				
At 1st January 2020 and 30th June 2020	**913**	**406**	**120**	**1,439**
Year ended 31st December 2019 – audited				
Cost and carrying amount:				
At 1st January 2019 and 31st December 2019	913	406	120	1,439

9. PROPERTY AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office and computer equipment and computer software *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Six months ended 30th June 2020 – unaudited					
Cost:					
At 1st January 2020	6,612	2,985	28,545	1,338	39,480
Additions	–	–	401	–	401
Disposals	–	–	(456)	–	(456)
Exchange difference	(5)	(1)	(2)	–	(8)
At 30th June 2020	6,607	2,984	28,488	1,338	39,417
Accumulated depreciation:					
At 1st January 2020	6,019	2,176	21,116	1,338	30,649
Charge for the period	477	134	1,248	–	1,859
Disposals	–	–	(456)	–	(456)
Exchange difference	(5)	(1)	(1)	–	(7)
At 30th June 2020	6,491	2,309	21,907	1,338	32,045
Net book value:					
At 30th June 2020	116	675	6,581	–	7,372

9. PROPERTY AND EQUIPMENT (CONTINUED)

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office and computer equipment and computer software *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Year ended 31st December 2019 – audited					
Cost:					
At 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 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

10. INTERESTS IN ASSOCIATES AND A JOINT VENTURE

	30th June 2020 *HK$'000* **(Unaudited)**	31st December 2019 *HK$'000* (Audited)
Interests in associates	**371,846**	366,721
Interest in a joint venture	**9,633**	8,953
	381,479	375,674

Interests in associates

	30th June 2020 *HK$'000* **(Unaudited)**	31st December 2019 *HK$'000* (Audited)
Share of net assets at 1st January	**366,721**	343,003
Share of profits for the period/year, net	**6,971**	36,021
Share of other comprehensive income for the period/year	**(1,846)**	(2,332)
Dividend income from an associate	**–**	(9,971)
	5,125	23,718
Share of net assets at 30th June/31st December	**371,846**	366,721

10. INTERESTS IN ASSOCIATES AND A JOINT VENTURE (CONTINUED)

Interests in associates (continued)

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

Name	Particulars of issued shares held	Place of incorporation	Effective equity interest to the Group 30th June 2020	 31st December 2019	Principal activity
Sino-Rock Investment Management Company Limited ("Sino-Rock") *(note(a))*	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") *(note(b))*	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(c))*	100,000 units of US$100 each	Cayman Islands	**15.11%**	15.08%	Investment fund
Cinda International Investment Holdings Limited ("CIIH") *(note(d))*	2,820,000 Class-A shares	British Virgin Islands	**47%**	47%	Investment holding

Notes:

(a) As at 30th June 2020, the Group held 18,000,000 ordinary shares (31st December 2019: 18,000,000 ordinary shares), representing 27.6% (2019: 27.6%) equity interests in Sino-Rock, a private company incorporated in Hong Kong and is considered as an associate of the Group, principally engaged in investment holding and provision of capital management and consultancy services. The Group recognises Sino-Rock as a significant investment for the period ended 30th June 2020 and year ended 31st December 2019. The Group's share of net assets in Sino-Rock was HK$250,469,000 at 30th June 2020 (31st December 2019: HK$243,053,000), which accounted for approximately 10.79% (2019: 12.14%) of the total assets of the Group. The Group recognised a share of profit and other comprehensive income of HK$7,416,000 (30th June 2019: HK$12,160,000) and no dividend income (30th June 2019: HK$9,971,000) from the interest in Sino-Rock for the period ended 30th June 2020. The aggregate cost of investment in Sino-Rock was HK$107,014,000. The Group treats Sino-Rock as a long-term investment and a business partner in its asset management business.

(b) The Group's share of net assets in CPHL was HK$30,862,000 at 30th June 2020 (31st December 2019: HK$30,850,000) and recognised a share of profit of HK$12,000 (30th June 2019: profit of HK$3,284,000) from the interest in CPHL for the period ended 30th June 2020.

(c) 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. The Group's share of net assets in CPIAAR Fund was HK$88,491,000 at 30th June 2020 (31st December 2019: HK$90,667,000) and recognised a share of loss of HK$2,176,000 (30th June 2019: profit of HK$8,791,000) from the interest in CPIAAR Fund for the period ended 30th June 2020.

(d) The Group's share of net assets in CIIH was HK$2,024,000 at 30th June 2020 (31st December 2019: HK$2,151,000) and recognised a share of loss of HK$127,000 (30th June 2019: loss of HK$108,000) from the interest in CIIH for the period ended 30th June 2020.

10. INTERESTS IN ASSOCIATES AND A JOINT VENTURE (CONTINUED)

Interest in a joint venture

	30th June 2020 ***HK$'000*** **(Unaudited)**	31st December 2019 *HK$'000* (Audited)
Share of net assets at 1st January	**8,953**	8,311
Share of profit for the period/year	**833**	750
Share of other comprehensive income for the period/year	**–**	83
Translation difference	**(153)**	(191)
	680	642
Share of net assets at 30th June/31st December	**9,633**	8,953

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

Name	**Particulars of shares capital held**	**Country of establishment**	**Effective equity interest to the Group** **30th June 2020**	31st December 2019	**Principal activity**
JianXinJinYuan (Xiamen) Equity Investment Management Limited *(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.

11. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30th June 2020 ***HK$'000*** **(Unaudited)**	31st December 2019 *HK$'000* (Audited)
Listed debt investment:		
– debt securities with fixed interest	**619,525**	362,718

As at 30th June 2020 and 31st December 2019, 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 30th June 2020 – unaudited	**619,525**	**–**	**–**	**619,525**
Fair value as at 31st December 2019 – audited	362,718	–	–	362,718

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 allowances that would arise if the assets were measured at amortised cost is recognised in other comprehensive income as an accumulated impairment allowances, with a corresponding charge to profit or loss.

During the period, impairment allowances of HK$3,902,000 (for the six months ended 30th June 2019: reversal of HK$1,726,000) was provided to the profit or loss. As of 30th June 2020, impairment allowances of HK$8,003,000 (31st December 2019: HK$4,101,000) was provided.

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

	Within 1 year ***HK$'000***	**Between 1 to 2 years** ***HK$'000***	**Between 2 to 5 years** ***HK$'000***	**Over 5 years** ***HK$'000***	**Indefinite** ***HK$'000***	**Total** ***HK$'000***
30th June 2020 – unaudited	**226,805**	**226,556**	**164,546**	**1,618**	**–**	**619,525**
31st December 2019 – audited	147,110	103,027	110,973	1,608	–	362,718

12. LOANS RECEIVABLE

As at 31st December 2019, the Group has two unsecured, interest bearing loans with principal of HK$44,620,000 and HK$27,300,000 at the rates of 10% and 7% per annum with maturity dates in July 2020 and June 2020, respectively. The loan with principal of HK$27,300,000 with interest was repaid in June 2020. The loan with principal of HK$44,620,000 was partly repaid as at 30th June 2020 and the remaining principal was repaid in July 2020 together with all accrued interest.

As at 30th June 2020 and 31st December 2019, the loans are not overdue.

As at 30th June 2020 and 31st December 2019, an analysis of the gross carrying amount of loans receivable is as follows:

	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Gross carrying amount as at 30th June 2020	**33,999**	**–**	**–**	**33,999**
Expected credit losses	**(58)**	**–**	**–**	**(58)**
Net carrying amount as at 30th June 2020 – unaudited	**33,941**	**–**	**–**	**33,941**
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 – audited	71,546	–	–	71,546

The movements in the impairment allowances for the loans receivable during the period/year are as follows:

	HK$'000
At 1st January 2019 – audited	608
Reversal of impairment allowances – audited	(234)
At 31st December 2019 and 1st January 2020 – audited	374
Reversal of impairment allowances – unaudited	(316)
At 30th June 2020 – unaudited	58

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30th June 2020 ***HK$'000*** **(Unaudited)**	31st December 2019 *HK$'000* (Audited)
Non-current:		
Unlisted private equity funds	**9,396**	6,693
	9,396	6,693
Current:		
Unlisted private equity funds	**–**	2,891
Listed debt securities *(note)*	**112,870**	72,293
Listed equity securities	**4,747**	–
Unlisted equity securities	**1**	1
	117,618	75,185
	127,014	81,878

Note: As at 30th June 2020, the debt securities with fair value of HK$112,870,000 (31st December 2019: HK$72,293,000) were listed perpetual bonds.

14. TRADE AND OTHER RECEIVABLES

	30th June 2020 **HK$'000** **(Unaudited)**	31st December 2019 HK$'000 (Audited)
Trade receivables from clients arising from		
– corporate finance *(note (a))*	**12,914**	12,685
– securities brokering *(note (b))*	**229,313**	113,956
Margin and other trade related deposits with brokers and financial institutions arising from *(note (c))*		
– commodities and futures brokering	**8,119**	6,935
– securities brokering	**24,953**	3,202
Margin loans arising from securities brokering *(note (d))*	**185,725**	248,529
Trade receivables from clearing houses arising from securities brokering *(note (e))*	**4,215**	37,654
Less: impairment allowances for trade receivable arising from		
– corporate finance *(note (a)* and *(f))*	**(3,373)**	(3,373)
– securities brokering *(note (d) and (f))*	**(13,392)**	(13,724)
Total trade receivables	**448,474**	405,864
Deposits	**659**	2,727
Other receivables	**42,608**	46,369
Less: impairment allowances for other receivables *(note (f))*	**(82)**	(82)
Total trade and other receivables	**491,659**	454,878

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 brokering, are expected to be recovered or realised within one year.

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) For trade receivables related to corporate finance, no additional impairment allowance was provided for the current period (2019: nil). As at 30th June 2020, impairment allowances of HK$3,373,000 (31st December 2019: HK$3,373,000) was provided. The settlement terms of trade receivables from corporate finance clients are usually 30 days from the date of invoice. The relevant aging analysis based on the date of invoice at the reporting date was as follows:

	30th June 2020 *HK$'000* **(Unaudited)**	31st December 2019 *HK$'000* (Audited)
Current	**3,427**	4,169
30-60 days	**439**	185
Over 60 days	**9,048**	8,331
	12,914	12,685
Less: impairment allowances	**(3,373)**	(3,373)
	9,541	9,312

(b) For trade receivables from clients arising from securities brokering, the amounts represent outstanding unsettled trades due from clients as of period ended. It normally takes two to three days to settle after trade date of those transactions. As at 30th June 2020, it included overdue balances of HK$9,405,000 (31st December 2019: HK$3,745,000). 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 allowances has been provided.

(c) The settlement terms of margin and other deposits from brokers and financial institutions are at specific agreed terms. Clients trading in commodities and futures contracts and obtaining securities margin financing from the Group are required to observe the Group's margin policies. For commodities and futures contracts, initial margins are required before trading and thereafter clients are required to keep the equity position at a prescribed maintenance margin level. The effective interest rate for margins and other trade related deposits is 0.01% per annum (2019: 0.01%).

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

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(d) Margin clients of the securities brokering business are repayable on demand and are required to pledge their shares to the Group for credit facilities for securities trading. The effective interest rate ranged from 8% to 13 % per annum (2019: 8% to 13%).

The amount of credit facilities granted to them is determined by the discounted value of shares acceptable by the Group after making reference in industry practices. As at 30th June 2020, the fair value of shares accepted as collateral amounted to HK$1,559,444,000 (31st December 2019: HK$2,305,314,000) and the fair value of the majority of client's listed securities is higher than the carrying amount of those individual loans to margin clients.

Credits are extended to brokerage clients on a case-by-case basis in accordance with the financial status of clients such as their financial conditions, trading records, business profile and collateral available to the Group.

Special approvals from the Group were granted to those clients whose fair values of collaterals were less than the carrying amount of their individual loans by considering their historical repayment records, credit quality of those margin clients and other factors affecting the market prices of collaterals. Credit risks from those margin clients were therefore considered minimal.

The Group is allowed to use clients' securities up to the amount of 140% of the loans to margin clients as collateral of the Group's bank facilities (with client's consent). However, no securities held as collateral have been repledged to secure the Group's bank facilities for the period ended 30th June 2020 and year ended 31st December 2019.

As at 30th June 2020, the Group has concentration of credit risk of 55% (31st December 2019: 58%) of the trade receivables from margin loans due from the five largest margin clients.

During the period, an impairment allowances of HK$332,000 were reversed. As at 30th June 2020, impairment allowances of HK$13,392,000 (31st December 2019: HK$13,724,000) 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 SEHK Options Clearing House Limited ("SEOCH") and HKFE Clearing Corporation Limited ("HKFECC") as a result of its normal business transactions. At 30th June 2020, the designated accounts with the SEOCH and HKFECC not otherwise dealt with in these accounts amounted to HK$4,088,000 (31st December 2019: HK$1,634,000) and HK$13,740,000 (31st December 2019: HK$9,930,000) respectively.

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

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

	HK$'000
At 1st January 2019 – audited	17,388
Reversal of impairment allowances	(209)
At 31st December 2019 and 1st January 2020 – audited	17,179
Reversal of impairment allowances	**(332)**
At 30th June 2020 – unaudited	**16,847**

As at 30th June 2020 and 31st December 2019, an analysis of the gross amount of trade and other receivables is as follows:

	Stage 1 *HK$'000*	**Stage 2** *HK$'000*	**Stage 3** *HK$'000*	**Simplified approach** *HK$'000*	**Total** *HK$'000*
Gross amount as at 30th June 2020 – unaudited					
Trade receivables from clients	**229,313**	**–**	**–**	**12,914**	**242,227**
Margin and other trade related deposits with brokers and financial institutions	**33,072**	**–**	**–**	**–**	**33,072**
Margin loans arising from securities brokering	**172,602**	**194**	**12,929**	**–**	**185,725**
Trade receivables from clearing houses arising from securities brokering	**4,215**	**–**	**–**	**–**	**4,215**
Deposits	**659**	**–**	**–**	**–**	**659**
Other receivables	**42,526**	**–**	**82**	**–**	**42,608**
	482,387	**194**	**13,011**	**12,914**	**508,506**

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Gross amount as at 31st December 2019 – audited					
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
Deposits	2,727	–	–	–	2,727
Other receivables	46,287	–	82	–	46,369
	446,261	100	13,011	12,685	472,057

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(f) *(continued)*

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Expected credit loss as at 30th June 2020 – unaudited					
Trade receivables from clients	–	–	–	(3,373)	(3,373)
Margin and other trade related deposits with brokers and financial institutions	–	–	–	–	–
Margin loans arising from securities brokering	(462)	(1)	(12,929)	–	(13,392)
Trade receivables from clearing houses arising from securities brokering	–	–	–	–	–
Deposits	–	–	–	–	–
Other receivables	–	–	(82)	–	(82)
	(462)	(1)	(13,011)	(3,373)	(16,847)

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Expected credit loss as at 31st December 2019 – audited					
Trade receivables from clients	–	–	–	(3,373)	(3,373)
Margin and other trade related deposits with brokers and financial institutions	–	–	–	–	–
Margin loans arising from securities brokering	(794)	(1)	(12,929)	–	(13,724)
Trade receivables from clearing houses arising from securities brokering	–	–	–	–	–
Deposits	–	–	–	–	–
Other receivables	–	–	(82)	–	(82)
	(794)	(1)	(13,011)	(3,373)	(17,179)

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(f) *(continued)*

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Expected credit loss rate as at 30th June 2020 – unaudited					
Trade receivables from clients	**–**	**–**	**–**	**26.12%**	**1.39%**
Margin loans arising from securities brokering	**0.27%**	**0.52%**	**100.00%**	**–**	**7.21%**
Other receivables	**–**	**–**	**100.00%**	**–**	**0.19%**

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Expected credit loss rate as at 31st December 2019 – audited					
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%

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(f) *(continued)*

Analysis of changes in the corresponding balances and ECL allowances 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 2019 – audited	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 and 1st January 2020 – audited	235,500	100	12,929	248,529
Other changes (including new assets and derecognised assets)	(62,898)	94	–	(62,804)
As at 30th June 2020 – unaudited	**172,602**	**194**	**12,929**	**185,725**

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
Expected credit losses				
As at 1st January 2019 – audited	(1,003)	(1)	(12,929)	(13,933)
Other changes (including new assets and derecognised assets)	209	–	–	209
As at 31st December 2019 and 1st January 2020 – audited	(794)	(1)	(12,929)	(13,724)
Other changes (including new assets and derecognised assets)	332	–	–	332
As at 30th June 2020 – unaudited	**(462)**	**(1)**	**(12,929)**	**(13,392)**

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

(g) Other than the trade receivables from margin loans, the Group does not have any other significant concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, widely dispersed.

15. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	30th June 2020 *HK$'000* **(Unaudited)**	31st December 2019 *HK$'000* (Audited)
Cash in hand	**20**	21
Bank balances		
– pledged deposits	**12,134**	12,129
– general accounts	**578,591**	579,374
	590,725	591,503
	590,745	591,524
By maturity:		
Bank balances		
– current and savings accounts	**578,591**	579,374
– fixed deposits (maturing within three months)	**12,134**	12,129
	590,725	591,503

As at 30th June 2020, bank deposits amounting to HK$12,134,000 (31st December 2019: HK$12,129,000) which include principal of HK$12,000,000 (31st December 2019: 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 2019: HK$200 million).

Certain subsidiaries of the Group maintained segregated trust accounts with authorised institutions as a result of their respective business activities. As at 30th June 2020, segregated trust accounts not dealt with in these condensed consolidated financial statements amounted to HK$804,606,000 (31st December 2019: HK$737,000,000).

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

As at 30th June 2020, the bank balances and deposits bore interest at rates ranging from 0.01% to 0.5% (31st December 2019: 0.01% to 0.5%) per annum.

Cash and cash equivalents

	30th June 2020 *HK$'000* **(Unaudited)**	31st December 2019 *HK$'000* (Audited)
Analysis of balances of cash and cash equivalents		
Cash in hand and at banks (excluding pledged bank deposits)	**578,611**	579,395
Cash and cash equivalents at the end of the period/year	**578,611**	579,395

16. TRADE AND OTHER PAYABLES

	30th June 2020 HK$'000 (Unaudited)	31st December 2019 HK$'000 (Audited)
Trade payables to margin clients arising from securities brokering	**12,045**	9,011
Trade payables to securities trading clients arising from securities brokering	**143,082**	146,610
Margin and other deposits payable to clients arising from commodity and futures brokering	**8,019**	6,828
Trade payables to brokers arising from securities brokering	**45,801**	737
Trade payables to clearing houses arising from securities brokering	**62,542**	7,843
Total trade payables	**271,489**	171,029
Accruals, provision and other payables *(note)*	**59,925**	83,172
Deferred revenue	**18,328**	34,020
Total trade and other payables	**349,742**	288,221

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 payables to clearing houses and securities trading clients from the ordinary course of business of brokering in securities range from two to three days after the trade date of those transactions. Margin and other deposits received from clients for their trading of commodities and futures contracts, which exceeded the margin maintenance requirement, were repayable on demand.

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.

17. BORROWINGS

	Notes	**30th June 2020 *HK$'000* (Unaudited)**	31st December 2019 *HK$'000* (Audited)
NON-CURRENT			
Bank loans	(a)	**437,200**	450,000
CURRENT			
Bank loans	(a)	**402,800**	30,000
Borrowings under repurchase agreements	(b)	**101,722**	242,425
		504,522	272,425
		941,722	722,425

(a) At 30th June 2020 and 31st December 2019, the bank loans were repayable and carried interest with reference to HIBOR as follows:

	30th June 2020 *HK$'000* (Unaudited)	31st December 2019 *HK$'000* (Audited)
Within one year	**402,800**	30,000
More than one year	**437,200**	450,000
	840,000	480,000

17. BORROWINGS (CONTINUED)

As at 30th June 2020, the Group had total banking facilities of HK$2,034,000,000 (31st December 2019: HK1,500,000,000). Among these banking facilities, HK$200,000,000 (31st December 2019: HK$200,000,000) was secured by pledged deposits with a principal of HK$12,000,000 (31st December 2019: HK$12,000,000). Further, HK$1,700,000,000 (31st December 2019: HK$1,400,000,000) was under specific performance obligation on the Company's controlling shareholder which the current controlling shareholder shall hold over 50% (or 51% in one of the facilities) of the entire issued share capital of the Company.

As at 30th June 2020, HK$840,000,000 (31st December 2019: HK$480,000,000) was drawn from the banking facilities under specific performance obligation. Among these bank facilities, US$50,000,000 (equivalent to HK$390,000,000) (31st December 2019: nil) was drawn in US dollar.

As at 30th June 2020 and 31st December 2019, the Group has not utilised any of the banking facilities secured by the pledged deposits.

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

(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 US$13,041,000 (equivalent to HK$101,722,000) (31st December 2019: US$31,080,000 (equivalent to 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$101,722,000 (31st December 2019: HK$242,425,000) plus interest at variable rates calculated with reference to LIBOR upon the termination of the agreements. As at 30th June 2020, the borrowings under repurchase agreements were collateralised by the Group's debt securities with a fair value of HK$133,567,000 (31st December 2019: HK$300,713,000).

18. SHARE CAPITAL

	Issued and fully paid	
	No. of shares	**Nominal value**
	'000	***HK$'000***
Authorised share capital:		
Ordinary shares	1,000,000	100,000
Issued and fully paid:		
Ordinary shares		
At 1st January 2019 and at 31st December 2019 – audited	641,206	64,121
At 30th June 2020 – unaudited	641,206	64,121

The Group defined gearing ratio as net debt-to-adjusted capital ratio. The adjusted net debt is the total debt (which includes interest-bearing borrowings, bonds issued, trade and other payables and lease liabilities), less bank balances and cash. Adjusted capital comprises all components of equity, less unaccrued proposed dividend. The Group's net debt-to-adjusted capital ratio as at 30th June 2020 was 87.66% (31st December 2019: 58.28%)

19. 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 an aggregated principal amount of HK$52,000,000 (31st December 2019: HK$52,000,000). The exposure and the contractual maturity dates of the bonds are as follows:

	30th June 2020	31st December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**10,000**	10,000
More than 1 year but less than 5 years	**42,000**	42,000
	52,000	52,000

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

20. LEASES

The Group as a lessee

The Group has lease contracts for various items of land and buildings 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 movements during the period/year are as follows:

	Right-of-use assets Land and buildings *HK$'000*	**Lease liabilities** *HK$'000*
As at 1st January 2019 – audited	65,940	65,940
Depreciation expenses	(22,752)	–
Interest expense	–	1,189
Payments	–	(22,502)
At 31st December 2019 and 1st January 2020 – audited	43,188	44,627
Addition	19,242	19,242
Depreciation expenses	(10,878)	–
Interest expense *(note 4(c))*	–	745
Payments	–	(11,920)
At 30th June 2020 – unaudited	51,552	52,694

	30th June 2020 *HK$'000* **(Unaudited)**	31st December 2019 *HK$'000* (Audited)
Lease liabilities analysed into:		
Current portion	**23,276**	19,894
Non-current portion	**29,418**	24,733
	52,694	44,627

21. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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

21. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

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

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the condensed consolidated statement of financial position	Net amounts of financial assets presented in the condensed consolidated statement of financial position	Related amounts not offset in the condensed consolidated statement of financial position: Financial instruments received as collateral *(note 3)*	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30th June 2020 – unaudited					
Financial assets by counterparty					
Trade receivables from:					
– Margin clients *(note 1)*	**650,532**	**(464,807)**	**185,725**	**(169,667)**	**16,058**
– Clearing houses *(note 2)*	**577,983**	**(573,768)**	**4,215**	**–**	**4,215**
Total	**1,228,515**	**(1,038,575)**	**189,940**	**(169,667)**	**20,273**
As at 31st December 2019 – audited					
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

21. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the condensed consolidated statement of financial position	Net amounts of financial liabilities presented in the condensed consolidated statement of financial position	Related amounts not offset in the condensed consolidated statement of financial position: Financial instruments pledged as collateral *(note 3)*	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30th June 2020 – unaudited					
Financial liabilities by counterparty					
Trade payables from:					
– Margin clients *(note 1)*	**(476,852)**	**464,807**	**(12,045)**	**–**	**(12,045)**
– Clearing houses *(note 2)*	**(636,310)**	**573,768**	**(62,542)**	**–**	**(62,542)**
Total	**(1,113,162)**	**1,038,575**	**(74,587)**	**–**	**(74,587)**
As at 31st December 2019 – audited					
Financial liabilities by counterparty					
Trade payables from:					
– 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)

Notes:

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

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

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

22. CONTINGENT LIABILITIES

22.1 Outstanding litigation cases

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

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

For an on going litigation and its provision, see note 16 for details.

22.2 Financial guarantees issued

As at the end of the reporting period, a subsidiary of the Company engaging in securities brokering and providing securities margin financing has secured banking facilities from certain authorised institutions for a total amount of HK$300 million (31st December 2019: HK$300 million). In addition, the Company has issued corporate guarantees for a total principal amount of HK$300 million (31st December 2019: HK$300 million) for these facilities. As at 30th June 2020, no bank loan (31st December 2019: Nil) was drawn under the banking facilities.

23. CAPITAL AND INVESTMENT COMMITMENTS

(a) Capital commitments

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

	30th June 2020 *HK$'000* **(Unaudited)**	31st December 2019 *HK$'000* (Audited)
Contracted but not provided for	**210**	507

(b) Investment commitments

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

As at 30th June 2020, the carrying values of interest held by the Group in the above unconsolidated structured entities managed by the Group amounted to HK$9,396,000 (31st December 2019: HK9,584,000), 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.

As at the date of this report, the Group has no plan for material investments or purchases of capital assets.

24. FINANCIAL RISK MANAGEMENT

24.1 Financial risk factors

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

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

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

24.1 Financial risk factors (continued)

(a) Market risk

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

Foreign exchange risk

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

Equity price risk

At 30th June 2020 and 31st December 2019, the Group was exposed to equity price changes arising from financial assets at fair value through profit or loss (note 13).

Interest rate risk

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the financial instruments subject to floating interest rate. Financial assets subject to cash flow interest rate risk mainly include margin loans arising from securities brokering and bank balances. Financial liabilities subject to floating interest rates are bank loans and margin loan from a broker, and borrowings under securities sales agreements. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring the Group's exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group.

Fair value interest rate risk

At 30th June 2020 and 31st December 2019, the Group is also exposed to fair value interest rate risk in relation to debt securities with fixed interest classified as debt instruments at fair value through other comprehensive income (note 11) and financial assets at fair value through profit or loss (note 13). 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.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

24.1 Financial risk factors (continued)

(b) Credit risk

The Group's credit risk is primarily attributable to its debt instruments at fair value through other comprehensive income, pledged bank deposits, bank balances and cash, loans receivable, trade and other receivables (including margin loans arising from securities brokering) 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, value of collateral held (if any) and take into account information specific to the customer and the guarantor (in case provided) as well as pertaining to the economic environment in which the customer operates. The Group is exposed to the concentration of credit risk from one (31st December 2019: two) independent counterparties. In view of the estimated fair value of the shares held as collateral and the sound financial position of those independent counterparties, the management of the Group consider the concentration of credit risk is remote.

Further quantitative data in respect of the Group's exposure to credit risk for margin loans arising from securities brokering is disclosed in note 14(d). The margin clients' listed securities can be sold at the Group's discretion upon margin shortfall situation to fulfil any margin call. For trade receivables arising from securities brokering except for margin loans, credits are granted to a large population of clients and hence there is no significant concentration risk.

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

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

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

24.1 Financial risk factors (continued)

(b) Credit risk (continued)

For debt securities in financial assets at fair value through profit or loss, the Group structures the levels of credit risk it undertakes by placing limits on the amount of advance in relation to any borrower or issuer. As at 30th June 2020 and 31st December 2019, such risks are mitigated by the listed securities held by the Group as collateral which are subject to periodic review. The fair value of the listed securities was determined by reference to the quoted price of the shares and exceeded the carrying amount of the fair value through profit or loss debt securities as at 30th June 2020 and 31st December 2019.

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 30th June 2020, over 61% (31st December 2019: over 59%) of the debt securities invested by the Company are B+ or above, 23% (31st December 2019: 23%) of the debt securities invested by the Company are B or below. 16% of the debt securities are non-rated as at 30th June 2020 (31st December 2019: 18%). The management of the Group reviews the portfolio of debt securities on a regular basis to ensure there is no significant concentration risk. In this regards, the management of the Group consider that the credit risk relating to investments in debt securities is closely monitored.

The Group has maintained relationship with various financial institutions, and has policies that limit the amount of credit exposure to any financial institution.

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

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

24.1 Financial risk factors (continued)

(c) Liquidity risk

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

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

24.2 Fair values measurements of financial instruments

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

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

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

24.2 Fair values measurements of financial instruments (continued)

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

Financial instruments	Fair value 30th June 2020 *HK$'000* (Unaudited)	31st December 2019 *HK$'000* (Audited)	Fair value hierarchy	Valuation techniques key inputs
(a) Financial assets at fair value through profit or loss				
Listed debt securities	**112,870**	72,293	Level 1	Quoted prices in an active market
Listed equity securities	**4,747**	–	Level 1	Quoted prices in an active market
Unlisted private equity funds	**9,396**	9,584	Level 3	Adjusted NAV of private equity fund
Unlisted equity securities	**1**	1	Level 2	Adjusted NAV of equity security
(b) Debt instruments at fair value through other comprehensive income				
Listed debt investment	**619,525**	362,718	Level 1	Quoted prices in an active market

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets in current period (for the six months ended 30th June 2019: nil).

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

24.2 Fair values measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial instruments

	Financial assets at fair value through profit or loss *HK'000*
At 1st January 2019 – audited	8,367
Additions	2,231
Exchange difference	(177)
Disposal	(837)
At 31st December 2019 and 1st January 2020 – audited	9,584
Additions	**3,912**
Exchange difference	**(94)**
Disposal	**(4,006)**
At 30th June 2020 – unaudited	**9,396**

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.

25. MATERIAL RELATED PARTY TRANSACTIONS

25.1 Material related party transactions

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

	Six months ended 30th June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Brokering commission for securities dealing *(note (a))*	**2,174**	1,783
Service fee income *(note (b))*	**5,339**	3,687
Placing commission *(note (c))*	**2,718**	1,797
Fund management fee and advisory fee income *(note (d))*	**24,679**	30,039
Bank interest income *(note (e))*	**537**	552
Payment of lease liabilities *(note (f))*	**(211)**	(226)
Service fee expenses *(note (g))*	**(300)**	(212)
Interest income *(note (h))*	**24**	1,535
Capital distribution to non-controlling interest *(note (i))*	**–**	(5,292)
Advisory fee expense *(note (j))*	**(3,857)**	(7,207)
Corporate finance service income *(note (k))*	**760**	–

Notes:

(a) In 2020 and 2019, the Group received commission income from its directors and fellow subsidiaries for providing securities brokerage services.

(b) In 2020 and 2019, the Group received service fee income from an associate for providing administrative supporting and consulting services.

25. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

25.1 Material related party transactions (continued)

Notes: (continued)

(c) In 2020 and 2019, the Group received placing commission from a fellow subsidiary for placing securities.

(d) In 2020 and 2019, the Group received fund management fee and advisory fee income from its connected persons for providing asset management services.

(e) In 2020 and 2019, the Group received bank interest income from its fellow subsidiary.

(f) In 2020 and 2019, the Group paid rental expenses to its fellow subsidiaries for the use of office premises.

(g) In 2020 and 2019, the Group paid service fee to its fellow subsidiary.

(h) In 2020 and 2019, the Group received interest income from the unlisted investment funds which were also owned by its fellow subsidiaries.

(i) In 2019, the Group distributed cash of HK$5,292,000 to the non-controlling interests of FJSC Fund, which is its fellow subsidiary.

(j) In 2020 and 2019, the Group paid advisory fee expense to an associate for obtaining consulting services.

(k) In 2020, the Group received corporate finance service income from a fellow subsidiary for providing advisory services.

(l) The Group is indirectly controlled by China Cinda Asset Management Co., Ltd. ("China Cinda"), which is indirectly controlled by the PRC government through the Ministry of Finance (the "MOF"). MOF is the major shareholder of China Cinda as at 30th June 2020 and 31st December 2019. For the current period and prior years, the Group undertakes some transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to making bank deposits, receiving banking facilities, renting properties and rendering and obtaining other services. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.

(m) Compensation of key management personnel is disclosed in note 25.2.

25. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

25.2 Key management personnel's emoluments

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

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

	Six months ended 30th June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Basic salaries, discretionary bonus, housing allowances and benefits in kind	**8,537**	8,476
Defined contribution plans	**45**	59
	8,582	8,535