信達國際控股有限公司

CINDA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 111

2022

Interim Report

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MANAGEMENT DISCUSSION AND ANALYSIS

MARKET CONDITIONS

The variant of COVID-19 pandemic continued to spread globally in the first half of 2022, coupled with Russia-Ukraine conflict and sanctions against Russia imposed by European and American countries have stricken the global supply chains causing a sluggish recovery progress in economic activities and striking inflation. Major central banks picked up the pace of raising interest rates with a tightened market liquidity and triggered the slump on both stocks and bonds. The Personal Consumption Expenditure (PCE) Price Index, a core inflation indicator which the Federal Reserve of the United States of America ("Fed" and "US") attaches importance to, rose by 4.7% year-on-year in May, hovering at high levels in near 40 years, and was well above 2%, the target inflation level of the Fed, for 13 consecutive months. To this end, the Fed has raised interest rates by a total of 1.5% in the first half of the year, and the latest interest rate trend suggests that the Fed will increase the interest rate by above 3% by the end of 2022, indicating that there will be a single interest rate hike of at least 0.5% among the three Fed's meetings for the rest of the year.

In the first half of 2022, the labour market in the US recovered as expected, together with further rise on local inflation pressure, for which the Fed scaled down bond purchases while initiating interest rate hike driving the ascending in US dollar index at rapid speed in the first half of the year and soaring over the 100 index point. The US dollar index rebounded from a low of 94.633 since January to a high of 105.79 in the middle of June, the highest since January 2003, up 6.5% in the second quarter and up 9.4% for the first half of 2022. In the meantime, the yield of various term treasury bonds rose sharply, among which, the yield of 10-years treasury bonds peaked at 3.49% in mid-June, a record-breaking high since October 2018. The three major US stock indices were under pressure in the second quarter, with S&P Index and Nasdaq Index even entering a technical bear market. The three major US stock indices fell by between 11.3% and 22.4% in the second quarter, and fell by between 15.3% and 29.5% in the first half of the year. In Europe, due to the slower pace in tapering by the European Central Bank as compared to other major central banks, European stocks oscillated downwards during the period, with the pan-European Stoxx 600 and German, French and British stocks declining between 2.9% and 19.5% for the first half of the year.

As to the bond market, in the first half of 2022, the market was concerning about the further increasing pressure on inflation of the US, causing the Fed to pick up the pace of raising interest rate and reducing bond purchases and leading to a rapid increase in the yield of the US treasury bonds, and the JPM Emerging Markets Government Bond Index fell 13.0%. In addition, in the first half of 2022, the market in real estate sales in the Mainland China remained weak and market continued to concern about the risk of default by certain real estate companies. Offshore Chinese US dollar bonds were further under pressure, among which, Markit iBoxx Asian Chinese US Dollar Bond Index fell by 6.7% as compared to the end of 2021, Markit iBoxx Asian Chinese US Dollar High-yield Bond Index and Markit iBoxx Asian Chinese US Dollar Real Estate Bond Index fell by 22.2% and 32.5%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

In the Mainland China, in the first quarter of 2022, the economy has got off to a good start, the gross domestic product ("GDP") increased by 4.8% year-on-year, and by 1.3% quarter-on-quarter. Entering the second quarter, due to the high base of data of the corresponding period of 2021, together with the relapse of pandemic in some countries and certain provinces in China, the growth rate of major macro-economic indicators considerably slowed down year-on-year. The growth rates of the foreign trade, fixed assets investment, industrial value added and total retail sales of consumer goods in June, alongside with the successive resumption on work and production in organized manner in the Mainland China, were all higher than market comprehensive expectation. After quarter-on-quarter comparison on the average values of both the Mainland China manufacturing Purchasing Managers' Index ("PMI") and Caixin manufacturing PMI in the second quarter, the economic activities in the Mainland China remained robust. As for the capital market in the Mainland China, the market was concerning about the increased economic downward pressure and the People's Bank of China lowered the deposit reserve ratio and the rate of Medium-term Lending Facility (MLF) and Loan Prime Rate (LPR) in the first half of the year, with capital kept flowing into A-share market which recorded total volume of transactions of RMB114 trillion in the first half of the year, up 6.5% year-on-year. Although the volume of transaction of Stock Connect trading volumes recorded a year-on-year decrease of 10% to RMB11.5 trillion in the first half of the year, foreign capital continued to be optimistic towards A-share market. The net capital inflow of Northbound was RMB71.8 billion for the period, among which, the net capital inflow of Northbound Shanghai Connect recorded RMB68.0 billion in the second quarter, up 2.7 folds quarter-on-quarter, with Northbound Shenzhen Connect even converting into net capital inflow of RMB28.1 billion.

Shanghai Composite Index continued to rebound from the bottom at 2,864 points in April and eventually marked at 3,399 points, up 4.5% on quarterly basis and accumulative decrease of 6.6% in the first half of the year. As to Renminbi, the People's Bank of China announced in late April to lower 1 percentage point of foreign exchange reserve ratio to 8.0% by improving financial institutions' utility on foreign exchange funds and easing the pressure on substantial depreciation in RMB exchange rate. RMB exchange rate declined at the beginning followed by stabilization in the second quarter. The US dollar against the CNY and CNH bottomed at 6.8125 and 6.8380 in May, respectively, hitting a new low over the past two years. Alongside with the subsequent forward effectuation of macro policies in the Mainland China coupled with the giving-back of US dollar index and narrowed decline in RMB exchange rate in a quarter, the CNH and CNY against the dollar declined 5.1% and 5.4%, respectively.

In Hong Kong, entering into the beginning of 2022, the number of confirmed cases of the fifth wave of Covid-19 pandemic totaled more than 1.29 million, resulting in the strictest anti-pandemic measures implemented by HKSAR Government than ever before and a severe strike to the Hong Kong economic activities. With the increased vaccine coverage and fell back on infection cases in the city, some pandemic prevention measures have been relaxed, which enabled the economic activities to restart. The GDP of Hong Kong in the first quarter contracted by 4.0% year-on-year. Meanwhile, the unemployment rate of Hong Kong remained uncovered to pre-pandemic levels, the seasonally adjusted unemployment rate was 4.7% from April to June, representing a decrease of 0.4 percentage point compared with 5.1% from March to May, and the underemployment rate dropped by 0.5 percentage point to 3.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

As to Hong Kong stock market, in the first half of the year, Hong Kong stock prices had risen initially but then dropped. Benefited from the favorable A-share market in the Mainland China, together with the continued popularity of new economy stocks, the Hang Seng Index reached a high of 25,051 points at the end of February and then substantially fell to 18,235 points at a time in March, the lowest in near 10 years, and Hang Seng TECH Index recorded a low of 3,463 points at a time, a record-breaking low in history, due to the geopolitical instability and sanctions against Russia by European and American countries coupled with delisting risk lists of certain China Concept Stock by the US Securities and Exchange Commission since mid-March and a resulting slump arising from the incident for the stock price of China Concept Stock whose shares are listed in the US which caused a correlative and significant pressure on Hong Kong stocks. To sum up for the first half of the year, the Hang Seng Index closed at 21,860 points, declined by 6.6% as compared with that at the end of 2021. The Hang Seng China Enterprises Index closed at 7,667 points, decreased by 6.9% as compared with that at the end of 2021, while the Hang Seng TECH Index closed at 4,870 points, fell by 14.1% as compared with that at the end of 2021. The trading volume of Hong Kong stocks had also risen initially but then dropped, among which, the daily average transaction volume of Hong Kong stocks reached a high of HK$174.8 billion and mitigated to fall back in March, in particular, there were four trading days with daily transaction volume below HK$100 billion in the second quarter. The daily average transaction volume of the first six months was HK$138.3 billion, representing a decrease of 26.5% year-on-year.

In the new stock market in Hong Kong, as affected by the adverse factors such as interest rate hike by global central banks and geopolitical instability, the fund-raising activities trends to be tranquil. To sum up the first half of the year, only 26 companies were newly listed on the Main Board, as compared to 44 companies year-on-year; with fund raised for HK$19.734 billion, representing a substantial decline of 41% and 91%, respectively. The number of new stocks with fund-raising amounts below HK$1.0 billion recorded a year-on-year decrease of 28.5% in terms of financing amount, among which the number of Main Board enterprises with fund-raising amounts ranging from HK$100 million to HK$200 million even substantially decreased by 70% year-on-year.

In the market of the US dollar bonds issued by Chinese enterprises, the information reflected that under the background of the rising interest rate of US treasury bonds and the widening interest spread of enterprise bonds, the willingness of enterprises to issue US dollar bonds has been greatly reduced under the circumstances of rising bond interest rates, whilst investors still concern about the current volatile market environment and the credit issues in certain industries. In addition, the negative impact of credit risk events occurred in the first half of the year even affected certain enterprises with good quality, resulting in corresponding rating downgrades and continuous and significant fluctuations in market prices. In the first half of the year, the total issuance size of offshore bonds issued by Chinese enterprises amounted to US$95.26 billion, representing a decrease of 39.1% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

In the first half of 2022, the Group adhered to the previous operation strategy and as the only fully licensed securities company established outside the Mainland China within the system of China Cinda Asset Management Co., Ltd. ("China Cinda", together with its associates, the "China Cinda Group"), we continued to serve the China Cinda Group and provide cross-border businesses covering major markets. During the period, the Group continued with the development of the three core business segments (i.e. asset management business, corporate finance business, and sales and trading business). Affected by the adverse conditions in the global financial market during the period, the revenue of the three core business segments dropped sharply. Together with the share of losses of associates mainly due to investment losses, the overall loss after tax of the Group for the first half of the year was HK$39.47 million, as compared to the profit after tax of HK$53.32 million year-on-year. The total revenue in the first half of the year amounted to HK$65.25 million (2021: HK$137.46 million), representing a decrease of 53% year-on-year, among which, the turnover was HK$66.31 million (2021: HK$112.4 million), representing a decrease of 41% year-on-year. Other income amounted to HK$14.16 million (2021: HK$25.29 million), representing a decrease of 44% year-on-year. Other net loss amounted to HK$15.22 million (2021: HK$0.23 million). As for expenses, the Group endeavored to control cost, staff costs decreased significantly by 45% year-on-year; apart from the increase in legal and professional fees and impairment provision, other expenses decreased. As a result, operating expenses (excluding commission expenses and finance costs) amounted to HK$67.13 million (2021: HK$85.66 million), representing a decrease of 22% year-on-year, and finance cost reduced by 36% year-on-year, mainly due to the decrease in the overall borrowing size and certain bank loans were replaced by repurchase agreements with lower cost.

The Group recorded a share of losses from associates and a joint venture amounting to HK$18.5 million (2021: profit of HK$35.86 million), representing a decrease of 152% as compared with last year. The loss was mainly due to the investment losses of the absolute return fund and another associate engaging in private equity investment in fund management invested by the Group. As a result, the Group's loss before tax for the first half of the year amounted to HK$35.17 million (2021: profit of HK$59.79 million). Loss after tax attributable to equity holders amounted to HK$39.47 million (2021: profit of HK$53.32 million).

ASSET MANAGEMENT

In the first half of 2022, the asset management segment of the Group continued to operate under light-asset strategy. As the overseas asset management service center of China Cinda ecosphere connected with the international capital markets, 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 marketized asset management business operations. The segment developed two special asset management projects on offloading overseas stocks and some domestic troubled asset funds. However, due to the impact of the pandemic during the period, the progress of new projects slowed down significantly. Coupled with the withdrawal of some projects, the operating revenue of the segment was HK$31.04 million (2021: HK$41.65 million), representing a year-on-year decrease of 25%. In addition, due to the rising market interest rate and uncertainties in the capital market, the bond investment income recorded a loss after deducting the disposal loss and the decrease in fair value of assets during the period, resulting in a decrease of 57% in the profit from this segment to HK$16.55 million.

The Group actively cooperated with associates and joint venture to expand diversified businesses. With the negative impact of capital markets during the period, the Group recorded a share of losses from associates and a joint venture amounting to HK$18.5 million in the first half of the year (2021: profit of HK$35.86 million), mainly attributable to the decrease in fair value of an absolute return fund invested as compared to the beginning of the year. In addition, an associate engaged in fund management and private equity investment incurred losses due to investment losses.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE FINANCE

The corporate finance business continued to serve clients with equity and debt issuances, but was still deeply affected by the blockage of the border between Hong Kong and the Mainland China for nearly two and a half years, resulting in a slow progress of cases on hand and inability to increase project reserves. In addition, following the trend of the global initial public offering ("IPO") market, the Hong Kong IPO market in the first half of 2022 saw a significant decline in both the total amount and volume of financing during the period, with the number of new listing and the total amount of financing both at their lowest level since 2013. The number of new listing with funds raised less than HK$1 billion decreased by 28.5% year-on-year. Among them, the number of enterprises listed on the Main Board with funds raised amounting between HK$100 million to HK$200 million decreased significantly by 70% year-on-year, and there was no new listing on the GEM, which had a serious impact on small and medium-sized enterprises' financing. As a result, the overall performance was not satisfactory. The equity business was still in progress during the period, including several sponsorship projects for the proposed IPO in Hong Kong for some small-sized enterprises, several financial advisory and compliance advisory projects. With respect to debt issuance business, the Group successfully completed four Chinese enterprises offshore US dollar bond issuance projects in the year, totaling US$1.834 billion, representing a decrease of 27% year-on-year. As a result, the operating revenue of this segment was only HK$10.81 million, representing a decrease of 48% from HK$20.94 million for the same period last year, and the segment recorded a loss of HK$5.45 million (2021: HK$2.46 million).

SALES AND TRADING BUSINESS

The Hong Kong stock market was highly volatile in the first half of 2022, the Hang Seng Index dropped sharply to 18,235 points in March, hitting a new low for nearly ten years since early June 2012. The Hang Seng TECH Index hit a record low of 3,463 points and the trading volume fell in line with the market. The average daily turnover decreased by 27% year-on-year to HK$138.3 billion. As a result, the operating revenue decreased by 51% to HK$24.31 million during the period from HK$50.01 million for the same period of last year, of which the Group recorded a commission of HK$16.64 million (2021: HK$36.86 million) and interest from securities financing and other income of HK$7.67 million (2021: HK$12.95 million). In view of the continuing uncertainty in the capital market, the Group remained prudent in margin loans through strict risk control, instead of expanding the scale, with no bad or doubtful debts occurred throughout the period. Facing fierce competition from online trading platform securities firms, the Group continued to optimise its trading platforms and mobile trading programmes during the period. On the one hand, the segment strengthened its collaboration with its parent company, Cinda Securities Co., Ltd. ("Cinda Securities") during the period; in addition, it actively explored institutional clients and high net worth customers, in order to provide a China concept-focused service to contend with the securities firms that operated with the strategy of reduction of commission. In the end, the segment recorded a loss of HK$6.53 million (2021: profit of HK$13.52 million).

LOOKING FORWARD

With the resurgence of the COVID-19 cases and persistently high inflation, the external environment will remain complex and volatile in the second half of 2022. Information available shows that manufacturing activities in Europe and the US have slowed down significantly and the downward consumer confidence continues recently. However, the rapid rise in inflation and interest rates will continue to depress local wage and consumption growth in the US, which may affect the economic recovery. In Europe, the lockdown measures have been basically lifted, but the high energy prices in the region due to the war between Russia and Ukraine have dampened the production activities of enterprises in the region and may lead to an energy crisis in the second half of the year. Coupled with the imbalanced recovery of economic activities in some highly indebted economies in the Eurozone, Europe and the US will continue to face a series of uncertainties and increase downward pressures in the second half of 2022.

At the same time, the Fed continues to maintain its aggressive pace of interest rate hikes, and there are concerns that the risk of stagflation is increasing, which may further dampen global investment sentiment. In addition, the relationship between the US and China has not yet seen ease, which has raised concern that the US may take further steps to damage the relationship between both parties, causing market turmoil. Although the economic activities of Hong Kong have gradually recovered, the unemployment rate has not yet fallen back to its pre-pandemic level. Recent retail figures show that the drive of consumer coupon on the economy is gradually weakening. However, the relaxation of entry quarantine measures by the HKSAR Government earlier may bring support to the Hong Kong economy in the second half of the year, while relieving the pressure on the local labour market. In the Mainland China, more efforts may be devoted to stabilise the economy in the second half of the year, but the wealth effect will recede and it will take time for the real estate market to recover, coupled with the fact that the third quarter of 2022 and the first quarter of 2023 will see a peak in the repayment of US dollar-denominated bonds issued by Chinese enterprises, the redemption risks of individual enterprise will continue to cause volatility to the Hong Kong stock market and the market of US dollar-denominated bonds issued by Chinese enterprises.

MANAGEMENT DISCUSSION AND ANALYSIS

In China, the COVID-19 pandemic is under control and economic activities are gradually recovering in the Mainland China. However, according to the National Bureau of Statistics, the recovery of the global economy is imbalanced and the foundation for the economic recovery of the Mainland China is not yet solid, coupled with new challenges in economic operation, such as the rise in global commodity prices, which has pushed up the prices of raw materials and may put pressure on the operations of some enterprises downstream. As to the stock market in the Mainland China, the SSE and SZSE ranked first and second in the world in terms of IPO financing scale in the first half of 2022 respectively, driven by years of deepening reforms, encouraging the return of red-chip enterprises to the stock market at home from abroad and the reform of the registration system for new share issues. The continued deepening reforms of the capital market in the Mainland China will give impetus to the performance of the A-share market in the second half of the year, with the issuance of new shares expected to accelerate in the second half of the year, which is expected to push up the trading volume of A-shares.

The unfriendly attitude of the US towards China concept stocks has caused many companies to withdraw from the listing in the US stock market and return to Hong Kong for listing or secondary listing, bringing opportunities to Hong Kong financial market. It is bound to become a shining point in the Hong Kong market in the second half of 2022. However, facing possible acceleration of capital outflows, tightening liquidity and a tight capital chain in the real estate market in the Mainland China, the risk appetite and trading intention of investors will continue to be dampened, making it difficult to make a major breakthrough in the Hong Kong stock market in the second half of the year. In terms of economy, Hong Kong's economic prospect is positive as it continues to benefit from the sustained development of the Mainland China and the prevailing trend of shifting the global economic center from west to east in the mid-and-long term. China's economy will continue to improve during the period of the "14th Five-Year Plan", and the entering into of the Regional Comprehensive Economic Partnership Agreement will also further promote economic integration in the region, and Hong Kong will play a unique role as a gateway and intermediary to integrate into the overall development of the country and actively participate in the country's economic strategy of "dual circulation", and grasp the opportunities brought by the development of the Guangdong-Hong Kong-Macao Greater Bay Area and the "Belt and Road" initiative, which may open up a broader space for development.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will continue to enhance the business integration with Cinda Securities, whose IPO application has been approved by the Issuance Examination Committee of China Securities Regulatory Commission on 30th June of this year, and we will intensify our efforts to jointly mastermind and open up domestic and foreign integrated financial services, and play the role as an outside border business platform of Cinda Securities well. We will focus on the investment banking businesses including cross-border issuance of US dollar bonds by domestic institutions, IPO of domestic companies in Hong Kong and cross-border restructuring of major assets of domestic institutions, the cross-border brokerage business on the full circulation of H shares, the creation of cross-border asset management products, and the establishment of a mechanism in which research departments of the two institutions to share their research resources to expand the cross-border integrated investment banking service.

Meanwhile, the Group will continue to focus on the main business of China Cinda Group and serve as the only fully licensed outside border securities company of the China Cinda ecosphere. The Group will continue to promote the development of the three core business segments. On one hand, we will further boost the development of our synergistic businesses, continue to optimize the internal management and enhance our asset capacity, as well as continue to maintain stable and compliant operation. On the other hand, externally, we will deepen the cooperation with Cinda Securities and China Cinda ecosphere in a bid to achieve win-win results.

In respect of the sales and trading business, we will strive to increase our business volume and market share in a prudent and risk-averse manner, strengthen the collaboration and interaction with Cinda Securities, take initiative to explore retail customers and expand institutional, corporate and high net worth clients; the securities company under the Group has been granted the license to carry out Type 4 (advising on securities) regulated activity by the Securities and Futures Commission of Hong Kong ("SFC") in July this year, we will therefore develop towards the direction of wealth management and diversify the products to cover stocks, futures, bonds as well as products with fixed income, and asset management so as to satisfy the customers' need in asset allocation. In terms of the asset management business, we will further identify the opportunities in the capital markets and investment opportunities in related sectors for supporting China Cinda ecosphere in handling troubled assets by emphatically setting up asset management products with different characteristics such as the troubled asset fund, merger and acquisition fund and special opportunity fund. We will continue to deepen our market-oriented transformation and actively explore equity assets management business in specific sectors, while continuing to consolidate and improve our market-oriented assets management product line on debts instruments. As for the corporate finance business, we will maintain the parallel development of both equity and debt businesses. For the equity-related business, we will proactively provide sponsor and underwriting services and expand the acquisition and merger financial advisor business. As for the debt-related business, the Group will explore demands for debt issuance of domestic and Hong Kong customers of China Cinda Group and provide tailor-made issuance plans and services to such customers and catch issuing windows to serve the clients, so as to achieve the "equity-debt" integration. In addition, the Group believes that for the rest of the year, the external economy will be improving and market sentiment will be positive. The Group will strengthen the synergy and expand its market-oriented businesses through different measures by virtue of the solid foundations the Group has laid down. The financial position of the Group remains sound and the Group is prepared to respond to the current difficult environment. In the second half of the year, the Group would endeavor to capitalise on various market opportunities to strengthen the results of the Group for the whole year and bring satisfactory returns to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES

The Group maintained sound financial strength during the period, and all subsidiaries licensed by the SFC had liquid capital in excess of regulatory requirements. As of 30th June 2022, the Group had term loan facility of HK$550 million from banks, which were fully utilised. In addition, as of 30th June 2022, the Group had revolving loans and overdrafts facilities of HK$1,490 million from banks, of which, a total of HK$170 million were utilised. In addition, as of 30th June 2022, the Group had an outstanding bond principal amount of HK$10 million which will mature within this year. The Group did not issue any bond during the period.

FLUCTUATION IN FOREIGN EXCHANGE RATES

A majority of assets and liabilities of the Group are denominated in Hong Kong dollar and US dollar to which Hong Kong dollar is pegged with. 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 period, the rise in the exchange rate of US dollar against RMB was due to the acceleration of climbing in the US dollar index. Given the current favourable statistics on export and foreign direct investment in the Mainland China, the Group considered that the decline in exchange rate of RMB would be temporary 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 2022, the Group had a total number of 110 full-time employees, of which 55 were male and 55 were female, and 100 were based in Hong Kong office and 10 were based in our offices in the Mainland China. The total remuneration costs of the Group for the six months ended 30th June 2022 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 middle and back-end supporting department at the beginning of each year and staff assessment is carried out 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, such as leave for professional examinations. The Group also implemented a "New Employee Mentorship Programme" and 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 and video 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"), one non-executive Director (the "NED") and three independent non-executive Directors (the "INEDs") as follows:

EDs

Ms. Zhu Ruimin	*(Chairman)*
Mr. Zhang Yi	*(Chief Executive Officer)*
Mr. Lau Mun Chung	*(Deputy Chief Executive Officer)*

NED

Mr. Chow Kwok Wai

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 2022 (for the six months ended 30th June 2021: nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June 2022, 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 2022, 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 2022. 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 2022.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

Facility Agreement 1

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. On 28th May 2021, a supplementary facility agreement to the facility agreement (the facility agreement together with the supplementary facility agreement, collectively the "Facility Agreement 1") was entered into between the parties. Pursuant to Facility Agreement 1, it shall be an event of default if (i) China Cinda ceases to directly or indirectly own at least 50% of the issued share capital of the Company (if no written consent has been obtained from the bank); or (ii) the Ministry of Finance of the People's Republic of China (the "PRC") ceases to (directly or indirectly) retain at least 50% of the issued share capital of China Cinda. If an event of default under Facility Agreement 1 occurs, all the obligations of the Company to the bank shall become immediately due and payable on the bank's demand. The loan facility is subject to an annual review by the bank.

As at 30th June 2022, loan amount outstanding under Facility Agreement 1 was nil.

Facility Agreement 2

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 2") was entered into between the parties pursuant to which certain specific performance obligation was imposed on the controlling shareholder of the Company. The loan facility is subject to an annual review by the bank.

Pursuant to the Facility Agreement 2, 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 PRC shall hold more than 50% shareholding of China Cinda.

If an event of default under the Facility Agreement 2 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 2.

As at 30th June 2022, loan amount outstanding under Facility Agreement 2 was nil.

Facility Agreement 3

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 3"). 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 2022, US$6,000,000 (equivalent to HK$46,800,000) has been drawn under Facility Agreement 3.

Facility Agreement 4

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 4"). 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 4, 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 2022, loan amount outstanding under Facility Agreement 4 was nil.

Facility Agreement 5

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 5"). Pursuant to the Facility Agreement 5, 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 5 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 5, i.e., 15th June 2023.

As at 30th June 2022, US$24,000,000 (equivalent to HK$187,200,000) and HK$111,600,000 have been drawn under Facility Agreement 5.

Facility Agreement 6

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 6"), 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 6, 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 6 occurs, the bank may cancel the Facility Agreement 6 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 6. The final maturity date of the Facility Agreement 6 shall be the date falling three years after the acceptance date of the Facility Agreement 6 by the Company, i.e., 26th June 2023.

As at 30th June 2022, HK$250,000,000 has been drawn under Facility Agreement 6.

Facility Agreement 7

On 24th September 2020, the Company as borrower accepted a facility letter (the "Facility Agreement 7") issued by a licensed bank in Hong Kong pursuant to which a HK$120,000,000 (or US dollars equivalent) revolving loan facility would be made available by the bank to the Company subject to the terms and conditions of the Facility Agreement 7. Pursuant to the Facility Agreement 7, 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; and (ii) the Company shall remain more than 50% directly or indirectly held by China Cinda. 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 7 if default is being triggered. The loan facility is subject to an annual review by the bank.

As at 30th June 2022, HK$120,000,000 has been drawn under Facility Agreement 7.

Facility Agreement 8

On 10th February 2022, the Company as borrower confirmed its acceptance of the facility letter ("Facility Agreement 8") issued by a licensed bank in Hong Kong. Pursuant to the Facility Agreement 8, the bank agrees to make available to the Company an US$40,000,000 (or its equivalent in Hong Kong dollars) revolving loan facility. Pursuant to the Facility Agreement 8, default will be triggered if events of default occurred, including breach of any one of the following loan undertakings, among others: (i) China Cinda shall hold beneficially not less than 50% of the shareholding interest in Cinda Securities; (ii) Cinda Securities shall hold beneficially not less than 50% of the shareholding interest in the Company; and (iii) the Ministry of Finance of the PRC shall hold beneficially not less than 50% of the shareholding interest in China Cinda. If an event of default under the Facility Agreement 8 occurs, the bank may demand immediate repayment of all outstanding amounts and require provision of immediate cash cover (in the amount notified by the bank) for any future or contingent liabilities. The loan facility is subject to an annual review by the bank.

As at 30th June 2022, loan amount outstanding under Facility Agreement 8 was nil.

CORPORATE GOVERNANCE

The Company has always strived to enhance its corporate governance and transparency by adopting and implementing appropriate corporate governance practices. The Company has also complied with all the code provisions set out in the Corporate Governance Code ("CG Code") under Appendix 14 to the Listing Rules during the period from 1st January 2022 to 30th June 2022 save for the deviation from code provisions specified below:

– Provision C.1.6 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chow Kwok Wai, the NED, was unable to attend the annual general meeting of the Company held on 12th May 2022 as he had other engagements.

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct for Directors' dealing in its shares. All Directors confirmed that they had complied with the required standards at all times throughout the six months ended 30th June 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

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

Major appointment

- Mr. Zhang Yi was appointed as (i) the chief financial officer of Cinda Securities with effect from 18th April 2022; and (ii) an executive director of Cinda Innovation Investment Co., Ltd., a wholly-owned subsidiary of Cinda Securities, with effect from 1st August 2022.

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 2022. 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

Zhu Ruimin
Chairman

19th August 2022

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, 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 18 to 68, which comprises the condensed consolidated statement of financial position of Cinda International Holdings Limited (the "Company") and its subsidiaries (the "Group") as at 30th June 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months 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 ("HKICPA").

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 HKICPA. 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

19th August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June 2022

		Six months ended 30th June	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**66,312**	112,396
Other income	*3*	**14,164**	25,290
Other losses, net	*3*	**(15,224)**	(227)
		65,252	137,459
Staff costs	*4(a)*	**33,283**	60,963
Commission expenses		**7,324**	16,272
Other operating expenses	*4(b)*	**33,848**	24,697
Finance costs	*4(c)*	**7,461**	11,599
		81,916	113,531
		(16,664)	23,928
Share of (losses)/profits of associates and a joint venture, net	*10*	**(18,502)**	35,858
(Loss)/profit before taxation	*4*	**(35,166)**	59,786
Income tax	*5*	**(4,303)**	(6,465)
(Loss)/profit for the period		**(39,469)**	53,321
Attributable to:			
Equity holders of the Company		**(39,469)**	53,321
Basic and diluted (loss)/earnings per share attributable to equity holders of the Company	*7*	**HK(6.16) cents**	HK8.32 cents

The notes on pages 25 to 68 form part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2022

	Six months ended 30th June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	**(39,469)**	53,321
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	**(9,092)**	(6,443)
– Change in impairment allowances charged/(credited) to profit or loss	**3,874**	(3,592)
– Reclassification adjustments to profit or loss on disposal	**5,798**	(5,598)
	580	(15,633)
Share of an associate's investment revaluation reserve:		
– Change in fair value	**(805)**	(251)
Net movement in investment revaluation reserve	**(225)**	(15,884)
Share of associates' exchange reserve	**(6,914)**	1,178
Exchange differences on translation of:		
– Financial statements of a joint venture	**(412)**	107
– Financial statements of foreign operations	**(9,478)**	2,086
Net movement in exchange reserve	**(16,804)**	3,371
Items that will not be reclassified subsequently to profit or loss		
Share of joint venture's capital reserve	**–**	212
Net movement in capital reserve	**–**	212
Other comprehensive income for the period	**(17,029)**	(12,301)
Total comprehensive income for the period	**(56,498)**	41,020
Total comprehensive income attributable to:		
Equity holders of the Company	**(56,498)**	41,020

The notes on pages 25 to 68 form part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2022

	Notes	30th June 2022 HK$'000 (Unaudited)	31st December 2021 HK$'000 (Audited)
NON-CURRENT ASSETS			
Intangible assets	*8*	**1,439**	1,439
Property and equipment	*9*	**9,696**	9,487
Financial assets at fair value through profit or loss	*12*	**37,812**	15,846
Interests in associates and a joint venture	*10*	**432,643**	459,276
Other assets		**18,850**	11,626
Right-of-use assets	*20*	**59,892**	25,571
Deferred tax assets		**72**	51
		560,404	523,296
CURRENT ASSETS			
Debt instruments at fair value through other comprehensive income	*11*	**250,779**	283,843
Financial assets at fair value through profit or loss	*12*	**95,602**	63,724
Trade and other receivables	*13*	**498,927**	441,540
Taxation recoverable		**767**	767
Pledged bank deposits	*14*	**12,139**	12,139
Bank balances and cash	*14*	**825,602**	781,142
		1,683,816	1,583,155
CURRENT LIABILITIES			
Trade and other payables	*15*	**327,847**	276,972
Bank borrowings	*16*	**715,600**	–
Obligations under repurchase agreements	*17*	**172,667**	214,169
Taxation payable		**3,960**	7,965
Lease liabilities	*20*	**22,988**	15,575
Bonds issued	*19*	**10,000**	10,000
		1,253,062	524,681
NET CURRENT ASSETS		**430,754**	1,058,474
TOTAL ASSETS LESS CURRENT LIABILITIES		**991,158**	1,581,770

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2022

	Notes	30th June 2022 HK$'000 (Unaudited)	31st December 2021 HK$'000 (Audited)
CAPITAL AND RESERVES			
Share capital	*18*	**64,121**	64,121
Other reserves		**460,140**	477,169
Retained earnings		**429,057**	481,350
TOTAL EQUITY		**953,318**	1,022,640
NON-CURRENT LIABILITIES			
Lease liabilities	*20*	**37,840**	10,330
Bank borrowings	*16*	**–**	548,800
		37,840	559,130
		991,158	1,581,770

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2022

	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 equity *HK$'000*
At 1st January 2022 (audited)	64,121	421,419	43,925	(4,249)	16,074	481,350	1,022,640
Total comprehensive income for the period	–	–	–	(225)	(16,804)	(39,469)	(56,498)
2021 final dividend approved	–	–	–	–	–	(12,824)	(12,824)
At 30th June 2022 (unaudited)	64,121	421,419	43,925	(4,474)	(730)	429,057	953,318
At 1st January 2021 (audited)	64,121	421,419	43,396	10,765	6,608	442,792	989,101
Total comprehensive income for the period	–	–	212	(15,884)	3,371	53,321	41,020
2020 final dividend approved	–	–	–	–	–	(19,236)	(19,236)
At 30th June 2021 (unaudited)	64,121	421,419	43,608	(5,119)	9,979	476,877	1,010,885

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June 2022

	Notes	Six months ended 30th June 2022 HK$'000 (Unaudited)	2021 HK$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation		**(35,166)**	59,786
Adjustments for:			
Depreciation of property and equipment	*9*	**1,754**	1,414
Depreciation of right-of-use assets	*20*	**12,292**	11,872
(Gain)/loss on disposal of property and equipment		**(78)**	8
Fair value losses/(gains), net:			
– Financial assets at fair value through profit or loss	*3*	**3,036**	(452)
Interest expense on lease liabilities	*4(c)*	**434**	781
Interest expenses (other than interest on lease liabilities)	*4(c)*	**7,027**	10,818
Share of losses/(profits) of associates and a joint venture, net	*10*	**18,502**	(35,858)
Net losses/(gains) on disposal of financial assets at fair value through profit or loss	*3*	**1,127**	(102)
Net losses on disposal of debt instruments at fair value through other comprehensive income	*3*	**4,517**	3,409
Interest income from debt securities	*3*	**(8,986)**	(19,358)
Impairment allowances charged/(reversed)	*4(b)*	**4,003**	(3,139)
Increase in pledged bank deposits	*14*	**–**	(1)
Operating profit before working capital changes		**8,462**	29,178
(Increase)/decrease in other assets		**(7,224)**	7,333
Increase in trade and other receivables		**(56,961)**	(393,470)
Increase/(decrease) in trade and other payables		**50,652**	(129,068)
Cash outflow from operations		**(5,071)**	(486,027)
Hong Kong profits tax paid		**(10)**	(303)
Overseas profits tax paid		**(7,950)**	(5,609)
Net cash outflow from operating activities		**(13,031)**	(491,939)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June 2022

	Notes	Six months ended 30th June **2022** ***HK$'000*** **(Unaudited)**	 2021 *HK$'000* (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	*9*	**(2,003)**	(2,283)
Proceeds from disposal of property and equipment		**90**	29
Purchase of debt instruments at fair value through other comprehensive income		**(47,675)**	(52,344)
Proceeds from disposal of debt instruments at fair value through other comprehensive income		**72,930**	214,258
Purchase of financial assets at fair value through profit or loss		**(78,523)**	(23,520)
Proceeds from disposal of financial assets at fair value through profit or loss		**19,907**	1,810
Interest received from debt securities		**8,432**	22,176
Net cash (outflow)/inflow from investing activities		**(26,842)**	160,126
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	*6*	**(12,824)**	–
Payment of lease liabilities	*20*	**(12,124)**	(13,145)
Proceeds from bank borrowings		**656,400**	545,000
Repayment of bank borrowings		**(489,600)**	(175,000)
Proceeds from obligations under repurchase agreements		**223,267**	55,360
Repayment of obligations under repurchase agreements		**(264,768)**	(132,884)
Repayment of bond issued		**–**	(10,000)
Interest paid		**(6,803)**	(10,809)
Net cash inflow from financing activities		**93,548**	258,522
Net increase/(decrease) in cash and cash equivalents		**53,675**	(73,291)
Cash and cash equivalents at the beginning of the period		**781,142**	804,471
Effect of foreign exchange rate changes, net		**(9,215)**	2,070
Cash and cash equivalents at the end of the period	*14*	**825,602**	733,250
Analysis of balances of cash and cash equivalents:			
Bank balances – general accounts and cash in hand	*14*	**825,602**	733,250

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June 2022

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 19th August 2022.

The financial information relating to the year ended 31st December 2021 that is included in the unaudited interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements.

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 2021 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December 2021, except for the adoption of new and revised standards effective as of 1st January 2022. 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 HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

(a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1st January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1st January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1st January 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1st January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1st January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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

	Six months ended 30th June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Revenue from contracts with customers		
Fees and commission		
Asset management	**6,675**	8,548
Sales and trading business	**16,644**	36,858
Corporate finance	**6,093**	13,144
	29,412	58,550
Underwriting income and placing commission		
Corporate finance	**4,717**	7,786
Management fee and service fee income		
Asset management	**24,074**	32,949
	58,203	99,285
Revenue from other sources		
Interest income		
Asset management	**293**	152
Sales and trading business	**7,668**	12,947
Corporate finance	**–**	8
Others	**148**	4
	8,109	13,111
	66,312	112,396

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

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

	Asset management *HK$'000*	**Sales and trading business** *HK$'000*	**Corporate finance** *HK$'000*	**Total** *HK$'000*
Six months ended 30th June 2022 – Unaudited				
Revenue from contracts with customers				
Brokerage service	–	16,644	–	16,644
Underwriting and placing service	–	–	4,717	4,717
Corporate finance service	–	–	6,093	6,093
Asset management service	30,749	–	–	30,749
	30,749	16,644	10,810	58,203
Geographical markets				
Hong Kong	13,368	16,644	10,810	40,822
Mainland China	17,381	–	–	17,381
Total revenue from contracts with customers	30,749	16,644	10,810	58,203
Timing of revenue recognition				
Services transferred at a point in time	–	16,644	6,717	23,361
Services transferred over time	30,749	–	4,093	34,842
Total revenue from contracts with customers	30,749	16,644	10,810	58,203

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

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

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
Six months ended 30th June 2021 – Unaudited				
Revenue from contracts with customers				
Brokerage service	–	36,858	–	36,858
Underwriting and placing service	–	–	7,786	7,786
Corporate finance service	–	–	13,144	13,144
Asset management service	41,497	–	–	41,497
	41,497	36,858	20,930	99,285
Geographical markets				
Hong Kong	17,670	36,858	20,930	75,458
Mainland China	23,827	–	–	23,827
Total revenue from contracts with customers	41,497	36,858	20,930	99,285
Timing of revenue recognition				
Services transferred at a point in time	–	36,858	16,054	52,912
Services transferred over time	41,497	–	4,876	46,373
Total revenue from contracts with customers	41,497	36,858	20,930	99,285

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

	Six months ended 30th June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue recognised that was included in deferred revenue at the beginning of the reporting period:		
Corporate finance service	**3,250**	10,358

	Six months ended 30th June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income		
Interest income from debt securities classified as:		
– Debt instruments at fair value through other comprehensive income	**7,667**	19,358
– Financial assets at fair value through profit or loss	**1,319**	–
Investment income	**3,541**	3,367
Government grants *(Note)*	**915**	588
Others	**722**	1,977
	14,164	25,290
Other losses, net		
Net exchange (losses)/gains	**(6,544)**	2,628
Net (losses)/gains on disposal of financial assets at fair value through profit or loss	**(1,127)**	102
Net losses on disposal of debt instruments at fair value through other comprehensive income	**(4,517)**	(3,409)
(Losses)/gains from changes in fair value of financial assets at fair value through profit or loss	**(3,036)**	452
	(15,224)	(227)
	65,252	137,459

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

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

Segment information

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

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

2. Sales and trading business – provision of brokering services in securities, equity linked products, unit trusts and stock options commodities and futures contracts traded in Hong Kong and selected overseas markets, underwriting, placing and margin financing services to those brokering clients.

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 measures used for reporting segment results are earnings before finance costs and taxes ("EBIT"). 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. To arrive at the Group's (loss)/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.

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

Segment information (continued)

Six months ended 30th June 2022 – Unaudited

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
Revenue from external customers	28,251	24,312	10,810	63,373
Revenue from an associate *(Note 1)*	2,791	–	–	2,791
Reportable segment revenue	31,042	24,312	10,810	66,164
Reportable segment results (EBIT)	16,552	(6,526)	(5,450)	4,576
Interest income from bank deposits	293	729	–	1,022
Interest expense	(3,196)	(749)	(31)	(3,976)
Depreciation of property and equipment	(247)	(571)	(56)	(874)

As at 30th June 2022 – Unaudited

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
Reportable segment assets	778,233	743,398	39,658	1,561,289
Additions to non-current segment assets during the period *(Note 2)*	278	4,611	–	4,889
Reportable segment liabilities	634,355	389,161	3,735	1,027,251

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

Segment information (continued)

Six months ended 30th June 2021 – Unaudited

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
Revenue from external customers	38,384	49,803	20,938	109,125
Revenue from an associate *(Note 1)*	3,267	–	–	3,267
Inter-segment revenue	–	202	–	202
Reportable segment revenue	41,651	50,005	20,938	112,594
Reportable segment results (EBIT)	38,581	13,518	(2,462)	49,637
Interest income from bank deposits	152	553	8	713
Interest expense	(7,727)	(2,238)	(270)	(10,235)
Depreciation of property and equipment	(190)	(457)	(62)	(709)

As at 31st December 2021 – Audited

	Asset management *HK$'000*	Sales and trading business *HK$'000*	Corporate finance *HK$'000*	Total *HK$'000*
Reportable segment assets	778,023	678,042	62,578	1,518,643
Additions to/(disposals of) non-current segment assets during the period *(Note 2)*	629	(984)	5	(350)
Reportable segment liabilities	644,639	324,220	10,655	979,514

Note:

(1) This represents service fee income received by the Group from an associate. See note 24.1(b).

(2) Non-current segment assets consist of additions to or disposal of property and equipment and other assets.

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

Reconciliations of reportable revenue

	Six months ended 30th June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue	**66,164**	112,594
Elimination of inter-segment revenue	**–**	(202)
Unallocated head office and corporate revenue	**148**	4
Consolidated revenue	**66,312**	112,396

Reconciliations of reportable results

	Six months ended 30th June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Results		
Reportable segment profit (EBIT)	**4,576**	49,637
Share of (losses)/profits of associates and a joint venture, net	**(18,502)**	35,858
Finance costs	**(7,461)**	(11,599)
Unallocated head office and corporate expenses	**(13,779)**	(14,110)
Consolidated (loss)/profit before taxation	**(35,166)**	59,786
Income tax	**(4,303)**	(6,465)
(Loss)/profit for the period	**(39,469)**	53,321

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

Reconciliations of reportable assets and liabilities

	30th June 2022 *HK$'000* **(Unaudited)**	31st December 2021 *HK$'000* (Audited)
Assets		
Reportable segment assets	**1,561,289**	1,518,643
Elimination of inter-segment receivables	**(710)**	(3,546)
	1,560,579	1,515,097
Interests in associates and a joint venture	**432,643**	459,276
Deferred tax assets	**72**	51
Taxation recoverable	**767**	767
Unallocated head office and corporate assets	**250,159**	131,260
Consolidated total assets	**2,244,220**	2,106,451
Liabilities		
Reportable segment liabilities	**1,027,251**	979,514
Elimination of inter-segment payables	**(5,524)**	(17,938)
	1,021,727	961,576
Taxation payable	**3,960**	7,965
Unallocated head office and corporate liabilities	**265,215**	114,270
Consolidated total liabilities	**1,290,902**	1,083,811

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

Geographic information

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

	Revenue from external customers Six months ended 30th June		Specified non-current assets	
			As at 30th June	As at 31st December
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Hong Kong	**48,639**	88,418	**238,951**	209,140
Mainland China	**17,673**	23,978	**283,569**	298,259
	66,312	112,396	**522,520**	507,399

4. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived after charging/(crediting):

(a) Staff costs

	Six months ended 30th June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and allowances	**32,022**	59,678
Defined contribution plans	**1,261**	1,285
	33,283	60,963

4. (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

(b) Other operating expenses

	Six months ended 30th June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Advertising and promotion	**342**	540
Auditor's remuneration	**1,580**	1,560
Bank charges	**50**	447
Cleaning expense	**163**	155
Computer expense	**180**	138
Data service fee	**4,023**	4,577
Depreciation of property and equipment	**1,754**	1,414
Depreciation of right-of-use assets *(note 20)*	**12,292**	11,872
Employee relation expense	**276**	616
Entertainment	**250**	713
Impairment allowances charged/(reversed) on:		
– debt instruments at fair value through other comprehensive income	**3,874**	(3,592)
– trade and other receivables	**129**	453
Insurance fee	**1,219**	1,137
Legal and professional fee	**1,169**	(3,095)
Printing and stationery fee	**266**	410
Property management and other related fee	**1,186**	2,320
Repair and maintenance fee	**1,187**	1,289
Service fee	**532**	586
Staff recruitment fee	**244**	114
Subscription fee	**162**	224
Telecommunication fee	**1,213**	1,199
Travelling expense	**252**	524
Water and electricity	**234**	226
Others	**1,271**	870
	33,848	24,697

4. (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

(c) Finance costs

	Six months ended 30th June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on borrowings – repayable on demand and within one year	**6,829**	4,876
Interest on borrowings – repayable in more than one year but not more than five years	**–**	5,017
Interest on bonds issued – repayable within one year	**198**	727
Interest on bonds issued – repayable in more than one year but not more than five years	**–**	198
Interest on lease liabilities *(note 20)*	**434**	781
	7,461	11,599

5. INCOME TAX

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

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.

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

	Six months ended 30th June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current taxation:		
– Hong Kong Profits Tax	**22**	856
– PRC Corporate Income Tax	**4,302**	5,684
Deferred taxation		
– Hong Kong	**(21)**	(75)
	4,303	6,465

6. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2022 (2021: nil).

Dividends payable to equity holders of the Company attributable to the previous financial year, approved and paid during the period:

	Six months ended 30th June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
2021 final dividend declared and paid: HK$2 cents (2020 final: HK$ 3 cents) per ordinary share	**12,824**	19,236

7. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK$39,469,000 (2021: profit of HK$53,321,000) and the number of 641,205,600 ordinary shares (2021: 641,205,600 ordinary shares) in issue during the period, calculated as follows:

(Loss)/earnings attributed to equity holders of the Company

	Six months ended 30th June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/earnings for the period attributable to equity holders of the Company	**(39,469)**	53,321

Number of ordinary shares

	Six months ended 30th June	
	2022	2021
	(Unaudited)	(Unaudited)
Issued ordinary shares at 1st January and 30th June	**641,205,600**	641,205,600

(b) Diluted (loss)/earnings per share

No diluted (loss)/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 2022 – unaudited				
Cost and carrying amount:				
At 1st January 2022 and 30th June 2022	**913**	**406**	**120**	**1,439**
As at 31st December 2021 – audited				
Cost and carrying amount:				
At 1st January 2021 and 31st December 2021	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 2022 – unaudited					
Cost:					
At 1st January 2022	**6,874**	**3,026**	**33,529**	**1,338**	**44,767**
Additions	**14**	**–**	**1,989**	**–**	**2,003**
Disposals	**–**	**–**	**(2,170)**	**(439)**	**(2,609)**
Exchange difference	**(27)**	**(5)**	**(6)**	**–**	**(38)**
At 30th June 2022	**6,861**	**3,021**	**33,342**	**899**	**44,123**
Accumulated depreciation:					
At 1st January 2022	**6,085**	**2,631**	**25,226**	**1,338**	**35,280**
Charge for the period	**115**	**134**	**1,505**	**–**	**1,754**
Disposals	**–**	**–**	**(2,158)**	**(439)**	**(2,597)**
Exchange difference	**(16)**	**–**	**6**	**–**	**(10)**
At 30th June 2022	**6,184**	**2,765**	**24,579**	**899**	**34,427**
Net book value:					
At 30th June 2022	**677**	**256**	**8,763**	**–**	**9,696**

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*
As at 31st December 2021 – audited					
Cost:					
At 1st January 2021	6,480	2,990	29,561	1,338	40,369
Additions	834	131	4,235	–	5,200
Disposals	(430)	(89)	(246)	–	(765)
Exchange difference	(10)	(6)	(21)	–	(37)
At 31st December 2021	6,874	3,026	33,529	1,338	44,767
Accumulated depreciation:					
At 1st January 2021	6,393	2,447	22,738	1,338	32,916
Charge for the year	145	262	2,667	–	3,074
Disposals	(463)	(83)	(199)	–	(745)
Exchange difference	10	5	20	–	35
At 31st December 2021	6,085	2,631	25,226	1,338	35,280
Net book value:					
At 31st December 2021	789	395	8,303	–	9,487

10. INTERESTS IN ASSOCIATES AND A JOINT VENTURE

	30th June 2022 **HK$'000** **(Unaudited)**	31st December 2021 *HK$'000* (Audited)
Interests in associates	**418,262**	444,317
Interest in a joint venture	**14,381**	14,959
	432,643	459,276

Interests in associates

	30th June 2022 **HK$'000** **(Unaudited)**	31st December 2021 *HK$'000* (Audited)
Share of net assets at 1st January	**444,317**	407,910
Share of (losses)/profits for the period/year, net	**(18,336)**	47,147
Share of other comprehensive income for the period/year	**(7,719)**	3,294
Dividend income from an associate	**–**	(14,034)
	(26,055)	36,407
Share of net assets at 30th June/31st December	**418,262**	444,317

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 2022	31st December 2021	Principal activity
Sino-Rock Investment Management Company Limited ("Sino-Rock") *(note 1)*	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 2)*	4,000,000 ordinary shares of HK$1 each	Cayman Islands	**40%**	40%	Fund management
Cinda Plunkett International Absolute Return Fund ("CPIAR Fund") *(note 3)*	100,000 units of US$100 each	Cayman Islands	**12.9%**	12.93%	Investment fund
Cinda International Investment Holdings Limited ("CIIH") *(note 4)*	2,820,000 Class-A shares	British Virgin Islands	**47%**	47%	Investment holding

Notes:

1. As at 30th June 2022, the Group held 18,000,000 ordinary shares (31st December 2021: 18,000,000 ordinary shares), representing 27.6% (31st December 2021: 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 2022 and year ended 31st December 2021. The Group share of net assets in Sino-Rock was HK$267,993,000 at 30th June 2022 (31st December 2021: HK$282,144,000), which accounted approximately 11.94% (31st December 2021: 13.38%) of the total assets of the Group. The Group recognised a share of loss and other comprehensive income of HK$14,151,000 (for the six months ended 30th June 2021: profit and other comprehensive income of HK$19,252,000) and no dividend income (for the six months ended 30th June 2021: nil) from the interest in Sino-Rock for the six months ended 30th June 2022. 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.

2. The Group's share of net assets in CPHL was HK$69,977,000 at 30th June 2022 (31st December 2021: HK$65,541,000) and recognised a share of profit of HK$4,436,000 (for the six months ended 30th June 2021: profit of HK$9,929,000) from the interest in CPHL for the six months ended 30th June 2022.

3. It is considered that the Group had significant influence over CPIAR Fund through the Group's significant influence over the investment manager of CPIAR Fund who has wide discretion over the relevant activities of CPIAR Fund. The Group's share of net assets in CPIAR Fund was HK$79,864,000 at 30th June 2022 (31st December 2021: HK$94,903,000) and recognised a share of loss HK$15,038,000 (for the six months ended 30th June 2021: profit of HK$1,552,000) from the interest in CPIAR Fund for the six months ended 30th June 2022.

4. The Group's share of net assets in CIIH was HK$428,000 at 30th June 2022 (31st December 2021: HK$1,730,000) and recognised a share of loss and other comprehensive income of HK$1,302,000 (for the six months ended 30th June 2021: loss and other comprehensive income of HK$238,000) from the interest in CIIH for the six months ended 30th June 2022.

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

Interest in a joint venture

	30th June 2022 HK$'000 (Unaudited)	31st December 2021 HK$'000 (Audited)
Share of net assets at 1st January	**14,959**	9,336
Share of (loss)/profit for the period/year	**(166)**	4,759
Share of other comprehensive income for the period/year	**–**	529
Translation difference	**(412)**	335
	(578)	5,623
Share of net assets at 30th June/31st December	**14,381**	14,959

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

	Particulars of shares capital held	Country of establishment	Effective equity interest to the Group 30th June 2022	Effective equity interest to the Group 31st December 2021	Principal activity
JianXinGuoMao (Xiamen) Private Equity Fund Management Limited	RMB7,000,000 of registered capital	PRC	**35%**	35%	Private equity investment and fund management

11. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30th June 2022 ***HK$'000*** **(Unaudited)**	31st December 2021 *HK$'000* (Audited)
Listed debt securities with fixed interest	**250,779**	283,843

As at 30th June 2022 and 31st December 2021, an analysis of the ending balance of the carrying amount in debt instruments at fair value through other comprehensive income subject to impairment allowances is as follows:

	Stage 1 ***HK$'000***	**Stage 2** ***HK$'000***	**Stage 3** ***HK$'000***	**Total** ***HK$'000***
Fair value as at 30th June 2022 – unaudited	**239,984**	**–**	**10,795**	**250,779**
Fair value as at 31st December 2021 – audited	267,999	–	15,844	283,843

The expected credit losses ("ECLs") for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment allowance, with a corresponding charge to profit or loss.

During the period, impairment allowance of HK$3,874,000 (for the six months ended 30th June 2021: reversal of HK$3,592,000) was provided in the profit or loss. As at 30th June 2022, impairment allowance of HK$22,438,000 (31st December 2021: HK$18,564,000) 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***	**Total** ***HK$'000***
30th June 2022 – unaudited	**70,457**	**91,117**	**89,205**	**–**	**250,779**
31st December 2021 – audited	117,051	90,990	75,802	–	283,843

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30th June 2022	31st December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current:		
Unlisted private equity funds	**37,812**	15,846
	37,812	15,846
Current:		
Unlisted equity securities	**1**	1
Listed debt securities fund	**22,479**	23,676
Listed debt securities	**64,526**	40,047
Listed equity securities fund	**8,596**	-
	95,602	63,724
	133,414	79,570

13. TRADE AND OTHER RECEIVABLES

	30th June 2022 **HK$'000** **(Unaudited)**	31st December 2021 *HK$'000* (Audited)
Trade receivables from clients arising from		
– corporate finance *(note (a))*	**10,573**	15,031
– securities brokering *(note (b))*	**223,999**	141,392
Margin and other trade related deposits with brokers and financial institutions arising from *(note (c))*		
– commodities and futures brokering	**40,749**	46,404
– securities brokering	**1,360**	1,019
Margin loans arising from securities brokering *(note (d))*	**160,741**	181,572
Trade receivables from clearing houses arising from securities brokering *(note (e))*	**9,307**	19,439
Less: impairment allowance for trade receivable arising from		
– corporate finance *(notes (a) and (f))*	**(3,373)**	(3,373)
– securities brokering *(note (f))*	**(13,367)**	(13,238)
Total trade receivables *(note (g))*	**429,989**	388,246
Deposits	**2,616**	6,074
Other receivables	**66,322**	47,220
Total trade and other receivables	**498,927**	441,540

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

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) For trade receivables related to corporate finance of HK$10,573,000 (31st December 2021: HK$15,031,000), no additional impairment allowance was provided for the current period (for the six months ended 30th June 2021: nil). As at 30th June 2022, impairment allowance of HK$3,373,000 (31st December 2021: 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 ageing analysis based on the date of invoice at the reporting date was as follows:

	30th June 2022 *HK$'000* **(Unaudited)**	31st December 2021 *HK$'000* (Audited)
Current	–	2,948
30 – 60 days	**300**	2,451
Over 60 days	**10,273**	9,632
	10,573	15,031
Less: impairment allowance	**(3,373)**	(3,373)
	7,200	11,658

(b) For trade receivables from clients arising from securities brokering, the amounts represent outstanding unsettled trades due from clients as at period ended. It normally takes two to three days to settle after trade date of those transactions. As at 30th June 2022, it included overdue balances of HK$7,874,000 (31st December 2021: HK$17,423,000). These overdue balances are either subsequently settled after the reporting date or fully collateralised by listed securities. The directors of the Company did not consider there was a significant change in credit quality of the balance. No impairment loss allowance has been provided.

(c) The settlement terms of margin and other deposits from brokers and financial institutions are at specific agreed terms. Clients trading in commodities and futures contracts and obtaining securities margin financing from the Group are required to observe the Group's margin policies. For commodities and futures contracts, initial margins are required before trading and thereafter clients are required to keep the equity position at a prescribed maintenance margin level. The effective interest rate for margins and other trade related deposits is 0.01% (31st December 2021: 0.01%) per annum.

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

13. 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% (31st December 2021: 8% to 13%) per annum.

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 2022, the fair value of shares accepted as collateral amounted to HK$1,098,571,000 (31st December 2021: HK$1,439,080,000) 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 2022 and year ended 31st December 2021.

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

During the period, impairment allowances of HK$129,000 (30th June 2021: HK$453,000) were provided. As at 30th June 2022, impairment allowance of HK$13,367,000 (31st December 2021: HK$13,238,000) for the receivables from margin clients was provided. No ageing analysis is disclosed as in the opinion of the management, the ageing analysis does not give additional value in view of the nature of revolving margin loan.

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

Furthermore, the Group maintains designated accounts with the SEOCH and HKFE Clearing Corporation Limited ("HKFECC") as a result of its normal business transactions. At 30th June 2022, the designated accounts with the SEOCH and HKFECC not otherwise dealt with in these accounts amounted to HK$7,722,000 (31st December 2021: HK$7,970,000) and HK$10,725,000 (31st December 2021: HK$11,096,000), respectively.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

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

	HK$'000
At 1st January 2021 – audited	17,012
Reversal of impairment allowances	(319)
Written off of impairment allowances	(82)
At 31st December 2021 and 1st January 2022 – audited	16,611
Provision of impairment allowances	129
At 30th June 2022 – unaudited	16,740

As at 30th June 2022 and 31st December 2021, 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 2022 – unaudited					
Trade receivables from clients	**223,999**	**–**	**–**	**10,573**	**234,572**
Margin and other trade related deposits with brokers and financial institutions	**42,109**	**–**	**–**	**–**	**42,109**
Margin loans arising from securities brokering	**147,711**	**101**	**12,929**	**–**	**160,741**
Trade receivables from clearing houses arising from securities brokering	**9,307**	**–**	**–**	**–**	**9,307**
Deposit	**2,616**	**–**	**–**	**–**	**2,616**
Other receivables	**66,322**	**–**	**–**	**–**	**66,322**
	492,064	**101**	**12,929**	**10,573**	**515,667**

	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 2021 – audited					
Trade receivables from clients	141,392	–	–	15,031	156,423
Margin and other trade related deposits with brokers and financial institutions	47,423	–	–	–	47,423
Margin loans arising from securities brokering	168,544	99	12,929	–	181,572
Trade receivables from clearing houses arising from securities brokering	19,439	–	–	–	19,439
Deposit	6,074	–	–	–	6,074
Other receivables	47,220	–	–	–	47,220
	430,092	99	12,929	15,031	458,151

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

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

	Stage 1 *HK$'000*	**Stage 2** *HK$'000*	**Stage 3** *HK$'000*	**Simplified approach** *HK$'000*	**Total** *HK$'000*
Expected credit losses as at 30th June 2022 – 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	**(438)**	**–**	**(12,929)**	**–**	**(13,367)**
Trade receivables from clearing houses arising from securities brokering	**–**	**–**	**–**	**–**	**–**
Deposit	**–**	**–**	**–**	**–**	**–**
Other receivables	**–**	**–**	**–**	**–**	**–**
	(438)	**–**	**(12,929)**	**(3,373)**	**(16,740)**

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Expected credit losses as at 31st December 2021 – 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	(309)	–	(12,929)	–	(13,238)
Trade receivables from clearing houses arising from securities brokering	–	–	–	–	–
Deposit	–	–	–	–	–
Other receivables	–	–	–	–	–
	(309)	–	(12,929)	(3,373)	(16,611)

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(f) The movements in the impairment allowance for the trade and other receivables during the period are as follows: *(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 2022 – unaudited					
Trade receivables from clients	–	–	–	**31.9%**	**1.44%**
Margin loans arising from securities brokering	**0.30%**	**0.30%**	**100.00%**	–	**8.32%**
Other receivables	–	–	–	–	–

	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 2021 – audited					
Trade receivables from clients	–	–	–	22.44%	2.16%
Margin loans arising from securities brokering	0.18%	0.18%	100.00%	–	7.29%
Other receivables	–	–	–	–	–

Analysis of changes in 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 2021	175,448	306	12,929	188,683
Other changes (including new assets and derecognised assets)	(6,904)	(207)	–	(7,111)
As at 31st December 2021 and 1st January 2022	168,544	99	12,929	181,572
Other changes (including new assets and derecognised assets)	(20,833)	2	–	(20,831)
As at 30th June 2022 – unaudited	**147,711**	**101**	**12,929**	**160,741**

	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Total *HK$'000*
Expected credit losses				
As at 1st January 2021	(627)	(1)	(12,929)	(13,557)
Other changes (including new assets and derecognised assets)	318	1	–	319
As at 31st December 2021 and 1st January 2022	(309)	–	(12,929)	(13,238)
Other changes (including new assets and derecognised assets)	(129)	–	–	(129)
As at 30th June 2022 – unaudited	**(438)**	**–**	**(12,929)**	**(13,367)**

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

(g) The Group does not have any significant concentration of credit risk with respect to trade receivables, as the Group has a large number of customers and are widely dispersed.

14. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	30th June 2022 ***HK$'000*** **(Unaudited)**	31st December 2021 *HK$'000* (Audited)
Cash in hand	**21**	21
Bank balances		
– pledged deposits	**12,139**	12,139
– time deposits with original maturity less than three months	**9,553**	–
– general accounts	**816,028**	781,121
	837,720	793,260
	837,741	793,281
By maturity:		
Bank balances		
– current and savings accounts	**816,028**	781,121
– fixed deposits (maturing within three months)	**21,692**	12,139
	837,720	793,260

As at 30th June 2022, bank deposits amounting to HK$12,139,000 (31st December 2021: HK$12,139,000) which include principal of HK$12,000,000 (31st December 2021: 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 2021: 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 2022, segregated trust accounts not dealt with in these condensed consolidated financial statements amounted to HK$802,313,000 (31st December 2021: HK$758,510,000).

As at 30th June 2022, the bank balances and deposits bore interest at rates ranging from 0.01% to 2.5% (31st December 2021: 0.01% to 0.5%) per annum.

Cash and cash equivalents

	30th June 2022 ***HK$'000*** **(Unaudited)**	31st December 2021 *HK$'000* (Audited)
Analysis of balances of cash and cash equivalents		
Cash in hand and at banks (excluding pledged bank deposits)	**825,602**	781,142

15. TRADE AND OTHER PAYABLES

	30th June 2022 *HK$'000* **(Unaudited)**	31st December 2021 *HK$'000* (Audited)
Trade payables to margin clients arising from securities brokering	**70,572**	6,743
Trade payables to securities trading clients arising from securities brokering	**137,546**	128,957
Margin and other deposits payable to clients arising from commodity and futures brokering	**40,650**	46,374
Trade payables to brokers arising from securities brokering	**3,977**	7,280
Trade payables to clearing houses arising from securities brokering	**29,775**	17,729
Total trade payables	**282,520**	207,083
Accruals, provision and other payables	**43,309**	62,939
Deferred revenue	**2,018**	6,950
Total trade and other payables	**327,847**	276,972

The carrying amounts of trade and other payables approximate their fair values. Other than deferred revenue, all trade and other payables are expected to be settled within one year. The trade payables are aged within 30 days.

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

16. BANK BORROWINGS

	Notes	30th June 2022 HK$'000 (Unaudited)	31st December 2021 HK$'000 (Audited)
Non-current position		–	548,800
Current position		715,600	–
		715,600	548,800

Notes:

At 30th June 2022 and 31st December 2021, the bank borrowings were repayable and carried interest with reference to HIBOR/ LIBOR or other relevant measures as follows:

	30th June 2022 HK$'000 (Unaudited)	31st December 2021 HK$'000 (Audited)
Within a period not exceeding one year	715,600	–
Within a period of more than one year but not exceeding two years	–	548,800
Within a period of more than two years but not exceeding five years	–	–
	715,600	548,800

Among these banking facilities, HK$200,000,000 (31st December 2021: HK$200,000,000) was secured by pledged deposits with a principal of HK$12,000,000 (31st December 2021: HK$12,000,000).

Further, HK$1,932,000,000 (31st December 2021: HK$1,620,000,000) was under specific performance obligation on the Company's controlling shareholder which the current controlling shareholder shall hold over 50% (or at least 51% in one of the facilities) of the entire issued share capital of the Company.

As at 30th June 2022, HK$715,600,000 (31st December 2021: HK$548,800,000) was drawn from the banking facilities under specific performance obligation. Among these banking facilities, US$30,000,000 (equivalent to HK$234,000,000) (31st December 2021: US$24,000,000 (equivalent to HK$187,200,000)) was drawn in US dollars.

As at 30th June 2022 and 31st December 2021, the Group has not utilised any of the banking facilities secured by the pledged deposits. The effective interest rate of the bank borrowings is also equal to the contracted interest rate.

17. OBLIGATIONS UNDER REPURCHASE AGREEMENTS

	30th June 2022 *HK$'000* (Unaudited)	31st December 2021 *HK$'000* (Audited)
Current position	**172,667**	214,169

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 a cash consideration of US$22,137,000 (equivalent to HK$172,667,000) (31st December 2021: US$27,458,000 (equivalent to HK$214,169,000)). There are no maturity dates stated in the agreements and the interest is calculated with reference to the LIBOR. The Group is required to repurchase the debt securities at US$22,137,000 (equivalent to HK$172,667,000) (31st December 2021: US$27,458,000 (equivalent to HK$214,169,000)) plus interest at variable rates calculated with reference to the LIBOR upon the termination of the agreements. As at 30th June 2022, the obligations under repurchase agreements were collateralised by the Group's debt securities with a fair value of HK$214,895,000 (31st December 2021: HK$293,147,000).

18. SHARE CAPITAL

	Issued and fully paid	
	No. of shares *'000*	Nominal value *HK$'000*
Authorised:		
Ordinary shares	1,000,000	100,000
Issued and fully paid:		
Ordinary shares		
At 1st January 2021 and at 31st December 2021 – Audited	641,206	64,121
At 30th June 2022 – Unaudited	641,206	64,121

Capital management

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

18. SHARE CAPITAL (CONTINUED)

Capital management (continued)

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

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 2022 was 47.12% (31st December 2021: 29.25%).

19. BONDS ISSUED

Bonds issued represented a number of fixed rate 5-year coupon bonds at a rate of 4% per annum, payable semi-annually, and with an aggregated principal amount of HK$10,000,000 (31st December 2021: HK$10,000,000). The exposure and the contractual maturity dates of the bonds are as follows:

	30th June 2022 *HK$'000* **(Unaudited)**	31st December 2021 *HK$'000* (Audited)
Within one year	**10,000**	10,000
More than 1 year but less than 2 years	**–**	–
	10,000	10,000

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

20. 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 2021 – audited	**44,129**	**45,637**
Addition	**5,606**	**5,606**
Depreciation expenses	**(24,164)**	**–**
Interest expense	**–**	**1,417**
Payments	**–**	**(26,755)**
As at 31st December 2021 and 1st January 2022 – audited	**25,571**	**25,905**
Addition	**46,613**	**46,613**
Depreciation expenses *(note 4(b))*	**(12,292)**	**–**
Interest expense *(note 4(c))*	**–**	**434**
Payments	**–**	**(12,124)**
As at 30th June 2022 – unaudited	**59,892**	**60,828**

	30th June 2022 *HK$'000* **(Unaudited)**	31st December 2021 *HK$'000* (Audited)
Lease liabilities analysed into:		
Current portion	**22,988**	15,575
Non-current portion	**37,840**	10,330
	60,828	25,905

21. CONTINGENT LIABILITIES

21.1 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 tiled 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.

21.2 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 2021: HK$300 million). In addition, the Company has issued corporate guarantees for a total principal amount of HK$300 million (31st December 2021: HK$300 million) for these facilities. As at 30th June 2022, no amount (31st December 2021: Nil) was drawn under the banking facilities.

22. 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 2022 *HK$'000* **(Unaudited)**	31st December 2021 *HK$'000* (Audited)
Contracted but not provided for	**895**	2,057

(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 2022, the carrying values of interest held by the Group in the above unconsolidated structured entities managed by the Group amounted to HK$14,367,000 (31st December 2021: HK$15,846,000), 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.

(c) Other commitments

The Group undertakes underwriting obligations on placing and IPO. As at 30th June 2022, the underwriting obligation was approximately HK$1,340,000 (31st December 2021: nil).

23. FINANCIAL RISK MANAGEMENT

23.1 Financial risk factors

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

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

(a) Market risk

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

Foreign exchange risk

The Group is exposed to foreign exchange risk primarily arising from 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 2022 and 31st December 2021, the Group was exposed to equity price changes arising from financial assets at fair value through profit or loss (note 12).

Interest rate risk

Cash flow interest rate risk

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

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.1 Financial risk factors (continued)

(a) Market risk (continued)

Interest rate risk (continued)

Fair value interest rate risk

At 30th June 2022 and 31st December 2021, 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 12). The Group does not have a fair value interest rate hedging policy. However, management is closely monitoring the Group's exposure arising from debt securities investments by regularly performing quantitative analysis, including periodic sensitivity analysis.

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

Further quantitative data in respect of the Group's exposure to credit risk for margin loans arising from securities brokering is disclosed in note 13(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 the opening of trading positions. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions and only brokers having sound credit rating will be accepted.

The open positions of the margin clients of the trading of commodities and futures contracts can be closed at the Group's discretion in margin shortfall situation to settle any margin call requirements imposed by their respective commodities and futures contracts transactions.

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

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.1 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 2022 and 31st December 2021, 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 2022 and 31st December 2021.

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 2022, over 96% (31st December 2021: over 94%) of the debt securities invested by the Company were B+ or above; 2% (31st December 2021: 4%) were B or below; and 2% (31st December 2021: 1%) were non-rated. The management of the Group reviews the portfolio of debt securities on a regular basis to ensure that there is no significant concentration risk. In this regard, the management of the Group considers that the credit risk relating to investments in debt securities is closely monitored.

The Group has maintained relationship with various financial institutions, and has policies to limit the amount of credit exposure to any financial institution. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 13.

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.

For debt investments at fair value through other comprehensive income, the Group also monitors them by using external credit ratings. The amounts presented in note 11 are gross carrying amounts for financial assets.

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.1 Financial risk factors (continued)

(c) Liquidity risk

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

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

23.2 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).

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.2 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)

	Fair value			
	30th June 2022	31st December 2021	**Fair value hierarchy**	**Valuation techniques key inputs**
	HK$'000 **(Unaudited)**	*HK$'000* (Audited)		
(a) Financial instruments				
Listed debt securities	**64,526**	40,047	Level 1	Quoted prices in an active market
Listed equity securities fund	**8,596**	–	Level 1	Quoted prices in an active market
Listed debt securities fund	**22,479**	23,676	Level 1	Quoted prices in an active market
Unlisted private equity funds *(note 1)*	**37,812**	15,846	Level 3	Adjusted NAV of private equity fund/Recent transactions
Unlisted equity securities	**1**	1	Level 2	Adjusted NAV of equity security
(b) Debt instruments at fair value through other comprehensive income				
Listed debt securities *(note 2)*	**250,779**	283,843	Level 1/ Level 3	Quoted prices in an active market/Discounted cash flow

Notes:

1. Financial assets at fair value through profit or loss – unlisted private equity funds. The fair values of unlisted equity funds are determined with reference to its net asset value or recent transaction price. Accordingly, no sensitivity analysis was prepared.

2. As at 30th June 2022, the balance included a listed debt security with a carrying amount of HK$4,928,000 (31st December 2021: nil) which had its credit rating withdrawn and there was no observable market data in the active market. The fair value hierarchy of the listed debt security was categorised as level 3.

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Levels 3 for financial assets in current period (for the six months ended 30th June 2021: nil).

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

23.2 Fair values measurements of financial instruments (continued)

Reconciliation of Levels 3 fair value measurements of financial instruments

	Financial assets at fair value through profit or loss *HK'000*
At 1st January 2021	15,557
Additions	2,935
Exchange difference	354
Disposal	(3,000)
At 31st December 2021 and 1st January 2022 – audited	15,846
Additions	28,724
Exchange difference	(607)
Disposal	(1,223)
At 30th June 2022 – unaudited	42,740

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 maximise 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.

24. MATERIAL RELATED PARTY TRANSACTIONS

24.1 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	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Brokering commission for securities dealing *(note (a))*	**2,187**	3,093
Service fee income *(note (b))*	**2,791**	3,267
Placing commission *(note (c))*	**541**	1,599
Fund management fee and advisory fee income *(note (d))*	**21,948**	29,177
Bank interest income *(note (e))*	–	126
Payment of lease liabilities *(note (f))*	–	(77)
Advisory fee expense *(note (g))*	–	(1,855)

Notes:

(a) In 2022 and 2021, the Group received commission income from its directors and fellow subsidiaries for providing securities brokerage services.

(b) In 2022 and 2021, the Group received service fee income from an associate for providing administrative supporting and consulting services.

(c) In 2022 and 2021, the Group received placing commission from its fellow subsidiaries for placing securities.

(d) In 2022 and 2021, the Group received management fee income from its connected persons for providing asset management services. The total amount represented continuing connected transactions.

(e) In 2021, the Group received bank interest income from its fellow subsidiary.

24. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

24.1 Material related party transactions (continued)

Notes: (continued)

(f) In 2021, the Group paid rental expenses to its fellow subsidiaries and an intermediate holding company for the use of office premises.

(g) In 2021, the Group paid an advisory fee expense to an associate for obtaining consulting services.

(h) The Group is indirectly controlled by China Cinda Asset Management Co., Ltd. ("China Cinda"). which is indirectly controlled by the PRC government through the Ministry of Finance (the -MOF"). The MOF is the major shareholder of China Cinda as at 30th June 2022 and 31st December 2021 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 the opinion that these transactions are in normal business terms that do not require separate disclosure.

Key management personnel's emoluments are disclosed in note 24.2.

24.2 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	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Basic salaries, discretionary bonus, housing allowances and benefits in kind	**7,028**	8,330
Defined contribution plans	**59**	49
	7,087	8,379

25. EVENTS AFTER THE REPORTING PERIOD

References are made to the announcements of the Company dated 24th June 2022 and 25th July 2022. The Company is in the process of disposing the 35% equity interest in a joint venture, namely JianXinGuoMao (Xiamen) Private Equity Fund Management Limited. The Company will provide further information as and when appropriate in accordance with the applicable Listing Rules, laws and regulations.