



Shenyin Wanguo (H.K.) Limited  
申銀萬國(香港)有限公司

(Stock Code: 218)

*interim report*  
**2014**



## RESULTS

The Directors of Shenyin Wanguo (H.K.) Limited (the “Company”) are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014 together with comparative figures for the corresponding period of last year.

### CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
	Notes	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
REVENUE	3	196,991	170,710
Exchange gains/(losses), net		(843)	1,239
Impairment loss of an available-for-sale investment		–	(2,623)
Commission expenses		(37,545)	(34,132)
Employee benefit expenses		(67,258)	(55,356)
Depreciation expenses		(3,258)	(4,671)
Interest expenses for financial services operations		(6,538)	(5,100)
Other expenses, net		(49,484)	(45,034)
<b>PROFIT BEFORE TAX</b>		<b>32,065</b>	<b>25,033</b>
Income tax expense	4	(2,840)	(3,070)
<b>PROFIT</b>		<b>29,225</b>	<b>21,963</b>
Attributable to:			
Ordinary equity holders of the Company		29,229	21,961
Non-controlling interests		(4)	2
		<b>29,225</b>	<b>21,963</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (BASIC AND DILUTED)</b>	5	<b>HK5.51 cents</b>	<b>HK4.14 cents</b>
<b>DIVIDEND PER SHARE</b>	6	<b>–</b>	<b>–</b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
PROFIT	<b>29,225</b>	21,963
OTHER COMPREHENSIVE LOSS		
Available-for-sale investments:		
Changes in fair value	<b>(2,306)</b>	(2,112)
Reclassification adjustments for (gain)/loss included in the consolidated income statement		
– gain on disposal	–	(920)
– impairment loss	–	2,623
OTHER COMPREHENSIVE LOSS, NET OF TAX	<b>(2,306)</b>	(409)
TOTAL COMPREHENSIVE INCOME	<b>26,919</b>	21,554
Attributable to:		
Ordinary equity holders of the Company	<b>26,923</b>	21,552
Non-controlling interests	<b>(4)</b>	2
	<b>26,919</b>	21,554



**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<i>Notes</i>	<b>As at 30 June 2014 (Unaudited) HK\$'000</b>	<b>As at 31 December 2013 (Audited) HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		15,107	10,809
Stock and Futures Exchange trading rights		4,212	4,212
Other assets		21,024	30,757
Available-for-sale investments	7	7,618	9,924
Deferred tax assets		218	223
<b>Total non-current assets</b>		<b>48,179</b>	<b>55,925</b>
<b>CURRENT ASSETS</b>			
Investments at fair value through profit or loss	7	102,158	138,321
Accounts receivable	8	600,455	546,474
Loans and advances	9	1,921,176	1,518,457
Prepayments, deposits and other receivables		17,711	17,180
Tax recoverable		356	386
Bank balances held on behalf of clients	10	2,274,471	2,510,756
Cash and bank balances		300,841	277,726
<b>Total current assets</b>		<b>5,217,168</b>	<b>5,009,300</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	11	2,858,821	2,943,689
Interest-bearing bank borrowings	12	1,080,598	809,381
Other payables and accruals		64,651	62,718
Tax payable		8,969	2,818
<b>Total current liabilities</b>		<b>4,013,039</b>	<b>3,818,606</b>
<b>NET CURRENT ASSETS</b>		<b>1,204,129</b>	<b>1,190,694</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,252,308</b>	<b>1,246,619</b>
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liability		506	506
<b>NET ASSETS</b>		<b>1,251,802</b>	<b>1,246,113</b>
<b>EQUITY</b>			
<b>Equity attributable to ordinary equity holders of the Company:</b>			
Issued capital		580,120	265,380
Reserves		669,048	956,865
Proposed/declared dividends		-	21,230
		<b>1,249,168</b>	<b>1,243,475</b>
<b>Non-controlling interests</b>		<b>2,634</b>	<b>2,638</b>
<b>TOTAL EQUITY</b>		<b>1,251,802</b>	<b>1,246,113</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to ordinary equity holders of the Company									
		Issued capital	Share premium account	Capital reserve	Available-for-sale investment revaluation reserve	General reserve	Retained profits	Proposed/declared dividends	Total	Non-controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013 (Audited)		265,380	314,740	15	409	138	613,482	7,961	1,202,125	2,634	1,204,759
Profit for the period		-	-	-	-	-	21,961	-	21,961	2	21,963
Other comprehensive loss for the period		-	-	-	(409)	-	-	-	(409)	-	(409)
Total comprehensive income for the period		-	-	-	(409)	-	21,961	-	21,552	2	21,554
Final 2012 dividend paid		-	-	-	-	-	-	(7,961)	(7,961)	-	(7,961)
At 30 June 2013 (Unaudited)		265,380	314,740	15	-	138	635,443	-	1,215,716	2,636	1,218,352

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)**

	Attributable to ordinary equity holders of the Company									
	Issued capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	General reserve HK\$'000	Retained profits HK\$'000	Proposed/declared dividends HK\$'000	Total equity HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2014 (Audited)	265,380	314,740	15	2,481	138	639,491	21,230	1,243,475	2,638	1,246,113
Profit for the period	-	-	-	-	-	29,229	-	29,229	(4)	29,225
Other comprehensive loss for the period	-	-	-	(2,306)	-	-	-	(2,306)	-	(2,306)
Total comprehensive income for the period	-	-	-	(2,306)	-	29,229	-	26,923	(4)	26,919
Final 2013 dividend paid	-	-	-	-	-	-	(21,230)	(21,230)	-	(21,230)
Transfer to issued capital (Note)	314,740	(314,740)	-	-	-	-	-	-	-	-
At 30 June 2014 (Unaudited)	580,120	-	15	175	138	668,720	-	1,249,168	2,634	1,251,802

Note: Pursuant to the transitional provisions for the abolition of the nominal value of share capital included in new Hong Kong Companies Ordinance (Cap. 622) which became effective on 3 March 2014, the balance of share premium account as at 3 March 2014 has been transferred to issued capital.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net cash flows from/(used in) operating activities	(219,316)	165,889
Net cash flows from/(used in) investing activities	(7,556)	1,150
Net cash flows from/(used in) financing activities	302,613	(138,961)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>75,741</b>	<b>28,078</b>
Cash and cash equivalents at beginning of period	208,381	132,217
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>284,122</b>	<b>160,295</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:</b>		
Cash and bank balances excluding time deposits with original maturity of less than three months when acquired	294,616	101,532
Time deposits with original maturity of less than three months when acquired	6,225	92,580
<b>Cash and bank balances</b>	<b>300,841</b>	<b>194,112</b>
Bank overdrafts	(16,719)	(33,817)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>284,122</b>	<b>160,295</b>



## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and are in compliance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies and methods of computation adopted in the preparation of these unaudited interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2013, except that in the current period, the Group has adopted certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) as detailed in note (a) below.

#### (a) Changes in accounting policy and disclosures

The Group has adopted the following new and revised HKFRSs issued by the HKICPA. However, the adoption of these new and revised HKFRSs has had no material effect on these financial statements.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets</i>
HK(IFRIC)-Int 21	<i>Levies</i>



## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (b) Issued but not yet effective Hong Kong Financial Reporting Standards

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

HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting</i> and amendments to HKFRS 9, HKFRS 7 and HKAS 39 <sup>1</sup>
HKFRS 11 Amendments	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>2</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>2</sup>
HKAS 16 and HKAS 38 Amendments	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>2</sup>
HKAS 19 Amendments	Amendments to HKAS 19 <i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i> <sup>3</sup>
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014 <sup>3</sup>
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014 <sup>3</sup>

<sup>1</sup> No mandatory effective date yet determined but is available for adoption

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2014

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.



## 2. OPERATING SEGMENT INFORMATION

An analysis of the Group's reportable segment results before tax for the periods are as follows:

	Brokerage business HK\$'000	Corporate Finance business HK\$'000	Asset Management business HK\$'000	Financing and Loans business HK\$'000	Investment and other business HK\$'000	Total HK\$'000
<b>Six months ended</b>						
<b>30 June 2014 (Unaudited)</b>						
Segment revenue from external customers	112,373	11,884	5,630	60,670	6,434	196,991
Segment results and profit/(loss) before tax	14,488	(288)	47	18,193	(375)	32,065
<b>Six months ended</b>						
<b>30 June 2013 (Unaudited)</b>						
Segment revenue from external customers	103,766	5,164	4,950	44,891	11,939	170,710
Segment results and profit/(loss) before tax	6,862	(6,216)	(862)	20,228	5,021	25,033



### 3. REVENUE

An analysis of revenue, which is also the Group's turnover, is as follows:

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (Restated)
<b>Brokerage business:</b>		
Commission on securities dealing:		
– Hong Kong securities	84,162	74,658
– Other than Hong Kong securities	11,147	10,916
Commission on futures and options dealing	12,851	15,370
Handling fee income	2,163	2,170
Research fee income and others	2,050	652
	112,373	103,766
<b>Corporate Finance business:</b>		
Initial public offering, placing, underwriting and sub-underwriting commission	3,717	1,643
Financial advisory, compliance advisory, sponsorship fee income and others	8,167	3,521
	11,884	5,164
<b>Asset Management business:</b>		
Management fee and investment advisory fee income	5,486	4,950
Performance fee income	144	–
	5,630	4,950



## 3. REVENUE (Cont'd)

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000 (Restated)
<b>Financing and Loans business:</b>		
Interest income from cash clients and margin clients	47,024	35,749
Interest income from initial public offering loans	2,067	309
Interest income from banks and others	11,579	8,833
	<b>60,670</b>	44,891
<b>Investment and other business:</b>		
Net realised and unrealised gains on financial assets:		
– Listed equity investments, futures and options contracts	66	2,257
– Unlisted bonds	6	–
– Unlisted funds	2,068	3,464
Dividend income:		
– Listed equity investments	265	398
– Unlisted equity investments	4,029	5,820
	<b>6,434</b>	11,939
	<b>196,991</b>	170,710



#### 4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the jurisdiction in which the Group operates.

	<b>For the six months ended 30 June</b>	
	<b>2014 (Unaudited) HK\$'000</b>	2013 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	<b>2,670</b>	2,575
Overprovision in prior years	–	(13)
Current – Elsewhere	<b>165</b>	88
Deferred	<b>5</b>	420
<b>Total tax charge for the period</b>	<b>2,840</b>	3,070

#### 5. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the unaudited profit for the period attributable to ordinary equity holders of the Company of HK\$29,229,025 (2013: HK\$21,961,736) and the 530,759,126 (2013: 530,759,126) ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during these periods.



## 6. DIVIDEND

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interim – Nil (2013: Nil) per ordinary share	–	–

## 7. INVESTMENTS

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
<b>Available-for-sale investments, at fair value:</b>		
Unlisted equity investment	5,148	7,454
Unlisted club debentures	2,470	2,470
	<b>7,618</b>	<b>9,924</b>
<b>Investments at fair value through profit or loss:</b>		
Listed equity investments in Hong Kong	29,752	26,181
Unlisted investment funds	72,406	112,140
	<b>102,158</b>	<b>138,321</b>
	<b>109,776</b>	<b>148,245</b>



**7. INVESTMENTS** (Cont'd)

**Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which the lowest level inputs that are significant to the fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which the lowest level inputs that are significant to the fair value are unobservable

	<b>Level 1</b> <i>HK\$'000</i>	<b>Level 2</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>As at 30 June 2014 – (Unaudited)</b>			
<b>Available-for-sale investments, at fair value:</b>			
Unlisted equity investment	–	5,148	5,148
Unlisted club debentures	–	2,470	2,470
<b>Investments at fair value through profit or loss:</b>			
Listed equity investments in			
Hong Kong	29,752	–	29,752
Unlisted investment fund	–	72,406	72,406
	<b>29,752</b>	<b>80,024</b>	<b>109,776</b>





**7. INVESTMENTS** (Cont'd)**Fair value hierarchy** (Cont'd)

	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
As at 31 December 2013 – (Audited)			
<b>Available-for-sale investments, at fair value:</b>			
Unlisted equity investment	–	7,454	7,454
Unlisted club debentures	–	2,470	2,470
<b>Investments at fair value through profit or loss:</b>			
Listed equity investments in			
Hong Kong	26,181	–	26,181
Unlisted investment funds	–	112,140	112,140
	<b>26,181</b>	<b>122,064</b>	<b>148,245</b>

During the six months ended 30 June 2014 and year ended 31 December 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

**Valuation techniques used to derive level 2 fair values**

The valuation techniques used by the Group to derive level 2 fair values maximise the use of observable market data where it is available and rely as little as possible on the Group's specific estimates.



**8. ACCOUNTS RECEIVABLE**

	<b>As at 30 June 2014 (Unaudited) HK\$'000</b>	As at 31 December 2013 (Audited) HK\$'000
Accounts receivable before provision for impairment	<b>622,225</b>	568,244
Less: Provision for impairment	<b>(21,770)</b>	(21,770)
<b>Accounts receivable</b>	<b>600,455</b>	546,474

Save for credit period granted by the Group, the accounts receivable shall be due on the settlement date of the respective securities and futures contracts transaction.

An aged analysis of accounts receivable before provision for impairment as at the end of the period, based on the trade date, is as follows:

	<b>As at 30 June 2014 (Unaudited) HK\$'000</b>	As at 31 December 2013 (Audited) HK\$'000
Within 1 month	<b>572,107</b>	513,918
1 to 2 months	<b>7,046</b>	5,475
2 to 3 months	<b>6,583</b>	2,599
Over 3 months	<b>36,489</b>	46,252
	<b>622,225</b>	568,244



**9. LOANS AND ADVANCES**

	<b>As at 30 June 2014 (Unaudited) HK\$'000</b>	As at 31 December 2013 (Audited) HK\$'000
Loans and advances to customers before provision for impairment:		
Secured	1,932,137	1,529,418
Unsecured	2,212	2,212
	<b>1,934,349</b>	1,531,630
Less: Provision for impairment	<b>(13,173)</b>	(13,173)
Loans and advances	<b>1,921,176</b>	1,518,457

The Group's loans and advances to customers were repayable on demand at the end of these periods.

**10. BANK BALANCES HELD ON BEHALF OF CLIENTS**

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits for varying periods of less than one year.

**11. ACCOUNTS PAYABLE**

An aged analysis of accounts payable, based on the trade date, as at the end of the period is as follows:

	<b>As at 30 June 2014 (Unaudited) HK\$'000</b>	As at 31 December 2013 (Audited) HK\$'000
Within 1 month	<b>2,858,821</b>	2,943,689

## 12. INTEREST-BEARING BANK BORROWINGS

As at the end of the period, the Group's interest-bearing bank borrowings had different maturities of less than three months.

## 13. COMMITMENTS

### (a) Capital commitments

	<b>As at 30 June 2014 (Unaudited) HK\$'000</b>	As at 31 December 2013 (Audited) HK\$'000
Contracted, but not provided	<b>4,387</b>	2,076

### (b) Operating lease commitments as a lessee

As at the end of the period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 30 June 2014 (Unaudited) HK\$'000</b>	As at 31 December 2013 (Audited) HK\$'000
Within one year	<b>20,115</b>	28,989
In the second to fifth years, inclusive	<b>36,664</b>	39,974
After fifth year	<b>3,702</b>	6,892
	<b>60,481</b>	75,855



## 14. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during these periods:

		For the six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
	Notes		
Commission expenses paid to the ultimate holding company	(i)	871	1,897
Research fees paid to a subsidiary of the ultimate holding company	(ii)	4,000	3,575
Consultancy fee for supporting services in relation to brokerage business paid to the ultimate holding company	(iii)	1,239	–
Consultancy fee for supporting services in relation to corporate finance business paid to the ultimate holding company	(iv)	203	–

*Notes:*

- (i) The commission expenses paid to the ultimate holding company were calculated based on the prescribed percentage stated in the signed cooperation agreement for clients' transaction amount in Shenzhen and Shanghai B shares.
- (ii) The research fees paid to a subsidiary of the ultimate holding company were charged at a fixed amount per each signed agreement with reference to the actual cost incurred.
- (iii) The consultancy fee for supporting service in relation to brokerage business paid to the ultimate holding company was charged at a fixed amount per signed agreement with reference to the actual cost incurred.

14. RELATED PARTY TRANSACTIONS (Cont'd)

(a) The Group had the following material transactions with related parties during these periods: (Cont'd)

Notes: (Cont'd)

- (iv) The consultancy fees for supporting services in relation to corporate finance business paid to the ultimate holding company were charged at a fixed amount per signed agreement with reference to certain percentage on the actual income derived.
- (v) Included in the accounts receivable balance as at 30 June 2014 was a broker receivable amount due from the ultimate holding company of HK\$7,160,804 (31 December 2013: HK\$11,022,157) which arose from securities dealing transactions. This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.
- (vi) Included in the accounts payable balance as at 30 June 2014 was a broker payable amount due to the ultimate holding company of HK\$9,573,190 (31 December 2013: HK\$6,762,623) which arose from securities dealing transactions. This balance is unsecured, interest-free and payable on the settlement date of the relevant transactions.
- (vii) Included in the accounts payable balance as at 30 June 2014 was an amount of segregated client money held on behalf of an intermediate holding company of HK\$28,073,714 (31 December 2013: HK\$26,756,392) which arose from securities dealing transactions. This balance is unsecured, bears interest at bank deposit rate and is payable on demand.
- (viii) Included in the other payables and accruals balance as at 30 June 2014 was an amount due to the ultimate holding company of HK\$4,000,000 (31 December 2013: Nil) which arose from provision of research service. This balance is unsecured, interest-free and payable within one month.

**14. RELATED PARTY TRANSACTIONS** (Cont'd)**(b) Key management personnel compensation**

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Short term employee benefits	12,885	11,668
Post-employment benefits	702	898
	<b>13,587</b>	12,566

**15. COMPARATIVE AMOUNTS**

As set out in note 2 to the financial statements, due to the change in segmental presentation during the period, the presentation of certain items and balances in the financial statements have been restated. Accordingly, certain comparative amounts have been restated to conform with the current period's presentation.

**16. REVIEW OF ACCOUNTS**

The audit committee has reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014.





## **INTERIM DIVIDEND**

The Board of Directors (the “Board”) resolved not to declare the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Review of Market**

In the first half of 2014, the world’s major economies continued its recovery trend from last year. The U.S. Federal Reserve Board reduced the scale of quantitative easing (QE) as scheduled without affecting the demand growth of the U.S. real estate market. Meanwhile, the employment market continued to show substantial improvement. Despite the core personal consumption expenditures (PCE) was still lower than the U.S. Federal Reserve Board’s target of 2%, the signs of U.S. domestic inflation began to emerge, and it is the market’s expectation that the U.S. Federal Reserve Board will start to increase interest rates within next year. Japan had survived from the impact of the increase in consumption tax and its economy continued to recover. At the same time, the situation in Europe had also improved remarkably. Core countries like France and Germany recorded strong economic growth, while the debt issuance costs in periphery countries had decreased substantially. All these had indicated that the impact of the European debt crisis continued to fade away. Unlike the U.S., the extremely low inflation rate in Europe ignited the concern over deflation. After implementing the negative interest rate policy by European Central Bank, the market still, in general, expected that Europe will enlarge the scale of quantitative easing. The performance of emerging markets was fragmented, with optimistic prospect in India because of its reform, Russia was deeply trapped in the geopolitical turbulence, while Brazil and South Africa still unable to break away from the predicament of weak economy with high inflation.

The economy of Chinese Mainland was stabilised in June after experiencing a downturn. With a strong growth of infrastructure construction, the central bank’s on-going implementation of the directional target-cut in reserve requirement ratio and the ending of strong RMB appreciation, they contributed to a rebound in export in June. All these factors led to an improvement in domestic demand with inflation remaining low, indicating that there is abundant room of easing for the central bank. The real estate market is of utmost worry. Despite

real estate policies had been easing in an increasing number of cities recently, sales and investment continued to decline. The trend of Hong Kong stock market in the first half of the year had basically reflected the changes of the economic fundamentals in Chinese Mainland. Hang Seng Index trembling down from its high of 23,340 in the beginning of the year to 21,182 on 20 March, representing a decrease of over 9%. Thereafter, the market expected an easing in economic policy, thereby contributing some recovery sentiment to the Hong Kong stock market with Hang Seng Index rebounded to 23,187 on 10 April. However, as the macroeconomic data revealed a rapid deterioration of Chinese Mainland economy in April and May, Hang Seng Index dipped downwards again to 21,746. In June, with the increase in scale of policy easing and the significantly improvement of economic data, Hang Seng Index continued to rebound and closed at 23,191. From January to June this year, the average daily turnover of the Hong Kong Stock Exchange amounted to HK\$62.9 billion, which was lower than the average daily turnover of HK\$68.3 billion in the first half of last year.

## Review of Operations

In the first half of 2014, the overall operation of the Group achieved a satisfactory growth with a turnover of HK\$197 million (2013: HK\$171 million), representing an increase of 15% as compared with the same period last year. The unaudited profit before tax increased by 28% to HK\$32.07 million (2013: HK\$25.03 million). Revenue from brokerage business, financing and loans business and corporate finance business achieved a higher growth. For brokerage business, despite a decrease in market trading volume, revenue increased by HK\$8.61 million or 8% as compared with the same period last year. For financing and loans business, the current average margin balance reached nearly HK\$1.5 billion, achieved revenue of HK\$60.67 million, representing an increase of 35% as compared with the same period last year. For corporate finance business, the Group successfully completed the listing and the lead underwriting of Hung Fook Tong Group Holdings Limited (1446) on the Main Board in the first half year, and participated in the international offering amounting to HK\$116 million. In the first half year, revenue from corporate finance business amounted to HK\$11.88 million, representing an increase of 130% as compared with the same period last year. The number of lead underwriting, placing and financial advisory projects amounted to 1, 3 and 11 respectively. In the first half year, revenue from asset management business amounted to HK\$5.63 million, representing an increase of 14% as compared with the same period last year.

The brokerage business of the Group focuses on the stock and futures markets in Hong Kong as well as the B-share market in Chinese Mainland. In 2014, the markets in both Hong Kong and Chinese Mainland dropped slightly, with the average daily turnover in Hong Kong stock market decreased from HK\$68.3 billion to HK\$62.9 billion. The Group leveraged on the market opportunities, like the active new economic concept stocks and introduction of Shanghai-Hong Kong Stock Connect policy, to pro-actively introduce customers to participate in trading Hong Kong stocks and obtained satisfactory results. For product categories, whilst continuing to introduce third party bond products in the first half year, the Group intensified its efforts in introducing third party fund products with fund products sales amount increased by 79% as compared with the same period last year. For the institutional brokerage business, the Group even integrated its overseas offices and sales teams further to unify its management and joint marketing, and actively expanded the comprehensive institutional business, which included share placement and RQFII products marketing. At the same time, for business development, the Group's wholly-owned Singapore-incorporated subsidiary, officially commenced its operation, and the Group introduced the ECM team to actively develop the share placement transaction business of Hong Kong listed companies.

In the first half year, in supporting its business development, the Group conducted a comprehensive appraisal on various sources of fund and leverage applications on debt issues, syndicated loans and commercial credits. By fully taking advantage on the opportunities brought by the intensive issue of new shares in the Hong Kong stock market and the active performance of individual stock in the first half year, the Group expanded the loan size on time with risk under control. The current average margin balance reached nearly HK\$1.5 billion, achieved revenue of HK\$60.67 million in the first half of 2014, representing an increase of 35% as compared with the same period last year.



Shenyin Wanguo Capital (H.K.) Limited (“Shenyin Wanguo Capital”), a wholly-owned subsidiary of the Group, is mainly engaged in the sponsor, financial advisory and securities underwriting businesses. Shenyin Wanguo Capital acted as the joint lead manager of Hung Fook Tong Group Holdings Limited (1446), the shares of which were successfully listed on the Main Board of the Hong Kong Stock Exchange in July 2014. During the first half of 2014, Shenyin Wanguo Capital acted as underwriter for various new share issues and actively participated in a number of share placements as well as a number of financial advisory projects.

The “Shenyin Wanguo RMB Mainland Investment Fund” (RQFII Fund), managed by Shenyin Wanguo Asset Management (Asia) Limited (“SWAM”), a wholly-owned subsidiary of the Group, continued to perform well. The company was successfully granted the additional RQFII special quota of RMB1.5 billion in April this year, resulting a total asset management size of reaching HK\$3.97 billion by the end of June. During the first half of 2014, revenue from asset management business amounted to HK\$5.63 million.

A securities research team of the Group provides professional support for our securities trading and brokerage businesses. With the support of our parent company, which is one of the leading securities companies in Chinese Mainland, the Group has become a research specialist in Chinese Mainland securities and publishes regular reports on Chinese Mainland securities. The reports also cover macroeconomics, market strategy and analyses, as well as the key Chinese Mainland companies listed on the Hong Kong, Shanghai and Shenzhen stock exchanges. The securities research team of the Group also prepares detailed company analytical reports for circulation to our clients. During the first half of 2014, the securities research team of the Group published a total of nearly 1,000 research reports, and a products research team was newly set up to improve reports quality to further satisfying customer demand. Prior to the official launch of Shanghai-Hong Kong Stock Connect, the products research team already made relevant preparation and will provide relevant research products for customers. During the first half of 2014, a total of 16 analysts had personally met or invited Hong Kong listed companies to meet with our clients in Hong Kong and Asia and conducted international roadshows.

## **Prospects**

The market generally expect that the U.S. economy will continue to recover and that the U.S. Federal Reserve Board will exit quantitative easing, however, that interest rate will not start to increase in the second half of this year. Meanwhile, the economic growth in Japan and the inflation situation of Europe remains to be observed. We are of the view that the Chinese Mainland economy has stabilised in phases. Under the dual-stimulation of the government's easing fiscal policy and monetary policy, the domestic economy will continue its layout of maintaining stability while in an increasing trend in the second half year, and GDP for the year is expected to reach the growth target of 7.5%. At the same time, state-owned enterprises reform, financial market reform, key factor prices reform and environmental governance will continue to contribute the reform benefits. Under the current valuation standard, Chinese assets are becoming very attractive. Along with the implementation of Shanghai-Hong Kong Stock Connect in the second half of 2014, large blue chips will attract more investor attention.

## **Capital Structure**

During the period, there was no change to the share capital of the Company. As at 30 June 2014, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to ordinary equity holders was HK\$1,249 million.

## **Liquidity, Financial Resources and Gearing Ratio**

As at 30 June 2014, the Group had cash and bank balances of HK\$301 million (31 December 2013: HK\$278 million) and short-term marketable securities of HK\$102 million (31 December 2013: HK\$138 million). As at 30 June 2014, the Group's total unutilised banking facilities amounted to HK\$1,362 million (31 December 2013: HK\$844 million), of which HK\$591 million (31 December 2013: HK\$436 million) could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2014, the Group had outstanding short-term bank borrowings amounting to HK\$1,081 million. The liquidity ratio (current assets to current liabilities) and gearing ratio (bank borrowings to net asset value) were 130% (2013: 139%) and 86% (2013: 37%) respectively.

The Group has sufficient financial resources for its day to day operations as well as spare capacity to take advantage of any investment opportunities when they arise.

### **Significant Investment Held, Material Acquisition and Disposal**

During the period, the Group did not hold any significant investment and did not have any material acquisition or disposal.

### **Charges on the Group's Asset**

No asset of the Group was subject to any charge as at 30 June 2014.

### **Risk Management**

The Group has properly put in place credit management policies which cover the examination of the approval of clients' trading and credit limits, regular reviews of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

The management closely monitors the market condition so that precautionary measures will be taken to mitigate any risk that the Group may encounter. As at 30 June 2014, loans and advances in the condensed consolidated statement of financial position included loans to margin client on trade date basis of HK\$1,258 million (31 December 2013: HK\$1,518 million), of which, 12% (31 December 2013: 20%) was attributable to corporate customers with the rest attributable to individual customers.



## **Exposure to Fluctuations in Exchange Rates and Any Related Hedges**

The Group's exposure to fluctuations in exchange rates arises from its dealings in overseas share markets. Such dealings are entered into on behalf of clients of the Group and accounted for a small portion of the Group's revenue. A material portion of such overseas transactions is denominated in United States dollars. The pegged exchange rate between United States dollars and Hong Kong dollars kept the Group's exchange risk exposure to a minimum and thus, no hedging was required. Exchange gains and/or losses are dealt with in the income statement. The Group has endeavored to closely monitor its foreign currency positions and takes necessary measures when the situations so justify.

## **Contingent Liabilities**

There were no material contingent liabilities as at 30 June 2014.

## **Future Plans for Material Investments or Capital Assets**

Except the future plans as disclosed in the paragraph of "Prospects", the Group had no other future plans for material investments or capital assets as at 30 June 2014.

## **Employees and Training**

As at 30 June 2014, the total number of full-time employees was 239 (2013: 210). The total staff costs for the period (excluding directors' fees) amounted to approximately HK\$67 million (2013: HK\$55 million).

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities and Futures Commission, the Group has organised a total of 6 Continuous Professional Training seminars for all licensed staff members during the six months ended 30 June 2014 (2013: 4).





## OTHER INFORMATION

### Director's Interests in Shares

As at 30 June 2014, none of the directors and the chief executive of the Company was taken to be interested or deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to 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 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

### Directors' Rights to Acquire Shares or Debentures

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### Substantial Shareholders' Interests in Shares

As at 30 June 2014, the interests of substantial shareholders, other than directors or chief executive of the Company, in the issued shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:



***Long positions in the ordinary shares of the Company***

<b>Name</b>	<b>Capacity and nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued shares</b>
Shenyin Wanguo Holdings (B.V.I.) Limited ("SWHBVI")	Directly beneficially owned	268,334,875*	50.56
Venture-Some Investments Limited ("VSI")	Through controlled corporation	268,334,875*	50.56
Shenyin Wanguo (H.K.) Holdings Limited ("SWHKH")	Through controlled corporation Directly beneficially owned	268,334,875* 2,045,000*	50.56 0.38
Shenyin & Wanguo Securities Co., Ltd. ("SWSC")	Through controlled corporation	270,379,875*	50.94

\* *SWHBVI was held directly as to 50.51% by VSI. VSI was wholly-owned by SWHKH. SWHKH was wholly-owned by SWSC. Hence, VSI, SWHKH and SWSC were deemed to be interested in the same parcel of 268,334,875 shares held by SWHBVI under the SFO. SWHKH also held directly 2,045,000 shares of the Company. Hence, SWSC was also deemed to be interested in the same parcel of 2,045,000 shares held by SWHKH.*

Save as disclosed above, as at 30 June 2014, the Company had not been notified of any person who had interests or short positions in the shares or underlying shares of the Company, which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.



## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

## **CORPORATE GOVERNANCE CODE**

To better the Company's transparency and accountability to the shareholders, the Company is, so far as practicable, committed to maintaining high standard of corporate governance. Save for the deviation from the code provision A.6.7 which is explained as below, the Company has met all the code provisions stipulated in Appendix 14, Corporate Governance Code and Corporate Governance Report, of the Listing Rules during the six months ended 30 June 2014.

Code provision A.6.7 specifies that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other engagements, a non-executive director was unable to attend the annual general meeting of the Company held on 15 April 2014.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on replies from the Company's directors on specific enquiry, all the directors complied with required standard set out in the Model Code throughout the period.



## **AUDIT COMMITTEE**

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The audit committee has reviewed the interim results announcement and interim report of the Company for the six months ended 30 June 2014.

## **DIRECTORS**

As at the date of this interim report, the Board of the Company comprises 9 directors, of which Mr. Chu Xiaoming, Mr. Lu Wenqing, Mr. Guo Chun and Mr. Lee Man Chun Tony are the executive directors, Mr. Chang Pen Tsao and Mr. Zhang Lei are the non-executive directors, Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Zhuo Fumin are the independent non-executive directors.

By Order of the Board  
**Chu Xiaoming**  
*Chairman*

Hong Kong, 22 August 2014

