



**SHENWAN HONGYUAN (H.K.) LIMITED**

**申萬宏源（香港）有限公司**

(Incorporated in Hong Kong with limited liability)

(Stock Code : 218)



Interim Report **2015**

## RESULTS

The Directors of Shenwan Hongyuan (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 2015 together with comparative figures for the corresponding period of last year.

### CONDENSED CONSOLIDATED INCOME STATEMENT

|                                                                                               | Notes | For the six months ended 30 June |                                 |
|-----------------------------------------------------------------------------------------------|-------|----------------------------------|---------------------------------|
|                                                                                               |       | 2015<br>(Unaudited)<br>HK\$'000  | 2014<br>(Unaudited)<br>HK\$'000 |
| REVENUE                                                                                       | 3     | 429,430                          | 196,991                         |
| Other gains/(losses)                                                                          | 3     | 4,453                            | (843)                           |
| Commission expenses                                                                           |       | (96,881)                         | (37,545)                        |
| Employee benefit expenses                                                                     |       | (109,416)                        | (67,258)                        |
| Depreciation expenses                                                                         |       | (2,627)                          | (3,258)                         |
| Interest expenses for financial service operations                                            |       | (11,656)                         | (6,538)                         |
| Other expenses, net                                                                           |       | (73,938)                         | (49,484)                        |
| PROFIT BEFORE TAX                                                                             |       | 139,365                          | 32,065                          |
| Income tax expense                                                                            | 4     | (14,949)                         | (2,840)                         |
| PROFIT                                                                                        |       | 124,416                          | 29,225                          |
| Attributable to:                                                                              |       |                                  |                                 |
| Ordinary equity holders of the Company                                                        |       | 124,416                          | 29,229                          |
| Non-controlling interests                                                                     |       | -                                | (4)                             |
|                                                                                               |       | 124,416                          | 29,225                          |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (BASIC AND DILUTED) | 5     | 15.70 cents                      | (Restated)<br>4.12 cents        |

Details of the proposed dividend (if any) for the period are disclosed in note 6 to the financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|                                                                                                                  | For the six months<br>ended 30 June |                                 |
|------------------------------------------------------------------------------------------------------------------|-------------------------------------|---------------------------------|
|                                                                                                                  | 2015<br>(Unaudited)<br>HK\$'000     | 2014<br>(Unaudited)<br>HK\$'000 |
| PROFIT                                                                                                           | 124,416                             | 29,225                          |
| OTHER COMPREHENSIVE INCOME/(LOSS):<br>Items that may be reclassified to profit or loss<br>on subsequent periods: |                                     |                                 |
| Changes in fair value of<br>an available-for-sale investment                                                     | -                                   | (2,306)                         |
| Disposal of an available-for-sale investment                                                                     | (167)                               | -                               |
| OTHER COMPREHENSIVE INCOME/(LOSS)                                                                                | (167)                               | (2,306)                         |
| TOTAL COMPREHENSIVE INCOME                                                                                       | 124,249                             | 26,919                          |
| Attributable to:                                                                                                 |                                     |                                 |
| Ordinary equity holders of the Company                                                                           | 124,249                             | 26,923                          |
| Non-controlling interests                                                                                        | -                                   | (4)                             |
|                                                                                                                  | 124,249                             | 26,919                          |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|                                                                      |              | As at<br>30 June<br>2015<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|----------------------------------------------------------------------|--------------|-----------------------------------------------------|-------------------------------------------------------|
|                                                                      | <i>Notes</i> |                                                     |                                                       |
| <b>NON-CURRENT ASSETS</b>                                            |              |                                                     |                                                       |
| Property, plant and equipment                                        |              | 12,357                                              | 13,259                                                |
| Stock and Futures Exchange trading rights                            |              | 4,212                                               | 4,212                                                 |
| Other assets                                                         |              | 54,948                                              | 43,983                                                |
| Available-for-sale investments                                       | 7            | 2,470                                               | 7,610                                                 |
| Deferred tax assets                                                  |              | 169                                                 | 236                                                   |
| <b>Total non-current assets</b>                                      |              | <b>74,156</b>                                       | <b>69,300</b>                                         |
| <b>CURRENT ASSETS</b>                                                |              |                                                     |                                                       |
| Investments at fair value through profit or loss                     | 7            | 154,099                                             | 199,879                                               |
| Accounts receivable                                                  | 8            | 1,397,555                                           | 1,140,380                                             |
| Loans and advances                                                   | 9            | 3,378,300                                           | 1,717,634                                             |
| Prepayments, deposits and other receivables                          |              | 26,932                                              | 24,442                                                |
| Tax recoverable                                                      |              | 148                                                 | 148                                                   |
| Bank balances held on behalf of clients                              | 10           | 3,684,173                                           | 2,664,938                                             |
| Cash and bank balances                                               |              | 500,995                                             | 272,413                                               |
| <b>Total current assets</b>                                          |              | <b>9,142,202</b>                                    | <b>6,019,834</b>                                      |
| <b>CURRENT LIABILITIES</b>                                           |              |                                                     |                                                       |
| Accounts payable                                                     | 11           | 4,836,263                                           | 3,653,108                                             |
| Other payables and accruals                                          |              | 274,291                                             | 105,370                                               |
| Interest-bearing bank borrowings                                     | 12           | 2,064,920                                           | 1,009,097                                             |
| Tax payable                                                          |              | 19,362                                              | 4,793                                                 |
| <b>Total current liabilities</b>                                     |              | <b>7,194,836</b>                                    | <b>4,772,368</b>                                      |
| <b>NET CURRENT ASSETS</b>                                            |              | <b>1,947,366</b>                                    | <b>1,247,466</b>                                      |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                         |              | <b>2,021,522</b>                                    | <b>1,316,766</b>                                      |
| <b>NON-CURRENT LIABILITY</b>                                         |              |                                                     |                                                       |
| Deferred tax liability                                               |              | 247                                                 | 270                                                   |
| <b>NET ASSETS</b>                                                    |              | <b>2,021,275</b>                                    | <b>1,316,496</b>                                      |
| <b>EQUITY</b>                                                        |              |                                                     |                                                       |
| Share capital                                                        |              | 1,200,457                                           | 580,120                                               |
| Other reserves                                                       |              | 818,187                                             | 733,745                                               |
| <b>Equity attributable to ordinary equity holders of the Company</b> |              | <b>2,018,644</b>                                    | <b>1,313,865</b>                                      |
| Non-controlling interests                                            |              | 2,631                                               | 2,631                                                 |
| <b>TOTAL EQUITY</b>                                                  |              | <b>2,021,275</b>                                    | <b>1,316,496</b>                                      |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|                                                                      | Attributable to ordinary equity holders of the Company |                                                 |                             |                                                               |                             |                              |                                         | Total equity<br>HK\$'000 |                   |                                       |
|----------------------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------|-----------------------------|---------------------------------------------------------------|-----------------------------|------------------------------|-----------------------------------------|--------------------------|-------------------|---------------------------------------|
|                                                                      | Share capital<br>HK\$'000<br>(Note (a))                | Share premium account<br>HK\$'000<br>(Note (b)) | Capital reserve<br>HK\$'000 | Available-for-sale investment revaluation reserve<br>HK\$'000 | General reserve<br>HK\$'000 | Retained profits<br>HK\$'000 | Proposed/declared dividends<br>HK\$'000 |                          | Total<br>HK\$'000 | Non-controlling interests<br>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 income for the period:                           |                                                        |                                                 |                             |                                                               |                             |                              |                                         |                          |                   |                                       |
| Change in fair value of an available-for-sale investment, net of tax | -                                                      | -                                               | -                           | (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)                              |
| Transition to no-par value regime                                    | 314,740                                                | (314,740)                                       | -                           | -                                                             | -                           | -                            | -                                       | -                        | -                 | -                                     |
| At 30 June 2014 (Unaudited)                                          | 580,120                                                | -                                               | 15                          | 175                                                           | 138                         | 688,720                      | -                                       | 1,249,168                | 2,634             | 1,251,802                             |

### Notes:

- (a) Under the Hong Kong Companies Ordinance (Cap. 622), which became effective on 3 March 2014, the concept of authorised share capital no longer exists.
- (b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members of the Company as a result of this transition.

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

|                                                             |  | Attributable to ordinary equity holders of the Company |                             |                                                                            |                                |                                 |                                                |                   |                                              |                             |
|-------------------------------------------------------------|--|--------------------------------------------------------|-----------------------------|----------------------------------------------------------------------------|--------------------------------|---------------------------------|------------------------------------------------|-------------------|----------------------------------------------|-----------------------------|
|                                                             |  | Share capital<br>HK\$'000                              | Capital reserve<br>HK\$'000 | Available-<br>for-sale<br>investment<br>revaluation<br>reserve<br>HK\$'000 | General<br>reserve<br>HK\$'000 | Retained<br>profits<br>HK\$'000 | Proposed/<br>declared<br>dividends<br>HK\$'000 | Total<br>HK\$'000 | Non-<br>controlling<br>interests<br>HK\$'000 | Total<br>equity<br>HK\$'000 |
| At 1 January 2015 (Audited)                                 |  | 580,120                                                | 15                          | 167                                                                        | 138                            | 693,618                         | 39,807                                         | 1,313,865         | 2,631                                        | 1,316,496                   |
| Profit for the period                                       |  | -                                                      | -                           | -                                                                          | -                              | 124,416                         | -                                              | 124,416           | -                                            | 124,416                     |
| Other comprehensive income for the period:                  |  |                                                        |                             |                                                                            |                                |                                 |                                                |                   |                                              |                             |
| Disposal of an available-for-sale investment,<br>net of tax |  | -                                                      | -                           | (167)                                                                      | -                              | -                               | -                                              | (167)             | -                                            | (167)                       |
| Total comprehensive income for the period                   |  | -                                                      | -                           | (167)                                                                      | -                              | 124,416                         | -                                              | 124,249           | -                                            | 124,249                     |
| Final 2014 dividend declared                                |  | -                                                      | -                           | -                                                                          | -                              | -                               | (39,807)                                       | (39,807)          | -                                            | (39,807)                    |
| Issue of shares from rights issue                           |  | 620,337                                                | -                           | -                                                                          | -                              | -                               | -                                              | 620,337           | -                                            | 620,337                     |
| At 30 June 2015 (Unaudited)                                 |  | 1,200,457                                              | 15                          | -                                                                          | 138                            | 818,034                         | -                                              | 2,018,644         | 2,631                                        | 2,021,275                   |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|                                                                                                   |      | For the six months<br>ended 30 June |                                 |
|---------------------------------------------------------------------------------------------------|------|-------------------------------------|---------------------------------|
|                                                                                                   | Note | 2015<br>(Unaudited)<br>HK\$'000     | 2014<br>(Unaudited)<br>HK\$'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                       |      |                                     |                                 |
| Profit before tax                                                                                 |      | 139,365                             | 32,065                          |
| Adjustments for:                                                                                  |      |                                     |                                 |
| Fair value gain from an unlisted available-for-sale investment (transfer from equity on disposal) | 3    | (167)                               | -                               |
| Depreciation                                                                                      |      | 2,627                               | 3,258                           |
|                                                                                                   |      | <b>141,825</b>                      | <b>35,323</b>                   |
| (Increase)/decrease in other assets                                                               |      | (10,965)                            | 9,733                           |
| Decrease in available-for-sale investments                                                        |      | 5,140                               | -                               |
| Decrease in investments at fair value through profit or loss                                      |      | 45,780                              | 36,163                          |
| Increase in accounts receivable                                                                   |      | (257,175)                           | (53,981)                        |
| Increase in loans and advances                                                                    |      | (1,660,666)                         | (402,719)                       |
| Increase in prepayments, deposits and other receivables                                           |      | (2,490)                             | (531)                           |
| (Increase)/decrease in bank balances held on behalf of clients                                    |      | (1,019,235)                         | 236,285                         |
| Increase/(decrease) in accounts payable                                                           |      | 1,183,155                           | (84,868)                        |
| Increase in other payables and accruals                                                           |      | 148,653                             | 1,933                           |
|                                                                                                   |      | <b>(1,425,978)</b>                  | <b>(222,662)</b>                |
| Cash used in operations                                                                           |      | -                                   | 3,367                           |
| Hong Kong profits tax refunded                                                                    |      | (336)                               | (21)                            |
| Overseas taxes paid                                                                               |      |                                     |                                 |
| Net cash flows used in operating activities                                                       |      | <b>(1,426,314)</b>                  | <b>(219,316)</b>                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                       |      |                                     |                                 |
| Purchases of items of property, plant and equipment                                               |      | (1,725)                             | (7,556)                         |
| Net cash flows used in investing activities                                                       |      | <b>(1,725)</b>                      | <b>(7,556)</b>                  |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

|                                                                                                | For the six months<br>ended 30 June |                                 |
|------------------------------------------------------------------------------------------------|-------------------------------------|---------------------------------|
|                                                                                                | 2015<br>(Unaudited)<br>HK\$'000     | 2014<br>(Unaudited)<br>HK\$'000 |
| <b>CASH FLOWS FROM FINANCING<br/>ACTIVITIES</b>                                                |                                     |                                 |
| Net proceeds from bank loans                                                                   | 1,056,041                           | 323,843                         |
| Net proceeds from issuance of<br>shares upon rights issue                                      | 620,337                             | –                               |
| Dividend paid                                                                                  | (19,539)                            | (21,230)                        |
| Net cash flows from financing activities                                                       | 1,656,839                           | 302,613                         |
| <b>NET INCREASE IN CASH AND<br/>BANK BALANCES</b>                                              | 228,800                             | 75,741                          |
| Cash and bank balances<br>at beginning of period                                               | 272,195                             | 208,381                         |
| <b>CASH AND BANK BALANCES<br/>AT END OF PERIOD</b>                                             | 500,995                             | 284,122                         |
| <b>ANALYSIS OF BALANCES OF<br/>CASH AND BANK BALANCES</b>                                      |                                     |                                 |
| Cash and bank balances                                                                         | 500,995                             | 294,616                         |
| Non-pledged time deposits with<br>original maturity of less than<br>three months when acquired | –                                   | 6,225                           |
| Cash and bank balances as stated<br>in the consolidated statement of<br>financial position     | 500,995                             | 300,841                         |
| Bank overdrafts                                                                                | –                                   | (16,719)                        |
| Cash and bank balances as stated in the<br>consolidated statement of cash flows                | 500,995                             | 284,122                         |
| <i>Net cash flows used in operating<br/>activities include:</i>                                |                                     |                                 |
| <i>Bank interest received</i>                                                                  | 11,736                              | 11,579                          |
| <i>Dividend received</i>                                                                       | 476                                 | 4,294                           |



# 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 (“the 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 2014, except that in the current period, the Group has adopted certain revised Hong Kong Financial Reporting Standards (“HKFRSs”) and interpretation as detailed in note (a) below.

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

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

|                                     |                                                      |
|-------------------------------------|------------------------------------------------------|
| Amendment to HKAS 19                | <i>Defined Benefit Plans: Employee Contributions</i> |
| Annual Improvements 2010-2012 Cycle | Amendments to a number of HKFRSs                     |
| Annual Improvements 2011-2013 Cycle | Amendments to a number of HKFRSs                     |

In addition, the Company during the period has adopted Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622). The adoption has had no significant financial effect on these interim financial statements.

## 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 interim financial statements.

|                                                     |                                                                                                           |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| HKFRS 9                                             | <i>Financial Instrument</i> <sup>1</sup>                                                                  |
| Amendments to HKFRS 10 and HKAS 28 (2011)           | <i>Sale of Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup> |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | <i>Investment Entities: Applying the Consolidation Exception</i> <sup>2</sup>                             |
| Amendments to HKFRS 11                              | <i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>2</sup>                          |
| HKFRS 14                                            | <i>Regulatory Deferral Accounts</i> <sup>3</sup>                                                          |
| HKFRS 15                                            | <i>Revenue from Contracts with Customers</i> <sup>1</sup>                                                 |
| Amendments to HKAS 1                                | <i>Disclosure Initiative</i> <sup>2</sup>                                                                 |
| Amendments to HKAS 16 and HKAS 38                   | <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>2</sup>                  |
| Amendments to HKAS 16 and HKAS 41                   | <i>Agriculture: Bearer Plants</i> <sup>2</sup>                                                            |
| Amendments to HKAS 27 (2011)                        | <i>Equity Method in Separate Financial Statement</i> <sup>2</sup>                                         |
| Annual Improvements 2012-2014 Cycle                 | Amendments to a number of HKFRSs <sup>2</sup>                                                             |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

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

<sup>3</sup> Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.

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

### (b) Issued but not yet effective Hong Kong Financial Reporting Standards *(Cont'd)*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

## 2. OPERATING SEGMENT INFORMATION

The Group's unaudited segment results are as follows:

|                                                                        | Brokerage<br>business<br><i>HK\$'000</i> | Corporate<br>Finance<br>business<br><i>HK\$'000</i> | Asset<br>Management<br>business<br><i>HK\$'000</i> | Financing<br>and Loans<br>business<br><i>HK\$'000</i> | Investment<br>business<br><i>HK\$'000</i> | Others<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|------------------------------------------------------------------------|------------------------------------------|-----------------------------------------------------|----------------------------------------------------|-------------------------------------------------------|-------------------------------------------|---------------------------|--------------------------|
| Six months ended 30 June 2015                                          |                                          |                                                     |                                                    |                                                       |                                           |                           |                          |
| Segment revenue and other<br>gains/(losses) from<br>external customers | 256,196                                  | 57,538                                              | 6,148                                              | 90,855                                                | 18,693                                    | 4,453                     | 433,883                  |
| Segment results and<br>profit/(loss) before tax                        | 58,381                                   | 15,454                                              | 836                                                | 43,415                                                | 16,826                                    | 4,453                     | 139,365                  |

|                                                                        | Brokerage<br>business<br><i>HK\$'000</i><br>(restated) | Corporate<br>Finance<br>business<br><i>HK\$'000</i><br>(restated) | Asset<br>Management<br>business<br><i>HK\$'000</i><br>(restated) | Financing<br>and Loans<br>business<br><i>HK\$'000</i><br>(restated) | Investment<br>business<br><i>HK\$'000</i><br>(restated) | Others<br><i>HK\$'000</i><br>(restated) | Total<br><i>HK\$'000</i><br>(restated) |
|------------------------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------|----------------------------------------|
| Six months ended 30 June 2014                                          |                                                        |                                                                   |                                                                  |                                                                     |                                                         |                                         |                                        |
| Segment revenue and other<br>gains/(losses) from<br>external customers | 112,373                                                | 11,884                                                            | 5,630                                                            | 60,670                                                              | 6,434                                                   | (843)                                   | 196,148                                |
| Segment results and<br>profit/(loss) before tax                        | 8,778                                                  | 686                                                               | 332                                                              | 17,849                                                              | 5,263                                                   | (843)                                   | 32,065                                 |

Certain comparative amounts have been restated to conform with the current period's presentation.

### 3. REVENUE AND OTHER GAINS/(LOSSES)

An analysis of revenue, which is also the Group's turnover, and other gains/(losses) are as follows:

|                                                                                   | <b>For the six months<br/>ended 30 June</b> |                                 |
|-----------------------------------------------------------------------------------|---------------------------------------------|---------------------------------|
|                                                                                   | <b>2015<br/>(Unaudited)<br/>HK\$'000</b>    | 2014<br>(Unaudited)<br>HK\$'000 |
| <b>Revenue:</b>                                                                   |                                             |                                 |
| <b>Brokerage business:</b>                                                        |                                             |                                 |
| Commission on securities dealing                                                  |                                             |                                 |
| – Hong Kong securities                                                            | 195,466                                     | 84,162                          |
| – Other than Hong Kong securities                                                 | 27,688                                      | 11,147                          |
| Commission on futures and options<br>contracts dealing                            | 21,136                                      | 12,851                          |
| Handling fee income                                                               | 2,545                                       | 2,163                           |
| Research fee income and others                                                    | 9,361                                       | 2,050                           |
|                                                                                   | <b>256,196</b>                              | <b>112,373</b>                  |
| <b>Corporate Finance business:</b>                                                |                                             |                                 |
| Initial public offering, placing, underwriting<br>and sub-underwriting commission | 43,939                                      | 3,717                           |
| Financial advisory, compliance advisory,<br>sponsorship fee income and others     | 13,599                                      | 8,167                           |
|                                                                                   | <b>57,538</b>                               | <b>11,884</b>                   |
| <b>Asset Management business:</b>                                                 |                                             |                                 |
| Management fee and investment<br>advisory fee income                              | 6,148                                       | 5,486                           |
| Performance fee income                                                            | –                                           | 144                             |
|                                                                                   | <b>6,148</b>                                | <b>5,630</b>                    |
| <b>Financing and Loans business:</b>                                              |                                             |                                 |
| Interest income from cash<br>clients and margin clients                           | 74,524                                      | 47,024                          |
| Interest income from initial<br>public offering loans                             | 4,595                                       | 2,067                           |
| Interest income from banks and others                                             | 11,736                                      | 11,579                          |
|                                                                                   | <b>90,855</b>                               | <b>60,670</b>                   |

### 3. REVENUE AND OTHER GAINS/(LOSSES) (Cont'd)

|                                                          | For the six months<br>ended 30 June |                                 |
|----------------------------------------------------------|-------------------------------------|---------------------------------|
|                                                          | 2015<br>(Unaudited)<br>HK\$'000     | 2014<br>(Unaudited)<br>HK\$'000 |
| <b>Revenue: (Cont'd)</b>                                 |                                     |                                 |
| <b>Investment business:</b>                              |                                     |                                 |
| Net realised and unrealised gains on<br>financial assets |                                     |                                 |
| – Listed investments                                     | 822                                 | 66                              |
| – Unlisted investments                                   | 15,500                              | 2,074                           |
| Dividend income and interest income                      |                                     |                                 |
| – Listed investments                                     | 53                                  | 265                             |
| – Unlisted investments                                   | 2,318                               | 4,029                           |
|                                                          | <b>18,693</b>                       | <b>6,434</b>                    |
|                                                          | <b>429,430</b>                      | <b>196,991</b>                  |
| <b>Other gains/(losses):</b>                             |                                     |                                 |
| Gain on disposal of an available-for-sale<br>investment  | 167                                 | –                               |
| Exchange gains/(losses), net                             | 4,286                               | (843)                           |
|                                                          | <b>4,453</b>                        | <b>(843)</b>                    |

#### 4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

|                                 | For the six months<br>ended 30 June |                                 |
|---------------------------------|-------------------------------------|---------------------------------|
|                                 | 2015<br>(Unaudited)<br>HK\$'000     | 2014<br>(Unaudited)<br>HK\$'000 |
| Current – Hong Kong             | 14,800                              | 2,670                           |
| Current – Elsewhere             | 104                                 | 165                             |
| Deferred                        | 45                                  | 5                               |
| Total tax charge for the period | <b>14,949</b>                       | 2,840                           |

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

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. The Group had no potentially dilutive ordinary shares in issue during these periods. As at 30 June 2015, the total number of the issued ordinary shares was 796,138,689 shares.

|                                                                                                | <b>For the six months<br/>ended 30 June</b> |                       |
|------------------------------------------------------------------------------------------------|---------------------------------------------|-----------------------|
|                                                                                                | <b>2015<br/>(Unaudited)</b>                 | 2014<br>(Unaudited)   |
| Earnings                                                                                       |                                             |                       |
| Profit for the period attributable to ordinary equity holders of the Company <i>(HK\$'000)</i> | <b>124,416</b>                              | 29,229                |
| Number of shares                                                                               |                                             |                       |
| Weighted average number of ordinary shares in issue <i>(in thousands) (note (a))</i>           | <b>792,313</b>                              | (Restated)<br>709,584 |
| Earnings per share, basic and diluted <i>(HK cents per share)</i>                              | <b>15.70</b>                                | (Restated)<br>4.12    |

*Note:*

- (a) During the current period, the Group issued 265,379,563 new shares and raised approximately HK\$622 million by way of rights issue on the basis of one rights share for every two existing shares held by shareholders of the Company at the price of HK\$2.342, which represent a discount to the prevailing fair value at the date of rights issue of the existing shares.

The effect of the bonus element resulting from the rights issue has been included in the calculation of basic and diluted earnings per share and prior period basic and diluted earnings per share is adjusted in order to provide a comparable basis for the rights issue in the current period.



## 6. DIVIDEND

|                                              | For the six months<br>ended 30 June |                                 |
|----------------------------------------------|-------------------------------------|---------------------------------|
|                                              | 2015<br>(Unaudited)<br>HK\$'000     | 2014<br>(Unaudited)<br>HK\$'000 |
| Interim – Nil (2014: Nil) per ordinary share | –                                   | –                               |

## 7. INVESTMENTS

|                                                              | As at<br>30 June<br>2015<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|--------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| <b>Available-for-sale investments, at fair value:</b>        |                                                     |                                                       |
| Unlisted equity investment                                   | –                                                   | 5,140                                                 |
| Unlisted club debentures                                     | 2,470                                               | 2,470                                                 |
|                                                              | <b>2,470</b>                                        | <b>7,610</b>                                          |
| <b>Investments at fair value through<br/>profit or loss:</b> |                                                     |                                                       |
| Listed equity investments in Hong Kong                       | –                                                   | 11,637                                                |
| Unlisted equity investments in Hong Kong                     | 37,152                                              | –                                                     |
| Unlisted investment funds                                    | 54,778                                              | 130,193                                               |
| Unlisted debt investments                                    | 62,169                                              | 58,049                                                |
|                                                              | <b>154,099</b>                                      | <b>199,879</b>                                        |
| Total                                                        | <b>156,569</b>                                      | <b>207,489</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 value of financial instruments that are not traded in an active market (for example, over-the-counter) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs used in the valuation for financial instruments are observable, the financial instruments are included in Level 2. If one or more of the significant inputs is not based on observable market data, the financial instrument is included in Level 3.

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)

|                                                              | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------------------------------------|---------------------|---------------------|-------------------|
| <b>As at 30 June 2015 – (Unaudited)</b>                      |                     |                     |                   |
| <b>Available-for-sale investments,<br/>at fair value:</b>    |                     |                     |                   |
| Unlisted club debentures                                     | –                   | 2,470               | 2,470             |
| <b>Investments at fair value through<br/>profit or loss:</b> |                     |                     |                   |
| Unlisted equity investments<br>in Hong Kong                  | –                   | 37,152              | 37,152            |
| Unlisted investment funds                                    | –                   | 54,778              | 54,778            |
| Unlisted debt investments                                    | –                   | 62,169              | 62,169            |
|                                                              | –                   | 156,569             | 156,569           |

## 7. INVESTMENTS (Cont'd)

### Fair value hierarchy (Cont'd)

|                                                              | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------------------------------------|---------------------|---------------------|-------------------|
| As at 31 December 2014 – (Audited)                           |                     |                     |                   |
| <b>Available-for-sale investments,<br/>at fair value:</b>    |                     |                     |                   |
| Unlisted equity investment                                   | –                   | 5,140               | 5,140             |
| Unlisted club debentures                                     | –                   | 2,470               | 2,470             |
| <b>Investments at fair value through<br/>profit or loss:</b> |                     |                     |                   |
| Listed equity investments<br>in Hong Kong                    | 11,637              | –                   | 11,637            |
| Unlisted investment funds                                    | –                   | 130,193             | 130,193           |
| Unlisted debt investments                                    | –                   | 58,049              | 58,049            |
|                                                              | <hr/>               | <hr/>               | <hr/>             |
|                                                              | 11,637              | 195,852             | 207,489           |

During the six months ended 30 June 2015 and year ended 31 December 2014, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

## 8. ACCOUNTS RECEIVABLE

|                                                        | <b>As at<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|--------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------|
| Accounts receivable before provision<br>for impairment | <b>1,397,555</b>                                               | 1,140,380                                             |
| Less: Provision for impairment                         | –                                                              | –                                                     |
| Accounts receivable                                    | <b>1,397,555</b>                                               | 1,140,380                                             |

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 based on the trade date is as follows:

|                | <b>As at<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|----------------|----------------------------------------------------------------|-------------------------------------------------------|
| Within 1 month | <b>1,337,137</b>                                               | 1,111,263                                             |
| 1 to 2 months  | <b>41,136</b>                                                  | 12,002                                                |
| 2 to 3 months  | <b>9,652</b>                                                   | 3,116                                                 |
| Over 3 months  | <b>9,630</b>                                                   | 13,999                                                |
|                | <b>1,397,555</b>                                               | 1,140,380                                             |

## 9. LOANS AND ADVANCES

|                                                                  | <b>As at<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------|
| Loans and advances to customers before provision for impairment: |                                                                |                                                       |
| Secured                                                          | <b>3,378,300</b>                                               | 1,717,634                                             |
| Less: Provision for impairment                                   | –                                                              | –                                                     |
| Loans and advances                                               | <b>3,378,300</b>                                               | 1,717,634                                             |

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 is as follows:

|                | <b>As at<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|----------------|----------------------------------------------------------------|-------------------------------------------------------|
| Within 1 month | <b>4,836,263</b>                                               | 3,653,108                                             |

## 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<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|------------------------------|----------------------------------------------------------------|-------------------------------------------------------|
| Contracted, but not provided | <b>851</b>                                                     | 989                                                   |

### (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<br/>30 June<br/>2015<br/>(Unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2014<br>(Audited)<br>HK\$'000 |
|-----------------------------------------|----------------------------------------------------------------|-------------------------------------------------------|
| Within one year                         | <b>19,467</b>                                                  | 24,277                                                |
| In the second to fifth years, inclusive | <b>34,243</b>                                                  | 38,840                                                |
| After fifth year                        | -                                                              | -                                                     |
|                                         | <b>53,710</b>                                                  | 63,117                                                |

## 14. RELATED PARTY TRANSACTIONS

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

|                                                                                                                        |       | For the six months<br>ended 30 June |                                 |
|------------------------------------------------------------------------------------------------------------------------|-------|-------------------------------------|---------------------------------|
|                                                                                                                        |       | 2015<br>(Unaudited)<br>HK\$'000     | 2014<br>(Unaudited)<br>HK\$'000 |
|                                                                                                                        | Notes |                                     |                                 |
| Commission expenses paid to the ultimate holding company                                                               | (i)   | 2,704                               | 871                             |
| Research fee paid to a subsidiary of the ultimate holding company                                                      | (ii)  | 7,000                               | 4,000                           |
| Consultancy fee for supporting services in relation to brokerage business paid to the ultimate holding company         | (iii) | 4,300                               | 1,239                           |
| Consultancy fees for supporting services in relation to brokerage business paid by the ultimate holding company        | (iv)  | 8,171                               | –                               |
| Consultancy fee for supporting services in relation to corporate finance business paid to the ultimate holding company | (v)   | –                                   | 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 fee paid to a subsidiary of the ultimate holding company was charged at a fixed amount in accordance with the signed agreement with reference to 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 in accordance with the signed agreement with reference to 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 brokerage business paid by the ultimate holding company were charged at a fixed amount in accordance with the signed agreement with reference to actual cost incurred.
- (v) The consultancy fees for supporting services in relation to corporate finance business paid to the ultimate holding company were charged at a fixed amount in accordance with the signed agreement with reference to actual cost incurred.
- (vi) Included in the accounts receivable balance as at 30 June 2015 was a broker receivable due from the ultimate holding company of HK\$28,616,000 (31 December 2014: HK\$14,247,000) which arose from securities dealing transactions. This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.
- (vii) Included in the prepayments, deposits and other receivables balance as at 30 June 2015 was the amount due from the ultimate holding company of HK\$4,290,000 (31 December 2014: Nil) which arose from provision of consultancy service. This balance is unsecured, interest-free and payable within one month.
- (viii) Included in the accounts payable balance as at 30 June 2015 was a broker payable to the ultimate holding company of the Company of HK\$37,909,000 (31 December 2014: HK\$22,525,000) which arose from securities dealing transactions. This balance is unsecured, interest-free and payable on the settlement date of the relevant transactions.
- (ix) Included in the accounts payable balance as at 30 June 2015 was the amount of segregated client company held on behalf of an intermediate holding company of the Company of HK\$6,768,000 (31 December 2014: HK\$29,352,000) which arose from securities dealing transactions. This balance is unsecured, bears interest at the bank deposit rate and is payable on demand.



## 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)

- (x) Included in the other payables and accruals balance as at 30 June 2015 was an amount due to a subsidiary of the ultimate holding company of the Company of HK\$7,000,000 (31 December 2014: Nil) which arose from provision of research service. This balance is unsecured, interest-free and payable within one month.
- (xi) Included in the other payables and accruals balance as at 30 June 2015 was an amount due to the ultimate holding company of the Company of HK\$4,300,000 (31 December 2014: Nil) which arose from provision of consultancy service. This balance is unsecured, interest-free and payable within one month.
- (xii) Included in the other payables and accruals balance as at 30 June 2015 was the loan principal and accrued interest due to an intermediate holding company of the Company of HK\$110,078,000 (31 December 2014: Nil). This balance is unsecured, bears interest at 2% per annum and is payable within one year.

- (b) Key management personnel compensation

|                              | For the six months<br>ended 30 June |                                 |
|------------------------------|-------------------------------------|---------------------------------|
|                              | 2015<br>(Unaudited)<br>HK\$'000     | 2014<br>(Unaudited)<br>HK\$'000 |
| Short term employee benefits | 14,514                              | 12,885                          |
| Post-employment benefits     | 775                                 | 702                             |
|                              | <b>15,289</b>                       | <b>13,587</b>                   |

## 15. REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2015.

## 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 2015 (2014: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Market

In the first half of 2015, the world economy maintained a modest recovery pattern overall. With the supply and demand relationship improving, the crude oil price, being the biggest black swan incident last year, was stabilized and moved up gradually from its trough. This, to a certain extent, had eliminated global deflationary risk. After a short period of seasonal slowdown of the U.S. economy in the first quarter, as driven by the real estate market and enterprise investments, the U.S. economy maintained a stable growth with the employment market continued to show substantial improvements. Therefore, investors were confident that the expected timing of interest rate raise by the U.S. Federal Reserve Board may be around September this year or later. As compared to the U.S., the European economy showed certain weak signs. Core countries, such as Germany and France, were slowed down by different extent after a few quarters of strong economic growth. Meanwhile, with the new session government of Greece, the periphery country, came into power, the debt crisis phantom once again had entwined Europe. Although the debts parties were keen to reach an agreement and advocated to let Greece remained in the Eurozone, the prolonged progress on negotiation rendered unpromising outcome. With the imminent centralized repayment due dates, we would not exclude the possibility that Greece will be in default and pull out from the Eurozone, which may become the biggest black swan incident in the second half year. Meanwhile, the Japanese economic recovery showed no unperturbed incident. The new Japanese government would continue to implement other economic structural reforms after completing its taxation reform, with the markets still observing. The emerging market economies were improving by different extents. India continued to implement its economic structural reform with both enterprise profits and government tax revenues continued to grow. With oil price and bulk commodity price stabilizing, the resource export countries, such as Russia, Brazil and South Africa were also escalating from abyss, and appreciating domestic currencies also benefit their debt credit ratings.

For the Chinese Mainland economy, after experiencing a short rebound in the fourth quarter last year, despite the continuous interest rate reduction and reserve requirement ratio cuts by the Central Bank in the first half year, real estate sales and medium and long term bank loans continued to drop. As compared to the weak economic growth rate, Chinese Mainland had vigorously conducted its economic structural reform. Financial reform, state-owned enterprise reform, land reform, resource factors price reform were all progressing steadily. Of which, financial reform was mostly praised. After the official launch of Shanghai-Hong Kong Stock Connect last year, Hong Kong and Chinese Mainland mutual funds recognition had been formally implemented on 1 July and QDII2 and Shenzhen-Hong Kong Stock Connect are expected to be launched in the near future, all of which had injected vitality to the Chinese Mainland stock market. The Hang Seng Index fluctuated within a narrow range from 23,500 to 25,000 in the beginning of the year. In March, the Chinese Insurance Regulatory Commission encouraged the Chinese Mainland insurance companies to invest in Hong Kong's GEM Board. Under this impact, Hang Seng Index began a wave of rapid surge for one month, increased to 28,588 on 27 April, up by approximately 17%. Thereafter, following the Greece debt crisis and a wave of A-share medium level adjustment, investors took profits and Hang Seng Index trembled down to 26,250 by the end of June. In the first half of 2015, Hong Kong Stock Exchange recorded an average daily turnover of HK\$124.9 billion, representing an increase of 99% as compared with the average daily turnover of HK\$62.9 billion in the corresponding period of 2014.

## Review of Operations

In the first half of 2015, the overall operation of the Group achieved a strong growth with a turnover of HK\$429 million (2014: HK\$197 million), representing an increase of 118% as compared with the same period last year. The unaudited profit before tax increased by 334% to HK\$139 million (2014: HK\$32 million). Revenue from brokerage business, financing and loans business and corporate finance business achieved a higher growth. For brokerage business, with the significant increase in market turnover and our Company outperformed the market, we achieved a breakthrough in market share increase as compared with the same period last year. Revenue from brokerage business increased by approximately HK\$144 million or 128% as compared with the same period last year. For financing and loans business, the current average margin balance reached nearly HK\$2.4 billion, achieved revenue of HK\$90.86 million, representing an increase of HK\$30.19 million or 50%

as compared with the same period last year. For corporate finance business, in the first half year, the number of lead underwriting, placing and financial advisory projects amounted to 1, 7 and 13 respectively, of which the lead underwriting project successfully completed the listing of NIRAKU GC HOLDINGS, INC. (1245) on the Main Board. In the first half year, revenue from corporate finance business amounted to HK\$57.54 million, representing an increase of HK\$45.65 million or 384% as compared with the same period last year. In the first half year, revenue from asset management business amounted to HK\$6.15 million, representing an increase of HK\$0.52 million or 9% as compared with the same period last year. In the first half year, revenue from investment business amounted to HK\$18.69 million, representing an increase of HK\$12.26 million or 191% 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 2015, the markets in both Hong Kong and Chinese Mainland increased significantly, with the average daily turnover in Hong Kong stock market increased from HK\$62.9 billion to HK\$124.9 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. While expanding the Hong Kong stocks transaction business, the Group seized the favorable knock-in opportunities of Hong Kong Stock Information to actively expanding into the Chinese Mainland market to increase the number of new account opened for Hong Kong stocks. From January and June this year, the number of new accounts opened for Hong Kong stocks increased 3,930, representing an increase of 270% as compared with the same period last year. From January and June this year, the Group had closely cooperated with the International Business Division of the parent company to vigorously explore cross-border products, invested in overseas markets using QDII channels, satisfying domestic customers' demands to invest overseas. At the end of June, the total size of fund was US\$189 million, including domestic institutions and individual customers invested in overseas markets such as Hong Kong, U.S., by using QDII channel.

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. In the first half year, the average margin balance reached nearly HK\$2.4 billion, achieved revenue of HK\$90.86 million in the first half of 2015, representing an increase of 50% as compared with the same period last year.

Shenwan Hongyuan Capital (H.K.) Limited (“Shenwan Hongyuan Capital”), a wholly-owned subsidiary of the Group, is mainly engaged in the sponsor, financial advisory and securities underwriting businesses. Shenwan Hongyuan Capital acted as the sponsor and sole lead manager of NIRAKU GC HOLDINGS, INC. (1245), the shares of which were successfully listed on the Main Board of the Hong Kong Stock Exchange in April 2015. During the first half of 2015, Shenwan Hongyuan 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 Investment Fund” (RQFII Fund), managed by Shenwan Hongyuan Asset Management (Asia) Limited (“Shenwan Hongyuan Asset Management”), a wholly-owned subsidiary of the Group, continued to perform well. The total asset management size amounted to approximately HK\$4.7 billion by the end of June. During the first half of 2015, revenue from asset management business amounted to HK\$6.15 million.

Our securities trading and brokerage businesses are professionally supported by a securities research team of the Group. 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 2015, 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 2015, a total of 25 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 expects that the U.S. economy will continue to recover and that the U.S. Federal Reserve Board will start to raise interest rate in September 2015 or later. Meanwhile, the quantitative easing policies of Japan and Europe will still continue. The impact on global economic growth and inflationary trends brought by the result of Greece debt crisis remain to be observed. We believe that there is a relatively high pressure on the slowdown in the Chinese Mainland economy, the traditional industries are proactively reducing their capacity and the new industries have not yet formed any effective point of growth. Therefore, the Chinese government will continue its overall mentality of facilitating stable growth in the second half of this year, with the monetary policy and fiscal policy fortifying to support the economy and actively prevent systematic risk. It is expected that there will be several occasions of interest rate reduction and reserve requirement ratio cuts, and the governments will increase investments in railway and infrastructure construction during the year in a bid to achieve the economic growth target set in the beginning of the year. At the same time, financial market reform, state-owned enterprise reform, resource factors price reform and environmental governance will continue to contribute reform benefits in pushing the continuing economic transformation. Under the current valuation standard, Hong Kong stocks remain the world's most attractive major market. If Shenzhen-Hong Kong Stock Connect can be successfully launched in the second half of this year, we expect large blue chips and emerging small and middle caps stocks will show better investment opportunities.

## Capital Structure

On 19 January 2015, the Company completed the rights issue on the basis of one rights share for every two existing shares by issuing 265,379,563 new shares. Please refer to the Company's related announcements and listing documents for details. As at 30 June 2015, the total number of the issued ordinary shares was 796,138,689 shares and total equity attributable to ordinary equity holders was approximately HK\$2.02 billion.

## Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2015, the Group had cash and bank balances of HK\$501.0 million (31 December 2014: HK\$272.4 million) and short-term marketable securities of HK\$154.1 million (31 December 2014: HK\$199.9 million). As at 30 June 2015, the Group's total unutilised banking facilities amounted to HK\$1,061.1 million (31 December 2014: HK\$836.9 million), of which HK\$677.5 million (31 December 2014: HK\$245.8 million) could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2015, the Group had outstanding short-term bank borrowings amounting to HK\$2.06 billion (31 December 2014: HK\$1.01 billion). The liquidity ratio (current assets to current liabilities) and gearing ratio (bank borrowings to net asset value) were 127% (2014: 126%) and 102% (31 December 2014: 77%) 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 2015.

## **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 2015, loans and advances in the condensed consolidated statement of financial position included margin financing and IPO loans to clients, and the balance before impairment provision amounted to HK\$3.38 billion (31 December 2014: HK\$1.72 billion) of which 9% (31 December 2014: 14%) 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 2015.



## **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 2015.

## **Employees and Training**

As at 30 June 2015, the total number of full-time employees was 249 (2014: 239). The total staff costs for the period amounted to approximately HK\$109.4 million (2014: HK\$67.3 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 7 (2014: 6) Continuous Professional Training seminars for all licensed staff members during the six months ended 30 June 2015.

## OTHER INFORMATION

### Director's Interests in Shares

As at 30 June 2015, 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 2015, the interests of substantial shareholders, other than directors or chief executive of the Company, who had interests of 5% or more of 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, or as otherwise notified to the Company, 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<br/>(Note)</b>       | <b>Percentage of the Company's issued shares</b> |
|---------------------------------------------------------|---------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------|
| Shenwan Hongyuan Holdings (B.V.I.) Limited ("SWHYHBVI") | Directly beneficially owned                                   | 402,502,312 <sup>(1)</sup>                             | 50.56                                            |
| Venture-Some Investments Limited ("VSI")                | Through controlled corporation                                | 402,502,312 <sup>(1)</sup>                             | 50.56                                            |
| Shenwan Hongyuan (International) Holdings Limited       | Through controlled corporation<br>Directly beneficially owned | 402,502,312 <sup>(1)</sup><br>3,306,257 <sup>(2)</sup> | 50.56<br>0.42                                    |
| Shenwan Hongyuan Group Co., Ltd.                        | Through controlled corporation                                | 405,808,569 <sup>(1)(2)</sup>                          | 50.98                                            |

*Note:*

- (1) SWHYHBVI is held directly as to 60.82% by VSI. VSI is wholly-owned by Shenwan Hongyuan (International) Holdings Limited. Shenwan Hongyuan (International) Holdings Limited is wholly-owned by Shenwan Hongyuan Group Co., Ltd. Hence, VSI, Shenwan Hongyuan (International) Holdings Limited and Shenwan Hongyuan Group Co., Ltd. are deemed to be interested in the same parcel of 402,502,312 shares held by SWHYHBVI under the SFO.
- (2) Shenwan Hongyuan (International) Holdings Limited also held directly 3,306,257 shares of the Company. Hence, Shenwan Hongyuan Group Co., Ltd. is also deemed to be interested in the same parcel of 3,306,257 shares held by Shenwan Hongyuan (International) Holdings Limited under the SFO.

Save as disclosed above, as at 30 June 2015, 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 2015.

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 and two independent non-executive directors were unable to attend the annual general meeting of the Company held on 15 May 2015.

## **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.

## CHANGE OF COMPANY NAME

During the period, the name of the Company has been changed from “Shenyin Wanguo (H.K.) Limited 申銀萬國(香港)有限公司” to “Shenwan Hongyuan (H.K.) Limited 申萬宏源(香港)有限公司”, following the approval by the shareholders of the Company by way of special resolution at the annual general meeting held on 15 May 2015 and issuance of certificate of change of name by the Registrar of Companies in Hong Kong on 21 May 2015. The English stock short name of the Company has been changed from “SHENYIN WANGUO” to “SHENWANHONGYUAN”, while the Chinese stock short name of the Company has been changed from “申銀萬國” to “申萬宏源”, with effect from 1 June 2015.

## 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 2015.

## DIRECTORS

As at the date of this interim report, the Board of the Company comprises 8 directors, of which Mr. Chu Xiaoming, Mr. Lu Wenqing, Mr. Guo Chun and Mr. Lee Man Chun Tony are the executive directors, Mr. Zhang Lei is the non-executive director, 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, 7 August 2015