



**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 2017





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## RESULTS

The board of directors (the “Board”) 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 2017 together with comparative figures for the corresponding period of last year.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
	<i>Notes</i>		
REVENUE	3	257,322	202,723
Other gains, net	3	4,877	2,499
Commission expenses		(54,106)	(31,189)
Employee benefit expenses		(93,446)	(60,923)
Depreciation expenses		(3,394)	(2,506)
Interest expenses for financial service operations		(3,016)	(2,466)
Other expenses, net		(59,555)	(55,991)
PROFIT BEFORE TAX		48,682	52,147
Income tax expense	4	(3,549)	(4,404)
PROFIT		45,133	47,743
Attributable to:			
Ordinary equity holders of the Company		45,159	47,744
Non-controlling interests		(26)	(1)
		45,133	47,743
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (BASIC AND DILUTED)	5	5.67 cents	6.00 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 ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
PROFIT	45,133	47,743
OTHER COMPREHENSIVE INCOME: Items that may be reclassified to profit or loss in subsequent periods:		
Release of exchange differences upon deemed disposal of a subsidiary	522	–
OTHER COMPREHENSIVE INCOME, NET OF TAX	522	–
TOTAL COMPREHENSIVE INCOME	45,655	47,743
Attributable to:		
Ordinary equity holders of the Company	45,681	47,744
Non-controlling interests	(26)	(1)
	45,655	47,743

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		18,749	9,531
Stock and Futures Exchange trading rights		4,212	4,212
Other assets		31,431	32,430
Deferred tax assets		5,730	6,479
<b>Total non-current assets</b>		<b>60,122</b>	<b>52,652</b>
<b>CURRENT ASSETS</b>			
Investments at fair value through profit or loss	7	137,472	110,326
Account receivables	8	555,745	488,560
Loans and advances	9	1,745,606	1,792,161
Prepayments, deposits and other receivables		28,880	26,504
Tax recoverable		16,045	16,162
Bank balances held on behalf of clients	10	3,927,176	4,576,893
Cash and bank balances		368,653	387,713
<b>Total current assets</b>		<b>6,779,577</b>	<b>7,398,319</b>
<b>CURRENT LIABILITIES</b>			
Account payables	11	4,406,739	5,031,376
Other payables and accruals		81,840	48,509
Interest-bearing bank borrowings	12	243,000	278,590
Tax payable		3,338	542
<b>Total current liabilities</b>		<b>4,734,917</b>	<b>5,359,017</b>
<b>NET CURRENT ASSETS</b>		<b>2,044,660</b>	<b>2,039,302</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,104,782</b>	<b>2,091,954</b>
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liability		197	197
<b>NET ASSETS</b>		<b>2,104,585</b>	<b>2,091,757</b>
<b>EQUITY</b>			
Equity attributable to ordinary equity holders of the Company			
Share capital		1,200,457	1,200,457
Other reserves		901,499	888,186
		<b>2,101,956</b>	<b>2,088,643</b>
Non-controlling interests		2,629	3,114
<b>TOTAL EQUITY</b>		<b>2,104,585</b>	<b>2,091,757</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to ordinary equity holders of the Company

	Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Exchange Reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2017 (Audited)	1,200,457	15	138	(522)	888,555	2,088,643	3,114	2,091,757
Profit for the period	-	-	-	-	45,159	45,159	(26)	45,133
Other comprehensive income for the period:								
Release of exchange differences upon deemed disposal of a subsidiary	-	-	-	522	(522)	-	-	-
Total comprehensive income for the period, net of tax	1,200,457	15	138	-	933,192	2,133,802	3,088	2,136,890
Final 2016 dividend declared and paid	-	-	-	-	(31,846)	(31,846)	-	(31,846)
Capital contribution from non-controlling shareholder of a subsidiary	-	-	-	-	-	-	292	292
Deemed disposal of a subsidiary	-	-	-	-	-	-	(751)	(751)
At 30 June 2017 (Unaudited)	1,200,457	15	138	-	901,346	2,101,956	2,629	2,104,585

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

	Attributable to ordinary equity holders of the Company				
	Share capital HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2016 (Audited)	1,200,457	15	138	877,932	2,078,542
Total comprehensive income for the period, net of tax	-	-	-	47,744	47,744
Final 2015 dividend declared and paid	-	-	-	(71,652)	(71,652)
At 30 June 2016 (Unaudited)	1,200,457	15	138	854,024	2,054,634
				2,629	2,057,263
				2,630	2,081,172
				(1)	47,743
				-	(71,652)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2017 (Unaudited) <i>HK\$'000</i>	2016 (Unaudited) <i>HK\$'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	48,682	52,147
Adjustments for:		
Depreciation	3,394	2,506
Interest income	(23,385)	(12,566)
Dividend income	(272)	(112)
Gain on disposal of items of property, plant and equipment	-	(15)
	<b>28,419</b>	41,960
Decrease/(increase) in other assets	999	(651)
Increase in investments at fair value through profit or loss	(27,027)	(77,147)
(Increase)/decrease in account receivables	(67,184)	346,487
Decrease in loans and advances	46,555	143,049
Decrease/(increase) in prepayments, deposits and other receivables	1,167	(1,005)
Decrease/(increase) in bank balances held on behalf of clients	649,717	(505,050)
(Decrease)/increase in account payables	(624,638)	268,579
Increase/(decrease) in other payables and accruals	33,561	(55,537)
	<b>41,569</b>	160,685
Cash generated from operations	41,569	160,685
Hong Kong profits tax refunded	-	100
Overseas taxes refunded/(paid)	113	(108)
	<b>41,682</b>	160,677
Net cash flows from operating activities	<b>41,682</b>	160,677



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Cont'd)

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(12,612)	(1,912)
Proceeds from disposal of items of property, plant and equipment	–	15
Interest received	19,753	10,747
Dividend received	272	112
Net cash flow from deemed disposal of a subsidiary	(1,011)	–
Net cash flows from investing activities	6,402	8,962
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net payment to from bank loans	(35,590)	(267,340)
Dividend paid	(31,846)	(71,652)
Capital contribution from non-controlling shareholder of a subsidiary	292	–
Net cash flows used in financing activities	(67,144)	(338,992)
<b>NET DECREASE IN CASH AND BANK BALANCES</b>	(19,060)	(169,353)
Cash and bank balances at beginning of period	387,713	511,804
<b>CASH AND BANK BALANCES AT END OF PERIOD</b>	<b>368,653</b>	<b>342,451</b>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES

### General Information

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 financial information relating to the year ended 31 December 2016 that is included in this interim report 2016 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements for the year ended 31 December 2016. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## 1. GENERAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### Principal Accounting Policies

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 2016, 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.

Amendments to HKAS 7	<i>Statement of cash flows: Disclosure initiative</i>
Amendments to HKAS 12	<i>Income taxes: Recognition of deferred tax assets for unrealised losses</i>

#### (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<sup>1</sup></i>
HKFRS 15	<i>Revenue from Contracts with Customers<sup>1</sup></i>
Amendments to HKAS 2	<i>Share-based payment: Classification and measurement of share-based payment transactions<sup>1</sup></i>
HKFRS 16	<i>Leases<sup>2</sup></i>

<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 2019

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

### 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:

##### **HKFRS 9, Financial instruments**

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The Group expects to adopt the standard from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification, measurement and calculation of impairment of the Group's financial assets.

##### **HKFRS 15, Revenue from contracts with customers**

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. 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 standard also 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 Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impacts of adopting HKFRS 15 on its financial statements.

## 2. OPERATING SEGMENT INFORMATION

The Group's unaudited segment results are as follows:

	Brokerage business <i>HK\$'000</i>	Corporate finance business <i>HK\$'000</i>	Asset management business <i>HK\$'000</i>	Financing and loans business <i>HK\$'000</i>	Investment business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2017							
Segment revenue and other gains from external customers	103,749	62,934	3,074	81,450	6,115	4,877	262,199
Segment results and profit/(loss) before tax	2,888	10,562	(5,038)	31,178	4,215	4,877	48,682
Six months ended 30 June 2016							
Segment revenue and other gains from external customers	102,459	25,902	1,117	73,033	212	2,499	205,222
Segment results and profit/(loss) before tax	10,727	5,474	(4,200)	39,248	(1,601)	2,499	52,147

### 3. REVENUE AND OTHER GAINS

An analysis of revenue and other gains are as follows:

	<b>For the six months ended 30 June</b>	
	<b>2017 (Unaudited) HK\$'000</b>	<b>2016 (Unaudited) HK\$'000</b>
<b>Revenue:</b>		
<b>Brokerage business:</b>		
Commission on securities dealing		
– Hong Kong securities	<b>72,237</b>	55,079
– Other than Hong Kong securities	<b>10,302</b>	13,006
Commission on futures and options contracts dealing	<b>9,774</b>	16,930
Handling fee income	<b>5,874</b>	10,116
Research fee income and others	<b>5,562</b>	7,328
	<b>103,749</b>	102,459
<b>Corporate finance business:</b>		
Initial public offering, placing, underwriting and sub-underwriting commission	<b>49,456</b>	13,914
Financial advisory, compliance advisory, sponsorship fee income and others	<b>13,478</b>	11,988
	<b>62,934</b>	25,902
<b>Asset management business:</b>		
Management fee and investment advisory fee income	<b>3,074</b>	1,117
<b>Financing and loans business:</b>		
Interest income from loans to cash clients and margin clients	<b>57,998</b>	60,366
Interest income from initial public offering loans	<b>67</b>	101
Interest income from banks and others	<b>23,385</b>	12,566
	<b>81,450</b>	73,033

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

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Revenue: (Cont'd)</b>		
<b>Investment business:</b>		
Net realised and unrealised gains/(losses) on financial assets:		
– Listed investments	(304)	(102)
– Unlisted investments	3,662	(1,450)
Dividend income and interest income:		
– Listed investments	272	40
– Unlisted investments	2,485	1,724
	<b>6,115</b>	<b>212</b>
	<b>257,322</b>	<b>202,723</b>
<b>Other gains, net:</b>		
Exchange gains, net	4,877	2,484
Gain on disposal of property, plant and equipment	–	15
	<b>4,877</b>	<b>2,499</b>

### 4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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 of tax prevailing in the jurisdiction in which the Group operates.

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current – Hong Kong	2,800	4,300
Current – Elsewhere	–	67
Deferred	749	37
Total tax charge for the period	<b>3,549</b>	<b>4,404</b>

## 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 2017, the total number of the issued ordinary shares was 796,138,689 shares.

	<b>For the six months ended 30 June</b>	
	<b>2017 (Unaudited)</b>	2016 (Unaudited)
Earnings		
Profit for the period attributable to ordinary equity holders of the Company ( <i>HK\$'000</i> )	<b>45,159</b>	47,744
Number of shares		
Weighted average number of ordinary shares in issue ( <i>in thousands</i> )	<b>796,139</b>	796,139
Earnings per share, basic and diluted ( <i>HK cents per share</i> )	<b>5.67</b>	6.00

## 6. DIVIDEND

	<b>For the six months ended 30 June</b>	
	<b>2017 (Unaudited) <i>HK\$'000</i></b>	2016 (Unaudited) <i>HK\$'000</i>
Interim – Nil (2016: Nil) per ordinary share	–	–



## 7. INVESTMENTS

	<b>As at 30 June 2017 (Unaudited) HK\$'000</b>	As at 31 December 2016 (Audited) HK\$'000
<b>Investments at fair value through profit or loss:</b>		
Listed investment funds, at fair value	<b>33,123</b>	14,761
Listed equity investment, at fair value	–	10,694
Unlisted investment funds, at fair value	<b>12,885</b>	4,315
Unlisted debt investments, at fair value	<b>91,464</b>	80,556
<b>Total</b>	<b>137,472</b>	110,326

### 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).

## 7. INVESTMENTS (Cont'd)

### Fair value hierarchy (Cont'd)

	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
<b>As at 30 June 2017 – (Unaudited)</b>			
Investments at fair value through profit or loss:			
Listed investment funds, at fair value	33,123	–	33,123
Unlisted investment funds, at fair value	–	12,885	12,885
Unlisted debt investments, at fair value	–	91,464	91,464
	<b>33,123</b>	<b>104,349</b>	<b>137,472</b>

	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
<b>As at 31 December 2016 – (Audited)</b>			
Investments at fair value through profit or loss:			
Listed investment funds, at fair value	14,761	–	14,761
Listed equity investments, at fair value	10,694	–	10,694
Unlisted investment funds, at fair value	–	4,315	4,315
Unlisted debt investments, at fair value	2,318	78,238	80,556
	<b>27,773</b>	<b>82,553</b>	<b>110,326</b>

During the six months ended 30 June 2017 and year ended 31 December 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

## 8. ACCOUNT RECEIVABLES

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Account receivables arising from securities dealing:		
– Cash Clients	321,963	199,658
– Brokers and dealers	59,038	110,321
– Clearing houses	163,865	166,204
	<b>544,866</b>	476,183
Account receivables arising from corporate finance, advisory and other services:		
– Corporate Clients	10,879	12,377
	<b>555,745</b>	488,560

There was no provision for impairment of account receivables at 30 June 2017 (31 December 2016: Nil).

### Ageing analysis of account receivables

An ageing analysis of account receivables from cash clients before provision for impairment based on the trade date is as follows:

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Within 1 month	305,462	178,457
1 to 2 months	2,197	4,975
2 to 3 months	2,873	3,547
Over 3 months	11,431	12,679
	<b>321,963</b>	199,658

## 8. ACCOUNT RECEIVABLES *(Cont'd)*

### Ageing analysis of account receivables *(Cont'd)*

The ageing of account receivables from clearing houses, brokers and dealers are within one month and are not past due. They represent (1) pending trades arising from business of dealing in securities, which are normally due within a few days after the trade date, (2) deposits at clearing house arising from the business of dealing in securities, futures and options contracts and (3) cash and deposits balances at brokers and dealers.

The aging of account receivables from corporate clients arising from corporate finance, advisory and other services are mostly within one month. As at 30 June 2017, balances of HK\$1,000,000 (31 December 2016: nil) were 1 to 3 months past due, balances of HK\$2,200,000 (31 December 2016: HK\$3,000,000) were less than 1 month past due and balances of HK\$7,679,000 (31 December 2016: HK\$9,377,000) were not past due.

Save for the credit period allowed by the Group, the account receivables from cash clients shall be due on the settlement dates of the respective securities and futures contract transactions. In view of the fact that the Group's account receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Although the Group does not hold any collateral or other credit enhancements over its account receivables from cash clients, the Group is allowed to dispose of the securities deposited by the customers with the Group to settle any overdue amounts. Overdue account receivables from cash clients of HK\$50,853,000 (31 December 2016: HK\$32,615,000) bear interest at interest rates mainly with reference to Hong Kong dollar prime rate (31 December 2016: with reference to the Hong Kong dollar prime rate).

## 8. ACCOUNT RECEIVABLES (Cont'd)

### Ageing analysis of account receivables (Cont'd)

The ageing analysis of account receivables from cash clients that are not individually nor collectively considered to be impaired, i.e. based on the settlement date, is as follows:

	<b>As at 30 June 2017 (Unaudited) HK\$'000</b>	As at 31 December 2016 (Audited) HK\$'000
Not past due	271,110	167,043
Less than 1 month past due	34,723	12,408
1 to 3 months past due	4,787	7,774
Over 3 months past due	11,343	12,433
	<b>321,963</b>	199,658

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default or are covered by securities deposited with the Group.

Receivables that were past due but not impaired relate to a large number of diversified cash clients that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as they are covered by securities deposited with the Group and there has not been a significant change in credit quality. The balances are therefore considered to be fully recoverable.

## 9. LOANS AND ADVANCES

	<b>As at 30 June 2017 (Unaudited) HK\$'000</b>	As at 31 December 2016 (Audited) HK\$'000
Loans and advances	<b>1,745,606</b>	1,792,161

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

There was no provision for impairment of loans and advances at 30 June 2017 (31 December 2016: nil).

## 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. ACCOUNT PAYABLES

	<b>As at 30 June 2017 (Unaudited) HK\$'000</b>	As at 31 December 2016 (Audited) HK\$'000
Account payables		
– Client	<b>4,321,097</b>	4,816,857
– Brokers and dealers	<b>25,368</b>	31,461
– Clearing houses	<b>60,274</b>	183,058
	<b>4,406,739</b>	5,031,376

Account payables are non-interest-bearing except for the account payables to clients of HK\$3,781,300,000 (31 December 2016: HK\$4,352,897,000). All of the account payables are aged and due within one month or on demand.

## 12. INTEREST-BEARING BANK BORROWINGS

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

## 13. COMMITMENTS

### (a) Capital commitments

	<b>As at 30 June 2017 (Unaudited) HK\$'000</b>	<b>As at 31 December 2016 (Audited) HK\$'000</b>
Contracted, but not provided for the purchases of furniture, fixtures and equipment	<b>250</b>	<b>250</b>

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

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

	<b>As at 30 June 2017 (Unaudited) HK\$'000</b>	<b>As at 31 December 2016 (Audited) HK\$'000</b>
Within one year	<b>24,317</b>	<b>28,955</b>
In the second to fifth years, inclusive	<b>15,614</b>	<b>24,568</b>
	<b>39,931</b>	<b>53,523</b>

## 14. RELATED PARTY TRANSACTIONS

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

	Notes	For the six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Commission expenses for brokerage services in relation to the PRC capital markets paid to a wholly-owned subsidiary of the ultimate holding company	(i)	392	631
Research fee for supporting services in relation to research paid to a subsidiary of the ultimate holding company	(ii)	4,000	3,000
Consultancy fee for supporting services in relation to PRC market paid to the wholly-owned subsidiaries of the ultimate holding company	(iii)	1,878	1,500
Consultancy fee for supporting services in relation to Hong Kong and overseas markets paid by a wholly-owned subsidiary of the ultimate holding company	(iv)	4,125	5,897

*Notes:*

- (i) The commission expenses paid to a wholly-owned subsidiary of 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.



#### 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)*

- (iii) The consultancy fee for supporting service in relation to PRC market paid to the wholly-owned subsidiaries of the ultimate holding company was charged at a fixed amount in accordance with the signed agreement with reference to actual cost incurred.
- (iv) The consultancy fee for supporting services in relation to Hong Kong and overseas markets paid by a wholly-owned subsidiary of the ultimate holding company was calculated based on the prescribed percentage stated in the signed cooperation agreement for relevant commission earned by the wholly-owned subsidiary of the ultimate holding company.
- (v) Included in the account receivable balances as at 30 June 2017 was a receivable due from a wholly-owned subsidiary of the ultimate holding company of HK\$3,047,000 (31 December 2016: HK\$7,645,000) arising from brokerage services relating to the PRC capital markets. This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.
- (vi) Included in the account receivables balance as at 30 June 2017 was a consultancy fee receivable due from a wholly-owned subsidiary of the ultimate holding company of HK\$4,125,000 (31 December 2016: HK\$5,423,000) arising from supporting services relating to Hong Kong and overseas markets. This balance is unsecured, interest-free and repayable on settlement date of the relevant transactions.
- (vii) Included in the account receivables balance as at 30 June 2017 was a consultancy fee receivable due from a wholly-owned subsidiary of the ultimate holding company of HK\$1,163,000 (31 December 2016: HK\$1,135,000) arising from supporting services in connection with corporate finance business. This balance is unsecured, interest-free and repayable 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)*

- (viii) Included in the account payables balance as at 30 June 2017 was a payable to a wholly-owned subsidiary of the ultimate holding company of the Company of HK\$7,174,000 (31 December 2016: HK\$2,260,000) arising from brokerage services relating to the PRC capital markets. This balance is unsecured, interest-free and payable on the settlement date of the relevant transactions.
- (ix) Included in the account payables balance as at 30 June 2017 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK\$167,821,000 (31 December 2016: HK\$166,174,000). This balance is unsecured, bears interest at the bank deposit rate and is payable on demand.
- (x) Included in the other payables and accruals balance as at 30 June 2017 was a payable to a subsidiary of the ultimate holding company of HK\$4,000,000 (31 December 2016: Nil) arising from supporting services in relation to research. This balance is unsecured, interest-free and payable on settlement date of the relevant transactions.
- (xi) Included in the other payables and accruals balance as at 30 June 2017 was a consultancy fee payable to wholly-owned subsidiaries of the ultimate holding company of the Company of HK\$1,800,000 (31 December 2016: HK\$1,000,000) arising from supporting services for PRC market. This balance is unsecured, interest-free and payable on demand.

14. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Key management personnel compensation

	For the six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short term employee benefits	16,726	16,936
Post-employment benefits	934	851
	<b>17,660</b>	<b>17,787</b>

15. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	As at 30 June 2017 (Unaudited)					Net amount HK\$'000
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position	Cash collateral received	
	HK\$'000	HK\$'000	HK\$'000	Financial instruments HK\$'000	HK\$'000	Net amount HK\$'000
<b>Assets</b>						
Account receivables	861,362	(305,617)	555,745	-	-	555,745

15. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Cont'd)

As at 30 June 2017 (Unaudited)						
	Gross amounts of recognised financial assets	Gross set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
	HK\$'000	HK\$'000	HK\$'000	Financial instruments	Cash collateral pledged	
	Gross amounts of recognised financial liabilities					HK\$'000
<b>Liabilities</b>						
Account payables	4,712,356	(305,617)	4,406,739	-	-	4,406,739

As at 31 December 2016 (Audited)						
	Gross amounts of recognised financial liabilities	Gross set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
	HK\$'000	HK\$'000	HK\$'000	Financial instruments	Cash collateral pledged	
	Gross amounts of recognised financial assets					HK\$'000
<b>Assets</b>						
Account receivables	648,778	(160,218)	488,560	-	-	488,560

## 15. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Cont'd)

As at 31 December 2016 (Audited)						
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position	Cash collateral pledged	Net amount
	HK\$'000	HK\$'000	HK\$'000	Financial instruments HK\$'000	HK\$'000	HK\$'000
<b>Liabilities</b>						
Account payables	5,191,594	(160,218)	5,031,376	-	-	5,031,376

## 16. REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017.

## 17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current period.

## 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 2017 (2016: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Market

From the macroeconomics perspective in the Chinese Mainland, obvious macroeconomic recovery was seen in the first quarter of 2017 despite a slowdown in the second quarter, it still remained resilient. Investments and exports were the main factors that drove economic recovery. The price of industrial products rebounded steadily in the first half of 2017, orders and production upturn were relatively obvious, and the deleveraging policy had directed more funds into real economy. We are of the view that the economy will recover steadily, and real estate, industrial and export will still be the main driving forces of economic recovery. Despite our concern that the increasing financing cost of real economy is inhibiting the economic recovery to a certain extent, we are still confident about the economic recovery.

From the global market environment perspective, it was better than market expectation in the first half of 2017. On one hand, although the Trump Trades had completed in the first quarter, the U.S. Federal Reserve Board raised the interest rate twice and proposed to shrink their balance sheet, East Asia also saw some diplomatic turmoils, the progress of Brexit also appeared uncertain, however, no significant risks were seen, and global commodity prices were stable overall. On the other hand, the economic recovery in Europe was noticeable and apart from its consumption, its investments had also become one of driving forces of economic growth.

The Chinese Mainland market experienced market sluggishness caused by tight liquidity in January 2017, and became sluggish again in April with tight liquidity after a rebound in February and March, and continued to recover thereafter. The market structure of the Chinese Mainland also presented a comparatively obvious differentiation with blue chip stocks, represented by SSE 50, performed superbly. However, the small-caps represented by Growth Enterprise Index went down after going up. We believe that the above phenomenon was caused by two factors: firstly, the intensifying financial regulations drove the Chinese Mainland capital market to support market leaders with lower valuation; secondly, the economic recovery and industry performance also drove up the financial performance of market leaders.

The Hong Kong market had outstanding performance in the first half of 2017 with Hang Seng Index soared higher and higher. We believe the major driving factors were as follows: (1) Renminbi exchange rate remained stable in 2017 which improved the safety margin in Hong Kong market; (2) Chinese Mainland capital went southbound to invest in Hong Kong market which led to increasing liquidity; (3) Improved Chinese Mainland and global economics drove the global fund flows into the Hong Kong market. From the segment performance perspective, the economic data in the first quarter was strong, cyclical stocks in Hong Kong market had relatively high returns. The economic recovery in the second quarter slowed down with technology and consumer stocks recording relatively high returns.

## Review of Operations

In the first half of 2017, the overall operation of the Group improved steadily with a turnover of HK\$257 million (the first half of 2016: HK\$203 million), representing a year-on-year increase of 27%. The unaudited profit before tax decreased by 7% to HK\$49 million (the first half of 2016: HK\$52 million). Revenue from brokerage business, financing and loans business and corporate finance business recorded a growth following the increase in market turnover. For brokerage business, with the increase in market turnover, revenue from brokerage business increased by approximately HK\$1.3 million or 1% as compared with the same period last year. For financing and loans business, the average margin balance in the first half of 2017 reached approximately HK\$1.891 billion, achieved a revenue of HK\$81.45 million, representing an increase of HK\$8.42 million or 12% 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, 4 and 8 respectively, of which the sole sponsor/lead underwriting projects included the successful completion of the listing of In Technical Productions Holdings Limited (8446) on the GEM. In the first half year, revenue from the businesses in corporate finance business, asset management and investment amounted to HK\$62.93 million, HK\$3.07 million and HK\$6.12 million respectively, representing an increase of approximately HK\$37.03 million or 143%, HK\$1.96 million or 175% and HK\$5.90 million or 2784% respectively as compared with the same period last year.



The brokerage business of the Group focuses on the stock and futures markets in Hong Kong, the Shanghai-Shenzhen Stock Connect A-Share and B-Share markets in Chinese Mainland, overseas stock markets and global futures markets. The global financial market in the first half of 2017 performed better than expected. In the first half of 2017, Hong Kong Stock Exchange recorded an average daily turnover of HK\$72.5 billion, representing an increase of 10% as compared with HK\$66.2 billion in the corresponding period of 2016. The Group achieves a balanced development of its various businesses and proactively introduces clients to participate in overseas stock markets and global futures markets, thus reducing our reliance on a single market. In addition to expanding overseas stock markets and global futures markets, the Group continues to actively expand the Chinese Mainland market to increase the number of new account opened for Hong Kong stocks. For January to June 2017, the Group had cooperated closely with the International Business Division of Shenwan Hongyuan Securities Co., Ltd to vigorously explore cross-border products, invested in overseas markets through QDII, satisfying the Chinese Mainland clients' demand to invest overseas. As of the end of June 2017, by using QDII channel of Shenwan Hongyuan Securities Co., Ltd, the total fund size reached US\$400 million, including the Chinese Mainland institutional and individual clients invested in overseas markets such as Hong Kong and U.S.A.

In the first half of 2017, due to the gradual recovery of the Hang Seng Index, Hang Seng China Enterprises Index, and the average daily turnover, improvements were seen in clients' willingness to borrow. Under this circumstance, the Group has taken timely measures to meet client's demand for loans for the purpose of securing the growth in interest income. In addition, the Group succeeded in reaching agreements with a number of banks in reducing the interest rate of borrowed funds so as to lower interest expense. The average margin balance reached approximately HK\$1.891 billion in the first half of this year, representing an increase of 2% as compared with HK\$1.845 billion in the same period last year. Interest income amounted to HK\$81.45 million, representing an increase of 12% as compared with HK\$73.03 million in the same period last year.

The corporate finance business of the Group mainly comprises the sponsor, financial advisory and securities underwriting businesses, etc. The Group acted as the Sole Sponsor of In Technical Productions Holdings Limited (8446). The shares of which had already been successfully listed on the GEM of the Hong Kong Stock Exchange in June 2017. In the first half of 2017, the Group also provided various advisory services for a number of listed companies, including compliance advisory/independent financial advisory/financial advisory services for clients including Niraku GC Holdings, Inc. (1245) and In Technical Productions Holdings Limited (8446). In addition, the Group has completed placing for four companies including China Oriental Group Company Limited (581), Honghua Group Limited (196) and China NT Pharma Group Company Limited (1011).

For the asset management business of the Group, total asset management size amounted to approximately HK\$4.007 billion by the end of June 2017, and revenue from asset management business amounted to HK\$3.07 million, representing a significant increase of 175% as compared with the same period last year. The newly established “Shen-Jia Multiple Strategies Fund I (申嘉海外多策略基金I)” in March 2017 is the quantitative feeder fund with asset management size reaching US\$30 million, while its invested master fund mainly focused on investing in the financial products listed on the exchanges in Greater China to satisfy clients’ demand for diversified asset allocation purposes.

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, which also cover macroeconomics, market strategy and analyses, as well as the key companies from Chinese Mainland under the Hong Kong-Shanghai Stock Connect and Shenzhen Stock Connect. During the first half of 2017, the securities research team of the Group published a total of over 1,550 research reports, providing incisive analysis of Hong Kong stock, U.S. stock (including ETF), Shanghai-Shenzhen Stock Connect A shares, global bond fund and global commodity futures, etc. for clients. In the first half of 2017, we organised 34 analysts to perform 45 roadshows in total. 20 roadshows were held in Hong Kong, Taiwan, United Kingdom, the United States, Singapore and other places by A-Share listed companies and Hong Kong listed companies. About 40 participants from 23 institutions joined the meeting held by listed companies in London, United Kingdom in March. About 70 participants from 60 institutions joined the meeting held by listed companies in May.

In the first half of 2017, the Group strived to explore the overseas structural financing business of the peer industry and set up overseas structural notes, rendered specialised policy consultation and investment enhancement services, successfully constructed a channel to clients' investment, and introduced high quality overseas investment capital and thus effectively supported the overseas financing demand of the domestic peer industry.

## Prospects

We remain cautiously optimistic about the market in the second half of 2017, which is mainly based on the following reasons. First of all, during the course of stabilisation and recovery of the PRC traditional economy that focuses on manufacturing industry, we see a strong tenacity in the Chinese Mainland macroeconomy as shown by its industrial added value, PMI and other macro-meso-micro economic data. This will improve the fundamentals of the banking, insurance, energy, capital goods and other weighted industries and drive the Hong Kong market to improve continuously. Secondly, the normalisation of monetary policy is progressing steadily with the process under control. During the first half of 2017, the U.S. Federal Reserve Board raised interest rate twice, the global market fluctuated but without surprises, which demonstrated that the fundamentals of macroeconomy support monetary normalisation. It seems that the chances of risk occurrence are remote at the moment. Thirdly, in light of a certain degree of recovery in global economy, the economic data in Europe showed strong performance since this year. The increase in investments drives a steady recovery in global industry demand and the probability of continuous recovery in the future is high. Fourthly, the southbound fund still continues to increase, along with the Chinese Mainland institutions gradually expand the research focusing on investments in Hong Kong market, the funds from Chinese Mainland may continue to increase the holding of Hong Kong stocks.

## Capital Structure

During the period, there was no change to the share capital of the Company. As at 30 June 2017, the total number of the issued ordinary shares was 796,138,689 shares and total equity attributable to ordinary equity holders was approximately HK\$2.10 billion.

## Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2017, the Group had cash and bank balances of HK\$368.7 million (31 December 2016: HK\$387.7 million) and short-term marketable securities of HK\$137.5 million (31 December 2016: HK\$110.3 million). As at 30 June 2017, the Group's total unutilised banking facilities amounted to HK\$4,153.0 million (31 December 2016: HK\$4,117.4 million), of which HK\$2,916.0 million (31 December 2016: HK\$2,770.9 million) could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2017, the Group had outstanding short-term bank borrowings amounting to HK\$243.0 million. (31 December 2016: HK\$278.6 million). The liquidity ratio (current assets to current liabilities) and gearing ratio (bank borrowings to net asset value) were 143% (2016: 138%) and 12% (31 December 2016: 13%) 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 2017.

### **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 2017, the advances to customers were overdue account receivables from cash clients and margin financing. The balance of overdue account receivables from cash client amounted to HK\$50.9 million (31 December 2016: HK\$32.6 million). The balance of margin financing amounted to HK\$1,745.6 million (31 December 2016: HK\$1,792.2 million), of which 32% (31 December 2016: 27%) 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 and Renminbi. 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 consolidated statement of profit or loss. 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 2017.

## **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 2017.

## **Employees and Training**

As at 30 June 2017, the total number of full-time employees was 254 (2016: 263). The total staff costs for the period amounted to approximately HK\$93.4 million (2016: HK\$60.9 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 8 (2016: 8) Continuous Professional Training seminars for all licensed staff members during the six months ended 30 June 2017.

## **OTHER INFORMATION**

### **Director's Interests in Shares**

As at 30 June 2017, 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 2017, the interests of substantial shareholders, other than directors or chief executive of the Company, who had interests or short positions of 5% or more of the issued shares or underlying 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</b> <i>(Notes)</i>	<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 Directly beneficially owned	402,502,312 <sup>(1)</sup> 3,306,257 <sup>(2)</sup>	50.56 0.42
Shenwan Hongyuan Group Co.,Ltd.	Through controlled corporation	405,808,569 <sup>(1)(2)</sup>	50.98

*Notes:*

- (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 2017, 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 2017.

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 business engagement at the relevant time, an independent non-executive director of the Company was unable to attend the annual general meeting of the Company held on 12 May 2017.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

## AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The audit committee has reviewed the interim results announcement and interim report of the Company for the six months ended 30 June 2017.

## DIRECTORS

As at the date of this interim report, the Board of the Company comprises 8 directors, of which Mr. Zhu Minjie, Mr. Chen Xiaosheng, Mr. Guo Chun and Mr. Qiu Yizhou 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  
**Zhu Minjie**  
*Chairman*

Hong Kong, 11 August 2017