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 2018

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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 2018 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	
	Notes	**2018 (Unaudited) *HK$'000***	2017 (Unaudited) *HK$'000*
REVENUE	*3*	**284,715**	257,322
Other gains, net	*3*	**5,505**	4,877
Commission expenses		**(58,909)**	(54,106)
Employee benefit expenses		**(96,620)**	(93,446)
Depreciation		**(4,066)**	(3,394)
Interest expenses		**(9,886)**	(3,016)
Other expenses, net		**(62,492)**	(59,555)
PROFIT BEFORE TAXATION		**58,247**	48,682
Income tax	*4*	**(5,858)**	(3,549)
PROFIT FOR THE PERIOD		**52,389**	45,133
Attributable to:			
Ordinary equity holders of the Company		**52,390**	45,159
Non-controlling interests		**(1)**	(26)
		52,389	45,133
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (BASIC AND DILUTED)	*5*	**6.58 cents**	5.67 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT	**52,389**	45,133
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	**52,389**	45,655
Attributable to:		
Ordinary equity holders of the Company	**52,390**	45,681
Non-controlling interests	**(1)**	(26)
	52,389	45,655

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**13,322**	17,136
Stock and Futures Exchange trading rights		**4,212**	4,212
Other assets		**40,868**	31,226
Deferred tax assets		**4,683**	4,641
Total non-current assets		**63,085**	57,215
CURRENT ASSETS			
Investments at fair value through profit or loss	*7*	**139,922**	148,778
Account receivables	*8*	**747,878**	679,284
Loans and advances	*9*	**2,214,425**	2,290,889
Prepayments, deposits and other receivables		**31,712**	25,753
Tax recoverable		**2,530**	12,041
Bank balances held on behalf of clients	*10*	**4,609,366**	4,064,887
Cash and bank balances		**304,861**	407,457
Total current assets		**8,050,694**	7,629,089
CURRENT LIABILITIES			
Account payables	*11*	**5,239,485**	4,588,066
Other payables and accruals		**84,535**	86,087
Interest-bearing bank borrowings	*12*	**612,000**	845,000
Tax payable		**8,454**	2,467
Total current liabilities		**5,944,474**	5,521,620
NET CURRENT ASSETS		**2,106,220**	2,107,469
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,169,305**	2,164,684
NON-CURRENT LIABILITY			
Deferred tax liability		**1,161**	1,161
NET ASSETS		**2,168,144**	2,163,523
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Share capital		**1,200,457**	1,200,457
Other reserves		**965,059**	960,437
		2,165,516	2,160,894
Non-controlling interests		**2,628**	2,629
TOTAL EQUITY		**2,168,144**	2,163,523

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2018 (Audited)	1,200,457	15	138	960,284	2,160,894	2,629	2,163,523
Profit for the period	–	–	–	52,390	52,390	(1)	52,389
Final 2017 dividend declared and paid	–	–	–	(47,768)	(47,768)	–	(47,768)
At 30 June 2018 (Unaudited)	1,200,457	15	138	964,906	2,165,516	2,628	2,168,144

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$'000*	Exchange Reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
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	–	–	–	522	44,637	45,159	(26)	45,133
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 CASH FLOWS

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**58,247**	48,682
Adjustments for:		
Depreciation	**4,066**	3,394
Interest income	**(24,610)**	(23,385)
Interest expenses	**9,886**	3,016
Dividend income	**(99)**	(272)
Unrealised exchange gains	**(2,843)**	(2,574)
	44,647	28,861
(Increase)/decrease in other assets	**(9,642)**	999
Decrease/(increase) in investments at fair value through profit or loss	**8,856**	(27,027)
Increase in account receivables	**(67,233)**	(67,465)
Decrease in loans and advances	**73,645**	44,515
(Increase)/decrease in prepayments, deposits and other receivables	**(3,046)**	894
(Increase)/decrease in bank balances held on behalf of clients	**(541,304)**	652,556
Increase/(decrease) in account payables	**661,202**	(623,710)
(Decrease)/increase in other payables and accruals	**(1,476)**	33,621
Cash generated from operations	**165,649**	43,244
Hong Kong profits tax refunded	**9,838**	–
Overseas taxes (paid)/refunded	**(240)**	113
Net cash flows from operating activities	**175,247**	43,357

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Cont'd)

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(252)**	(12,612)
Interest received	**21,686**	20,026
Dividend received	**99**	272
Net cash flow from deemed disposal of a subsidiary	**–**	(1,011)
Net cash flows from investing activities	**21,533**	6,675
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payment to bank loans	**(232,979)**	(35,865)
Dividend paid	**(47,768)**	(31,846)
Interest paid	**(9,969)**	(3,076)
Capital contribution from non-controlling shareholder of a subsidiary	**–**	292
Net cash flows used in financing activities	**(290,716)**	(70,495)
NET DECREASE IN CASH AND BANK BALANCES	**(93,936)**	(20,463)
Cash and bank balances at beginning of period	**407,457**	387,713
Effect of foreign exchange rate changes	**(8,660)**	1,403
CASH AND BANK BALANCES AT END OF PERIOD	**304,861**	368,653

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 2017 that is included in this interim report 2018 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 2017 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 2017. 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 2017, except that in the current period, the Group has adopted certain revised Hong Kong Financial Reporting Standards ("HKFRSs") and interpretation as detailed below.

(a) Adoption of HKFRS 9

The Group has initially adopted HKFRS 9 from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies:

Financial assets

The Group classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost only if both of the following conditions are met:

– it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

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

Principal Accounting Policies *(Cont'd)*

(a) Adoption of HKFRS 9 *(Cont'd)*

Financial liabilities

Financial liabilities continue to be measured at either amortised cost or fair value through profit or loss ("FVTPL"). The criteria for designating a financial liability at FVTPL by applying the fair value option remains unchanged.

Changes in the fair value of financial liabilities designated at FVTPL, that are attributable to changes in the instrument's credit risk, are now presented in other comprehensive income.

Impairment

The HKFRS 9 impairment requirements are based on an expected credit loss model, replacing the incurred loss methodology model under HKAS 39. Key changes in the Group's accounting policy for impairment of financial assets are listed below.

The Group applies simplified approach to measure expected credit losses ("ECL") on account receivables and other financial assets accounted for at amortised cost; and general approach to measure ECL on time deposits accounted for at amortised cost.

Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL.

Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

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

Principal Accounting Policies *(Cont'd)*

(a) Adoption of HKFRS 9 *(Cont'd)*

Impairment (Cont'd)

Stage 2: Lifetime ECL – not credit-impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Lifetime ECL – credit-impaired

Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, remaining term to maturity and other relevant factors.

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

Principal Accounting Policies *(Cont'd)*

(a) Adoption of HKFRS 9 *(Cont'd)*

Impairment (Cont'd)

Stage 3: Lifetime ECL – credit-impaired *(Cont'd)*

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. The amount of the loss is recognised using a provision for doubtful debts account.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL.

Impact of the adoption of HKFRS 9 on the Group

On 1 January 2018, the Group's management has assessed which business models apply to the financial assets held by the Group at the date of initial application of HKFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate HKFRS 9 categories.

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

Principal Accounting Policies *(Cont'd)*

(a) Adoption of HKFRS 9 *(Cont'd)*

Impact of the adoption of HKFRS 9 on the Group (Cont'd)

Classification of financial assets and financial liabilities on the date of initial application of HKFRS 9

The following table shows the original measurement categories in accordance with HKAS 39 and the new measurement categories under HKFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018.

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Original carrying amount under HKAS 39 *HK$'000*	New carrying amount under HKFRS 9 *HK$'000*
Other assets	Amortised cost	Amortised cost	31,226	31,226
Investments at fair value through profit or loss	FVTPL	FVTPL (held for trading)	148,778	148,778
Account receivables due from cash clients	Amortised cost	FVTPL	216,836	216,836
Other account receivables	Amortised cost	Amortised cost	462,448	462,448
Loans and advances	Amortised cost	FVTPL	2,290,889	2,290,889
Deposits and other receivables	Amortised cost	Amortised cost	19,150	19,150
Bank balance held on behalf of clients	Amortised cost	Amortised cost	4,064,887	4,064,887
Cash and bank balances	Amortised cost	Amortised cost	407,457	407,457
Total financial assets			7,641,671	7,641,671

Financial liabilities	Original classification under HKAS 39	New classification under HKFRS 9	Original carrying amount under HKAS 39 *HK$'000*	New carrying amount under HKFRS 9 *HK$'000*
Account payables	Amortised cost	Amortised cost	4,588,066	4,588,066
Other payables and accruals	Amortised cost	Amortised cost	81,670	81,670
Interest-bearing bank borrowings	Amortised cost	Amortised cost	845,000	845,000
Total financial liabilities			5,514,736	5,514,736

For financial assets subject to ECL impairment, no material impairment loss was recognised at 30 June 2018 given that most of financial instruments carried at amortised cost are either placed with banks with high credit rating or counterparties with strong background and settlement history.

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

Principal Accounting Policies *(Cont'd)*

(a) ***Adoption of HKFRS 9*** *(Cont'd)*

Impact of the adoption of HKFRS 9 on the Group (Cont'd)

Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods (including retained earnings and reserves as at 1 January 2018) has not been restated as no material impairment loss was recognised at 30 June 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessment has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

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

Principal Accounting Policies *(Cont'd)*

(b) 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.

HKFRS 15	*Revenue from contracts with customers*
Amendments to HKAS 40	*Investment property: Transfer of investment property*
HK(IFRIC) 22	*Foreign currency transactions and advance consideration*

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

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
HKFRS 16	*Leases*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatment*[1]

[1] Effective for annual periods beginning on or after 1 January 2019

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's financial statements.

2. OPERATING SEGMENT INFORMATION

The Group's unaudited segment results are as follows:

	Brokerage business *HK$'000*	Corporate finance business *HK$'000*	Asset management business *HK$'000*	Financing and loans business *HK$'000*	Investment business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Six months ended 30 June 2018							
Segment revenue and other gains from external customers	139,514	34,675	16,885	97,866	(4,225)	5,505	290,220
Segment results and profit/(loss) before tax	17,500	2,342	396	37,654	(5,150)	5,505	58,247

	Brokerage business *HK$'000*	Corporate finance business *HK$'000*	Asset management business *HK$'000*	Financing and loans business *HK$'000*	Investment business *HK$'000*	Others *HK$'000*	Total *HK$'000*
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

3. REVENUE AND OTHER GAINS

An analysis of revenue and other gains are as follows:

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue:		
Brokerage business:		
Commission on securities dealing		
– Hong Kong securities	**101,069**	72,237
– Other than Hong Kong securities	**18,425**	10,302
Commission on futures and options contracts dealing	**10,956**	9,774
Handling fee income	**3,666**	5,874
Research fee income and others	**5,398**	5,562
	139,514	103,749
Corporate finance business:		
Initial public offering, placing, underwriting and sub-underwriting commission	**14,472**	49,456
Financial advisory, compliance advisory, sponsorship fee income and others	**20,203**	13,478
	34,675	62,934
Asset management business:		
Management fee and investment advisory fee income	**16,143**	3,074
Performance fee income	**742**	–
	16,885	3,074
Financing and loans business:		
Interest income from loans to cash clients and margin clients	**68,651**	57,998
Interest income from initial public offering loans	**4,605**	67
Interest income from banks and others	**24,610**	23,385
	97,866	81,450

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue: *(Cont'd)*		
Investment business:		
Net realised and unrealised gains/(losses) on financial assets:		
– Listed investments	**(237)**	(304)
– Unlisted investments	**(6,742)**	3,662
Dividend income and interest income:		
– Listed investments	**99**	272
– Unlisted investments	**2,655**	2,485
	(4,225)	6,115
	284,715	257,322
Other gains, net:		
Exchange gains, net	**5,505**	4,877

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Provision for the period	**5,800**	2,800
Underprovision in respect of prior period	**15**	–
	5,815	2,800
Current – Elsewhere	**85**	–
Deferred	**(42)**	749
Total tax charge for the period	**5,858**	3,549

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 2018, the total number of the issued ordinary shares was 796,138,689 shares.

	For the six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Earnings		
Profit for the period attributable to ordinary equity holders of the Company *(HK$'000)*	**52,390**	45,159
Number of shares		
Weighted average number of ordinary shares in issue *(in thousands)*	**796,139**	796,139
Earnings per share, basic and diluted *(HK cents per share)*	**6.58**	5.67

6. DIVIDEND

	For the six months ended 30 June	
	2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
Interim – Nil (2017: Nil) per ordinary share	**–**	–

7. INVESTMENTS

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
Investments at fair value through profit or loss:		
Listed investment funds	**22,772**	39,691
Unlisted investment funds	**23,533**	25,669
Unlisted debt investments	**93,617**	83,418
Total	**139,922**	148,778

8. ACCOUNT RECEIVABLES

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
Account receivables arising from securities dealing:		
– Cash Clients	**448,837**	216,836
– Brokers and dealers	**130,182**	107,018
– Clearing houses	**149,106**	338,763
	728,125	662,617
Account receivables arising from corporate finance, advisory and other services:		
– Corporate Clients	**19,753**	16,667
	747,878	679,284

There was no provision for impairment of account receivables at 30 June 2018 (2017: Nil).

8. ACCOUNT RECEIVABLES *(Cont'd)*

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 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
Within 1 month	**415,770**	192,507
1 to 2 months	**13,243**	10,758
2 to 3 months	**1,484**	5,334
Over 3 months	**18,340**	8,237
	448,837	216,836

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 2018, balances of HK$1,650,000 (31 December 2017: HK$1,000,000) were over 3 months past due and balances of HK$18,103,000 (31 December 2017: HK$14,867,000) were not past due. As at 31 December 2017, balances of HK$800,000 were 1 to 3 months past due.

8. ACCOUNT RECEIVABLES *(Cont'd)*

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

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$57,465,000 (31 December 2017: HK$54,171,000) bear interest at interest rates mainly with reference to Hong Kong dollar prime rate (31 December 2017: with reference to the Hong Kong dollar prime rate).

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:

	As at 30 June 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
Not past due	**391,372**	162,665
Less than 1 month past due	**30,243**	29,842
1 to 3 months past due	**9,405**	16,092
Over 3 months past due	**17,817**	8,237
	448,837	216,836

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

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
Loans and advances to customers before provision for impairment:		
– Secured	**2,214,425**	2,290,889

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 2018 (31 December 2017: 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

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
Account payables		
– Client	**4,937,067**	4,577,992
– Brokers and dealers	**13,462**	5,728
– Clearing houses	**288,956**	4,346
	5,239,485	4,588,066

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. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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).

13. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Cont'd)*

Fair value hierarchy *(Cont'd)*

	Level 1	**Level 2**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
As at 30 June 2018 – (Unaudited)			
Loans and advances	**–**	**2,214,425**	**2,214,425**
Investments at fair value through profit or loss:			
Listed investment funds, at fair value	**22,772**	**–**	**22,772**
Unlisted investment funds, at fair value	**23,533**	**–**	**23,533**
Unlisted debt investments, at fair value	**–**	**93,617**	**93,617**
	46,305	**2,308,042**	**2,354,347**

	Level 1	Level 2	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 31 December 2017 – (Audited)*			
Investments at fair value through profit or loss:			
Listed investment funds, at fair value	39,691	–	39,691
Unlisted investment funds, at fair value	25,669	–	25,669
Unlisted debt investments, at fair value	–	83,418	83,418
	65,360	83,418	148,778

13. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Cont'd)*

Fair value hierarchy *(Cont'd)*

* The Group initially applied HKFRS 9 at 1 January 2018 and has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement requirements. Differences in carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserve as at 1 January 2018 (if any). Under the transition methods chosen, comparative information is not restated.

During the six months ended 30 June 2018 and year ended 31 December 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

14. COMMITMENTS

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

	As at 30 June 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
Within one year	**24,664**	28,501
In the second to fifth years, inclusive	**8,634**	18,646
	33,298	47,147

15. RELATED PARTY TRANSACTIONS

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

		For the six months ended 30 June	
	Notes	**2018 (Unaudited) *HK$'000***	2017 (Unaudited) *HK$'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)*	**374**	392
Research fee for supporting services in relation to research paid to a subsidiary of the ultimate holding company	*(ii)*	**3,500**	4,000
Consultancy fee for supporting services in relation to PRC market paid to the subsidiaries of the ultimate holding company	*(iii)*	**2,000**	1,878
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)*	**4,760**	4,125

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.

15. 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 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 receivables balance as at 30 June 2018 was a receivable due from a wholly-owned subsidiary of the ultimate holding company of HK$5,026,000 (31 December 2017: HK$8,478,000) 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 2018 was a consultancy fee receivable due from a wholly-owned subsidiary of the ultimate holding company of HK$4,760,000 (31 December 2017: HK$6,088,000) 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 payables balance as at 30 June 2018 was a payable to a wholly-owned subsidiary of the ultimate holding company of the Company of HK$542,000 (31 December 2017: HK$449,000) 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.

15. 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 2018 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK$206,672,000 (31 December 2017: HK$204,654,000). This balance is unsecured, bears interest at the bank deposit rate and is payable on demand.

(ix) Included in the other payables and accruals balance as at 30 June 2018 was a payable to a subsidiary of the ultimate holding company of HK$3,500,000 (31 December 2017: Nil) arising from supporting services in relation to research. This balance is unsecured, interest-free and payable on settlement date of the relevant transactions.

(x) Included in the other payables and accruals balance as at 30 June 2018 was a consultancy fee payable to wholly-owned subsidiaries of the ultimate holding company of the Company of HK$2,000,000 (31 December 2017: HK$2,517,000) arising from supporting services for PRC market. This balance is unsecured, interest-free and payable on demand.

(xi) Included in the account payables balance as at 30 June 2018 was the amount of segregated client money held on behalf of directors of the Company and key management personnel of the Group of HK$7,012,000 (31 December 2017: HK$11,566,000). This balance is unsecured, bears interest at the bank deposit rate and is payable on demand. A corresponding amount is also included in the bank balances held on behalf of clients as at 30 June 2018 and 31 December 2017.

15. RELATED PARTY TRANSACTIONS *(Cont'd)*

(b) Key management personnel compensation

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short term employee benefits	**20,350**	16,726
Post-employment benefits	**828**	934
	21,178	17,660

16. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	As at 30 June 2018 (Unaudited)					
				Related amounts not set off in the consolidated statement of financial position		
	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 assets presented in the consolidated statement of financial position	Financial instruments	Cash collateral received	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Account receivables	927,583	(179,705)	747,878	–	–	747,878

16. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Cont'd)*

	As at 30 June 2018 (Unaudited)					
				Related amounts not set off in the consolidated statement of financial position		
	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 liabilities presented in the consolidated statement of financial position	Financial instruments	Cash collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Liabilities						
Account payables	**5,419,190**	**(179,705)**	**5,239,485**	**–**	**–**	**5,239,485**

	As at 31 December 2017 (Audited)					
				Related amounts not set off in the consolidated statement of financial position		
	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 assets presented in the consolidated statement of financial position	Financial instruments	Cash collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Account receivables	914,370	(235,086)	679,284	–	–	679,284

16. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Cont'd)*

	As at 31 December 2017 (Audited)					
				Related amounts not set off in the consolidated statement of financial position		
	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 liabilities presented in the consolidated statement of financial position	Financial instruments	Cash collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Liabilities						
Account payables	4,823,152	(235,086)	4,588,066	–	–	4,588,066

17. REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018.

18. 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 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Market

From Chinese Mainland's macroeconomics perspective, despite a slowdown in macroeconomic growth in the first half of 2018, the PRC economy remained resilient, as depicted by those encouraging factors such as industrial enterprise profit, PMI and volume of power generation. Real estate investments and exports were still the key factors that underpinned economic tenacity in the first half year, and service industry still remained promising in its development. However, weakening financial data showed disparity from the resilient macroeconomic data in the first half year. Under the environment of tight credit and stable leveraging policy, an obvious decline was envisaged in financial data that was represented by total volume of new additional social financing. Coupled with the debt risks that had emerged for some enterprises, the above factors rendered the market to worry about whether the macroeconomy will stall in the second half year.

From the global market's environment perspective, there were new uncertainties in the first half of 2018. On one hand, trade protectionism measures initiated by U.S.A. posed uncertainties to the global trade environment. While enjoying a global synchronous economic recovery in 2017, Europe, China and Japan benefited from increasing export activities, which however may be affected negatively under the emerging trade protectionism sentiment. On the other hand, fluctuation was still seen in the three markets, namely stock, debt and foreign exchange, in emerging markets due to a strong United States dollar, while U.S.A. outperformed the global economy to a certain extent.

The Chinese Mainland capital market remained weak after the global market turmoil in February 2018. In particular, blue chip stocks with outstanding performance in 2017 experienced a relatively significant decline, while some small and medium growth stocks had relatively better performance. We believe that the above phenomenon was caused by two factors: firstly, the results of annual reports and quarterly reports of some overvalued white horse stocks fell below expectation, which triggered a sharp fall in stock prices; secondly, the valuation of GEM fell to its historical bottom in the beginning of 2018, while some small and medium caps with assured results outperformed the overvalued blue chip stocks in terms of price-performance ratio.

After a significant surge in January 2018, the Hong Kong market tumbled significantly following the vigorous fluctuations in global stock markets in February. Subsequently, under the pressure of Sino-U.S. trade frictions and the slowdown in Chinese Mainland economic data, it entered into a wider range of fluctuation with significant drop by end June. From the segment performance perspective, the blue chip stocks represented by the banking segment headed up in January, while the pharmaceutical, education, consumption and other defense-type segments recorded better returns since the market fluctuation in February.

Review of Operations

In the first half of 2018, the overall operation of the Group improved steadily with a turnover of HK$285 million (the first half of 2017: HK$257 million), representing a year-on-year increase of 11%. The unaudited profit before tax increased by 20% to HK$58 million (the first half of 2017: HK$49 million). Revenue from brokerage business and financing and loans business recorded growth following the increase in market turnover. For the brokerage business, with the increase in market turnover, revenue from the brokerage business increased by approximately HK$35.77 million or 34% as compared with the same period last year. For the financing and loans business, the average margin balance in the first half of 2018 reached approximately HK$2.361 billion, achieved a revenue of HK$97.87 million, representing an increase of HK$16.42 million or 20% as compared with the same period last year. For the corporate finance business, in the first half of 2018, the number of lead underwriting, placing and financial advisory projects amounted to 1, 6 and 5 respectively, of which the sole sponsor/lead underwriting projects included the successful completion of the listing of Hingtex Holdings Limited (1968). In the first half of 2018, revenue from the corporate finance business, revenue from the asset management business and loss from the investment business amounted to HK$34.68 million, HK$16.89 million and HK$4.23 million respectively, representing a decrease of approximately HK$28.26 million or 45%, an increase of approximately HK$13.81 million or 449% and a decrease of approximately HK$10.34 million or 169% 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, as well as overseas stocks. In the first half of 2018, the Hong Kong Stock Exchange recorded an average daily turnover of HK$119.2 billion, representing an increase of 64% as compared with HK$72.5 billion in the corresponding period of 2017. 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 accounts opened for Hong Kong stocks. For the period from January to June 2018, 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 in overseas. As of the end of June 2018, by using the 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 2018, while the Hang Seng Index, Hang Seng China Enterprises Index, and the average daily turnover stabilised after a rise, changes were correspondingly seen in clients' willingness to borrow. Under this circumstance, the Group has taken timely measures to meet clients' 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$2.361 billion in the first half of 2018, representing an increase of 25% as compared with HK$1.891 billion in the same period last year. Interest income amounted to HK$97.87 million, representing an increase of 20% as compared with HK$81.45 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 Hingtex Holdings Limited (1968). The shares of which had already been successfully listed on the Main Board of Hong Kong Stock Exchange in July 2018. In the first half of 2018, 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 CSSC Offshore & Marine Engineering (Group) Company Limited – H shares (317) and EGL Holdings Company Limited (6882). In addition, the Group has completed the placing for 6 companies including Hingtex Holdings Limited (1968), China Oriental Group Company Limited (581), Value Convergence Holdings Limited (821), SPT Energy Group Inc. (1251), Mansion International Holdings Limited (8456) and Madison Holdings Group Limited (8057).

For the asset management business of the Group, the size of the total asset under management amounted to approximately HK$5.742 billion by the end of June 2018, and revenue from asset management business amounted to HK$16.89 million, representing a significant increase of 449% as compared with the same period last year.

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, covering macroeconomics, market strategy and analysis, 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 2018, the securities research team of the Group published a total of over 1,500 research reports, providing incisive analysis of Hong Kong stocks, U.S. stocks (including ETFs), Shanghai-Shenzhen Stock Connect A shares, global bond funds and global commodity futures, etc. for clients. In the first half of 2018, we organised 7 analysts to perform 94 roadshows in total in Hong Kong. 17 roadshows were held in Hong Kong, Taiwan, the United Kingdom, the United States, Singapore and other places by A-Share listed companies and Hong Kong listed companies.

Prospects

We are of the view that the following key variables will affect the trend of Hong Kong stock market in the second half of 2018. Firstly, whether the financial data represented by the growth rate of total social financing amount in Chinese Mainland will remain stable or not, so as to eliminate investors' pessimistic expectation about future economic development. In the first half of 2018, although a number of industry leading cyclical enterprises had still recorded remarkable performance due to continuous supply-side reforms, their valuations showed significant decrease because of pessimistic economic outlook, as investors are concerned that sluggish demand will eventually drag down supply-side performance. Secondly, whether Renminbi exchange rates will remain within relatively stable range or not, so as to support overseas investors in continuing buying Renminbi-denominated assets represented by Hong Kong stocks. In the first half of 2018, under the weak Hong Kong Stock Connect flows from Chinese Mainland, the blue chip segment of Hong Kong stocks performed stably as compared to A shares due to the continuous inflows of foreign funding into the Hong Kong stock market. A significant fluctuation in Renminbi exchange rate will be unfavorable to the liquidity of the Hong Kong stock market. Furthermore, we believe the Sino-U.S. trade frictions will have a limited impact on macroeconomy in the short-run, however, such uncertainty will still influence market sentiment in the long-run.

Capital Structure

During the period, there was no change to the share capital of the Company. As at 30 June 2018, the total number of the issued ordinary shares was 796,138,689 shares and total equity attributable to ordinary equity holders was approximately HK$2.17 billion (31 December 2017: HK$2.16 billion).

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2018, the Group had cash and bank balances of HK$305 million (31 December 2017: HK$407 million) and investments at fair value through profit or loss of HK$140 million (31 December 2017: HK$149 million). As at 30 June 2018, the Group's total unutilised banking facilities amounted to approximately HK$3.3 billion (31 December 2017: approximately HK$3.0 billion), of which HK$2.67 billion (31 December 2017: HK$2.32 billion) could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2018, the Group had outstanding short-term bank borrowings amounting to HK$612 million (31 December 2017: HK$845 million). The liquidity ratio (current assets to current liabilities) and gearing ratio (bank borrowings to net asset value) were 135% (2017: 138%) and 28% (31 December 2017: 39%) 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 2018.

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 2018, the advances to customers were overdue account receivables from cash clients and margin financing. The balance of overdue account receivables from cash clients amounted to HK$57 million (31 December 2017: HK$54 million). The balance of margin financing amounted to HK$2,214 million (31 December 2017: HK$2,291 million), of which 22% (31 December 2017: 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 monitors 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 2018.

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 2018.

Employees and Training

As at 30 June 2018, the total number of full-time employees was 264 (2017: 254). The total staff costs for the period amounted to approximately HK$96.6 million (2017: HK$93.4 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 (2017: 8) Continuous Professional Training seminars for all licensed staff members during the six months ended 30 June 2018.

OTHER INFORMATION

Director's Interests in Shares

As at 30 June 2018, 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 2018, 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

Name	Capacity and nature of interests	Number of ordinary shares held *(Notes)*	Percentage of the Company's issued shares
Shenwan Hongyuan Holdings (B.V.I.) Limited ("SWHYHBVI")	Directly beneficially owned	402,502,312[(1)]	50.56
Venture-Some Investments Limited ("VSI")	Through controlled corporation	402,502,312[(1)]	50.56
Shenwan Hongyuan (International) Holdings Limited	Through controlled corporation	402,502,312[(1)]	50.56
	Directly beneficially owned	3,306,257[(2)]	0.42
Shenwan Hongyuan Securities Co., Ltd	Through controlled corporation	405,808,569[(1)(2)]	50.98
Shenwan Hongyuan Group Co., Ltd.	Through controlled corporation	405,808,569[(1)(2)]	50.98

Notes:

(1) SWHYHBVI is held directly as to 60.82% by VSI. VSI is wholly-owned by Shenwan Hongyuan (International) Holdings Limited which is in turn a wholly-owned subsidiary of Shenwan Hongyuan Securities Co., Ltd. Shenwan Hongyuan Securities Co., Ltd is wholly-owned by Shenwan Hongyuan Group Co., Ltd. Hence, VSI, Shenwan Hongyuan (International) Holdings Limited, Shenwan Hongyuan Securities Co., Ltd 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 Securities Co., Ltd and Shenwan Hongyuan Group Co., Ltd. are 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 2018, 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. Throughout the six months ended 30 June 2018, the Company has met all the code provisions stipulated in Appendix 14, Corporate Governance Code and Corporate Governance Report, of the Listing Rules.

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 2018.

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, 10 August 2018