



**申萬宏源香港**  
**SHENWAN HONGYUAN**

**SHENWAN HONGYUAN (H.K.) LIMITED**  
**申萬宏源（香港）有限公司**

(Incorporated in Hong Kong with limited liability) (於香港註冊成立之有限公司)  
(Stock Code 股份代號 : 218)



**2019** 中期報告  
**INTERIM REPORT**



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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Zhu Minjie (*Chairman*)  
Chen Xiaosheng  
Zhang Jian  
Guo Chun (*Deputy Chairman*)  
Qiu Yizhou (*Chief Executive Officer*)

### Non-executive Director

Zhang Lei

### Independent Non-executive Directors

Ng Wing Hang Patrick  
Kwok Lam Kwong Larry  
Chen Liqiang

### AUDIT COMMITTEE

Ng Wing Hang Patrick (*Chairman*)  
Kwok Lam Kwong Larry  
Chen Liqiang

### REMUNERATION COMMITTEE

Kwok Lam Kwong Larry (*Chairman*)  
Ng Wing Hang Patrick  
Chen Liqiang

### NOMINATION COMMITTEE

Zhu Minjie (*Chairman*)  
Ng Wing Hang Patrick  
Kwok Lam Kwong Larry  
Chen Liqiang

### RISK COMMITTEE

Ng Wing Hang Patrick (*Chairman*)  
Guo Chun  
Qiu Yizhou  
Kwok Lam Kwong Larry  
Chen Liqiang

### COMPANY SECRETARY

Wong Che Keung Leslie

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
China CITIC Bank International Limited  
Dah Sing Bank, Limited  
Industrial and Commercial Bank of China  
(Asia) Limited  
OCBC Wing Hang Bank Limited  
Shanghai Pudong Development Bank Co., Ltd.,  
Hong Kong Branch  
Standard Chartered Bank (Hong Kong) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

## AUDITORS

KPMG

## REGISTERED OFFICE

Level 19  
28 Hennessy Road  
Hong Kong

## SHARE REGISTRARS & TRANSFER OFFICE

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## WEBSITE

<http://www.swwhyhk.com>

## 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 2019 together with comparative figures for the corresponding period of last year.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

|   | Notes | For the six months ended 30 June |                                 |
|---|-------|----------------------------------|---------------------------------|
|   |       | 2019<br>(Unaudited)<br>HK\$'000  | 2018<br>(Unaudited)<br>HK\$'000 |
| <b>REVENUE</b>  | 3     | 365,231                          | 284,715                         |
| — Interest revenue calculated using the effective interest method                                   |       | 57,979                           | 24,610                          |
| — Revenue from contracts with customers within the scope of HKFRS 15                                |       | 212,226                          | 191,074                         |
| — Revenue from other sources  |       | 95,026                           | 69,031                          |
| Other (losses)/gains, net   | 3     | (6,860)                          | 5,505                           |
| Commission expenses   |       | (41,644)                         | (58,909)                        |
| Employee benefit expenses   |       | (122,600)                        | (96,620)                        |
| Depreciation  |       | (10,832)                         | (4,066)                         |
| Interest expenses   |       | (10,384)                         | (9,886)                         |
| Other expenses, net   |       | (86,681)                         | (62,492)                        |
| <b>PROFIT BEFORE TAXATION</b>   |       | 86,230                           | 58,247                          |
| Income tax  | 4     | (8,093)                          | (5,858)                         |
| <b>PROFIT FOR THE PERIOD</b>  |       | 78,137                           | 52,389                          |
| <b>Attributable to:</b>   |       |                                  |                                 |
| Ordinary equity holders of the Company  |       | 78,137                           | 52,390                          |
| Non-controlling interests   |       | —                                | (1)                             |
|   |       | 78,137                           | 52,389                          |
| <b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY(BASIC AND DILUTED)</b> | 5     | HK5.77 cents                     | HK6.58 cents                    |

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

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|   | For the six months<br>ended 30 June |                                 |
|---|-------------------------------------|---------------------------------|
|   | 2019<br>(Unaudited)<br>HK\$'000     | 2018<br>(Unaudited)<br>HK\$'000 |
| <b>PROFIT FOR THE PERIOD</b>  | 78,137                              | 52,389                          |
| <b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD:</b><br><i>Items that may be reclassified to profit or loss<br/>in subsequent periods:</i> |                                     |                                 |
| Financial assets at fair value through other comprehensive income<br>— net movement in fair value reserve (recycling)                   | 28,082                              | —                               |
| <b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>  | 28,082                              | —                               |
| <b>TOTAL COMPREHENSIVE INCOME</b>   | 106,219                             | 52,389                          |
| <b>Attributable to:</b>   |                                     |                                 |
| Ordinary equity holders of the Company  | 106,219                             | 52,390                          |
| Non-controlling interests   | —                                   | (1)                             |
|   | 106,219                             | 52,389                          |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  | Notes | As at<br>30 June<br>2019<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(Audited)<br>HK\$'000 |
|--|-------|---|---|
| <b>NON-CURRENT ASSETS</b>                        |       |   |   |
| Property, plant and equipment                    |       | 13,328  | 13,150  |
| Stock and Futures Exchange trading rights        |       | 4,212   | 4,212   |
| Other assets                                     |       | 27,408  | 22,922  |
| Other financial assets                           | 7     | 1,209,343   | –   |
| Right-of-use assets                              |       | 26,790  | –   |
| Deferred tax assets                              |       | 3,760   | 4,624   |
| <b>Total non-current assets</b>                  |       | <b>1,284,841</b>                                    | <b>44,908</b>   |
| <b>CURRENT ASSETS</b>                            |       |   |   |
| Other financial assets                           | 7     | 837,373   | –   |
| Investments at fair value through profit or loss | 8     | 436,668   | 602,272   |
| Account receivables                              | 9     | 767,116   | 457,414   |
| Other contract cost                              |       | –   | 5,000   |
| Loans and advances                               | 10    | 1,271,129   | 1,208,091   |
| Prepayments, deposits and other receivables      |       | 77,834  | 37,277  |
| Tax recoverable                                  |       | 7,585   | 8,674   |
| Bank balances held on behalf of clients          | 11    | 3,881,689   | 4,879,449   |
| Cash and bank balances                           |       | 426,677   | 620,571   |
| <b>Total current assets</b>                      |       | <b>7,706,071</b>                                    | <b>7,818,748</b>                                      |
| <b>CURRENT LIABILITIES</b>                       |       |   |   |
| Account payables                                 | 12    | 4,449,334   | 5,082,122   |
| Other payables and accruals                      |       | 96,926  | 82,185  |
| Interest-bearing bank borrowings                 | 13    | 539,235   | 469,920   |
| Contract liabilities                             |       | 1,100   | 13,144  |
| Lease liabilities                                |       | 158   | –   |
| Tax payable                                      |       | 10,539  | 7,232   |
| <b>Total current liabilities</b>                 |       | <b>5,097,292</b>                                    | <b>5,654,603</b>                                      |
| <b>NET CURRENT ASSETS</b>                        |       | <b>2,608,779</b>                                    | <b>2,164,145</b>                                      |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>     |       | <b>3,893,620</b>                                    | <b>2,209,053</b>                                      |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

|   | As at<br>30 June<br>2019<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(Audited)<br>HK\$'000 |
|---|---|---|
| <b>NON-CURRENT LIABILITIES</b>  |   |   |
| Lease liabilities   | 27,194  | –   |
| Deferred tax liability  | 1,313   | 943   |
| Total non-current liabilities   | 28,507  | 943   |
| <b>NET ASSETS</b>   | <b>3,865,113</b>                                    | <b>2,208,110</b>                                      |
| <b>EQUITY</b>   |   |   |
| Equity attributable to ordinary equity shareholders<br>of the Company |   |   |
| Share capital   | 2,782,477   | 1,200,457   |
| Other reserves  | 1,080,009   | 1,005,026   |
|   | 3,862,486   | 2,205,483   |
| Non-controlling interests   | 2,627   | 2,627   |
| <b>TOTAL EQUITY</b>   | <b>3,865,113</b>                                    | <b>2,208,110</b>                                      |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Attributable to ordinary equity holders of the Company |                             |                             |  |                              |                   | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
|--|--|-----------------------------|-----------------------------|--|------------------------------|-------------------|---------------------------------------|--------------------------|
|  | Share capital<br>HK\$'000                              | Capital reserve<br>HK\$'000 | General reserve<br>HK\$'000 | Fair value reserve (recycling)<br>HK\$'000 | Retained profits<br>HK\$'000 | Total<br>HK\$'000 |                                       |                          |
| At 1 January 2019 (Audited)  | 1,200,457  | 15                          | 138                         | –  | 1,004,873                    | 2,205,483         | 2,627                                 | 2,208,110                |
| Impact on initial application of HKFRS16   | –  | –                           | –                           | –  | (13)                         | (13)              | –                                     | (13)                     |
| Adjusted balance at 1 January 2019 (Unaudited)   | 1,200,457  | 15                          | 138                         | –  | 1,004,860                    | 2,205,470         | 2,627                                 | 2,208,097                |
| Profit for the period  | –  | –                           | –                           | –  | 78,137                       | 78,137            | –                                     | 78,137                   |
| Other comprehensive income:  |  |                             |                             |  |                              |                   |                                       |                          |
| Financial assets at fair value through other comprehensive income — net movement in fair value reserve (recycling) | –  | –                           | –                           | 28,082                                     | –                            | 28,082            | –                                     | 28,082                   |
| Total comprehensive income   | –  | –                           | –                           | 28,082                                     | 78,137                       | 106,219           | –                                     | 106,219                  |
| Issuance of new shares   | 1,582,020  | –                           | –                           | –  | –                            | 1,582,020         | –                                     | 1,582,020                |
| Final 2018 dividend declared and paid  | –  | –                           | –                           | –  | (31,223)                     | (31,223)          | –                                     | (31,223)                 |
| At 30 June 2019 (Unaudited)  | 2,782,477  | 15                          | 138                         | 28,082                                     | 1,051,774                    | 3,862,486         | 2,627                                 | 3,865,113                |



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

|                                       | Attributable to ordinary equity holders of the Company |                             |                             |                              |                   | Non-controlling interests<br>HK\$'000 | Total equity<br>HK\$'000 |
|---------------------------------------|--|-----------------------------|-----------------------------|------------------------------|-------------------|---------------------------------------|--------------------------|
|                                       | Share capital<br>HK\$'000                              | Capital reserve<br>HK\$'000 | General reserve<br>HK\$'000 | Retained profits<br>HK\$'000 | Total<br>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                |

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

|  | For the six months ended 30 June |   |
|--|----------------------------------|---|
|  | 2019<br>(Unaudited)<br>HK\$'000  | 2018<br>(Unaudited)<br>(Note)<br>HK\$'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                    |                                  |   |
| Profit before tax  | 86,230                           | 58,247                                    |
| Adjustments for:   |                                  |   |
| Depreciation — Properties, plant and machinery                 | 4,624                            | 4,066                                     |
| Depreciation — Right-of-use assets                             | 6,208                            | —   |
| Interest income  | (40,558)                         | (24,610)                                  |
| Interest expenses  | 10,384                           | 9,886                                     |
| Dividend income  | —                                | (99)                                      |
| Unrealised exchange gains                                      | 412                              | (2,843)                                   |
|  | 67,300                           | 44,647                                    |
| Increase in other assets                                       | (4,486)                          | (9,642)                                   |
| Increase in other financial assets                             | (2,018,635)                      | —   |
| Increase in right-of-use assets                                | (32,998)                         | —   |
| Decrease in investments at fair value through profit or loss   | 165,604                          | 8,856                                     |
| Increase in account receivables                                | (311,011)                        | (67,233)                                  |
| Decrease in other contract cost                                | 5,000                            | —   |
| (Increase)/decrease in loans and advances                      | (62,526)                         | 73,645                                    |
| Increase in prepayments, deposits and other receivables        | (8,501)                          | (3,046)                                   |
| Decrease/(increase) in bank balances held on behalf of clients | 996,208                          | (541,304)                                 |
| (Decrease)/increase in account payables                        | (632,610)                        | 661,202                                   |
| Decrease in contract liabilities                               | (12,044)                         | —   |
| Increase in lease liabilities                                  | 32,985                           | —   |
| Increase/(decrease) in other payables and accruals             | 14,729                           | (1,476)                                   |
|  | (1,800,985)                      | 165,649                                   |
| Cash (used in)/generated from operations                       | (1,800,985)                      | 165,649                                   |
| Hong Kong profits tax (paid)/refunded                          | (2,033)                          | 9,838                                     |
| Overseas taxes paid  | (430)                            | (240)                                     |
|  | (1,803,448)                      | 175,247                                   |
| Net cash flows (used in)/from operating activities             | (1,803,448)                      | 175,247                                   |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

|   | For the six months<br>ended 30 June |   |
|---|-------------------------------------|---|
|   | 2019<br>(Unaudited)<br>HK\$'000     | 2018<br>(Unaudited)<br>(Note)<br>HK\$'000 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>         |                                     |   |
| Purchases of items of property, plant and equipment | (4,802)                             | (252)                                     |
| Interest received                                   | 8,493                               | 21,686                                    |
| Dividend received                                   | –                                   | 99  |
| Net cash flows from investing activities            | 3,691                               | 21,533                                    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>         |                                     |   |
| Net payment to bank loans                           | 70,025                              | (232,979)                                 |
| Dividend paid                                       | (31,223)                            | (47,768)                                  |
| Interest paid                                       | (9,743)                             | (9,969)                                   |
| Principal portion of lease payment                  | (5,633)                             | –   |
| Interest portion of lease liabilities               | (626)                               | –   |
| Issuance of new shares                              | 1,582,020                           | –   |
| Net cash flows from/(used in) financing activities  | 1,604,820                           | (290,716)                                 |
| <b>NET DECREASE IN CASH AND BANK BALANCES</b>       | <b>(194,937)</b>                    | <b>(93,936)</b>                           |
| Cash and bank balances at beginning of period       | 620,571                             | 407,457                                   |
| Effect of foreign exchange rate changes             | 1,043                               | (8,660)                                   |
| <b>CASH AND BANK BALANCES AT END OF PERIOD</b>      | <b>426,677</b>                      | <b>304,861</b>                            |

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1.

## 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 2018 that is included in this interim result announcement 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 2018 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 2018. 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.

### 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 2018, except that in the current period, the Group has adopted certain revised Hong Kong Financial Reporting Standards (“HKFRSs”) and interpretation as detailed below.

(a) *HKFRS 16, Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

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

### PRINCIPAL ACCOUNTING POLICIES (Cont'd)

#### (a) HKFRS 16, Leases (Cont'd)

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

#### (i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

#### (ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

### PRINCIPAL ACCOUNTING POLICIES (Cont'd)

#### (a) HKFRS 16, Leases (Cont'd)

##### (ii) Lessee accounting (Cont'd)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

### PRINCIPAL ACCOUNTING POLICIES (Cont'd)

#### (a) HKFRS 16, Leases (Cont'd)

#### **Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies**

##### (i) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

#### **Transitional impact**

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

### PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(a) HKFRS 16, Leases (Cont'd)

#### **Transitional impact** (Cont'd)

(ii) (Cont'd)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

|  | As at<br>31 December<br>2018<br>HK\$'000 | Remeasurement<br>HK\$'000 | As at<br>1 January<br>2019<br>HK\$'000 |
|--|--|---------------------------|--|
| <b>NON-CURRENT ASSETS</b>                        |  |                           |  |
| Property, plant and equipment                    | 13,150                                   | –                         | 13,150                                 |
| Stock and Futures Exchange trading rights        | 4,212                                    | –                         | 4,212                                  |
| Other assets                                     | 22,922                                   | –                         | 22,922                                 |
| Right-of-use assets                              | –  | 31,648                    | 31,648                                 |
| Deferred tax assets                              | 4,624                                    | –                         | 4,624                                  |
| <b>Total non-current assets</b>                  | <b>44,908</b>                            | <b>31,648</b>             | <b>76,556</b>                          |
| <b>CURRENT ASSETS</b>                            |  |                           |  |
| Investments at fair value through profit or loss | 602,272                                  | –                         | 602,272                                |
| Account receivables                              | 457,414                                  | –                         | 457,414                                |
| Other contract cost                              | 5,000                                    | –                         | 5,000                                  |
| Loans and advances                               | 1,208,091                                | –                         | 1,208,091                              |
| Prepayments, deposits and other receivables      | 37,277                                   | 39                        | 37,316                                 |
| Tax recoverable                                  | 8,674                                    | –                         | 8,674                                  |
| Bank balances held on behalf of clients          | 4,879,449                                | –                         | 4,879,449                              |
| Cash and bank balances                           | 620,571                                  | –                         | 620,571                                |
| <b>Total current assets</b>                      | <b>7,818,748</b>                         | <b>39</b>                 | <b>7,818,787</b>                       |



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

### PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(a) HKFRS 16, Leases (Cont'd)

#### **Transitional impact** (Cont'd)

(ii) (Cont'd)

|  | As at<br>31 December<br>2018<br>HK\$'000 | Remeasurement<br>HK\$'000 | As at<br>1 January<br>2019<br>HK\$'000 |
|--|--|---------------------------|--|
| <b>CURRENT LIABILITIES</b>   |  |                           |  |
| Account payables   | 5,082,122                                | –                         | 5,082,122                              |
| Other payables and accruals  | 82,185                                   | 65                        | 82,250                                 |
| Interest-bearing bank borrowings                                   | 469,920                                  | –                         | 469,920                                |
| Contract liabilities   | 13,144                                   | –                         | 13,144                                 |
| Tax payable  | 7,232                                    | –                         | 7,232                                  |
| Total current liabilities  | 5,654,603                                | 65                        | 5,654,668                              |
| <b>NET CURRENT ASSETS</b>  | 2,164,145                                | (26)                      | 2,164,119                              |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                       | 2,209,053                                | 31,622                    | 2,240,675                              |
| <b>NON-CURRENT LIABILITIES</b>                                     |  |                           |  |
| Lease liabilities  | –  | 31,635                    | 31,635                                 |
| Deferred tax liability   | 943                                      | –                         | 943                                    |
| Total non-current liabilities                                      | 943                                      | 31,635                    | 32,578                                 |
| <b>NET ASSETS</b>  | 2,208,110                                | (13)                      | 2,208,097                              |
| <b>EQUITY</b>  |  |                           |  |
| Equity attributable to ordinary equity shareholders of the Company |  |                           |  |
| Share capital  | 1,200,457                                | –                         | 1,200,457                              |
| Other reserves   | 1,005,026                                | (13)                      | 1,005,013                              |
| Non-controlling interests  | 2,205,483<br>2,627                       | (13)<br>–                 | 2,205,470<br>2,627                     |
| <b>TOTAL EQUITY</b>  | 2,208,110                                | (13)                      | 2,208,097                              |

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

### PRINCIPAL ACCOUNTING POLICIES (Cont'd)

#### (a) HKFRS 16, Leases (Cont'd)

##### **Transitional impact** (Cont'd)

#### (ii) (Cont'd)

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

|  | As at<br>30 June<br>2019<br>HK\$'000 | As at<br>1 January<br>2019<br>HK\$'000 |
|--|--------------------------------------|--|
| Other properties leased for own use,<br>carried at depreciated cost        | 26,427                               | 31,648                                 |
| Machinery and equipment leased for own use,<br>carried at depreciated cost | 363                                  | –                                      |
|  | <b>26,790</b>                        | <b>31,648</b>                          |

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

|                                 | As at<br>30 June<br>2019<br>HK\$'000 | As at<br>1 January<br>2019<br>HK\$'000 |
|---------------------------------|--------------------------------------|--|
| Within 1 year                   | 158                                  | –                                      |
| After 1 year but within 5 years | 27,194                               | 31,635                                 |
|                                 | <b>27,352</b>                        | <b>31,635</b>                          |

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

### PRINCIPAL ACCOUNTING POLICIES (Cont'd)

#### (a) HKFRS 16, Leases (Cont'd)

#### **Transitional impact** (Cont'd)

#### (iii) Impact on the financial result

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the amortisation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated income statement, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

| Financial results for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16 | Amounts reported under HKFRS 16<br>HK\$'000 | Add back depreciation and interest expenses under HKFRS 16<br>HK\$'000 | Less estimated amounts relating to operating lease as if under HKAS 17<br>HK\$'000 | Hypothetical amounts for 2019 as if under HKAS 17<br>HK\$'000 | Amounts reported for 2018 under HKAS 17<br>HK\$'000 |
|--|---|--|--|---|---|
| Depreciation   | (10,832)                                    | 6,208  | –  | (4,624)   | (4,066)   |
| Interest expenses  | (10,384)                                    | 626  | –  | (9,758)   | (9,886)   |
| Other expenses, net  | (86,681)                                    | –  | (6,245)  | (92,926)  | (62,492)  |
| <b>Profit before tax</b>   | <b>86,230</b>                               | <b>6,834</b>   | <b>(6,245)</b>   | <b>86,819</b>   | <b>58,247</b>                                       |

## 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.

|  |   |
|--|---|
| HK(IFRIC)-Int 23<br>Annual Improvements to<br>HKFRSs 2015–2017 Cycle | <i>Uncertainty over Income Tax Treatment<br/>Amendments to HKFRS 3, HKFRS 11, HKAS 12<br/>and HKAS 23</i> |
|--|---|

- (c) 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 10 and<br>HKAS 28 (2011) | <i>Sale or Contribution of Assets between an Investor<br/>and its associate or Joint Venture<sup>1</sup></i> |
| Amendments to HKAS 1 and HKAS 8              | <i>Definition of Material<sup>2</sup></i>  |
| Amendments to HKFRS 3                        | <i>Definition of a Business<sup>2</sup></i>  |

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020

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.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

### 2. OPERATING SEGMENT INFORMATION

The Group's unaudited segment results are as follows:

|   | Enterprise finance                   |                                     | Institutional                   |                                     |                                      |                    | Segment total<br>HK\$'000 |
|---|--------------------------------------|-------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|--------------------|---------------------------|
|   | Corporate<br>finance<br>HK\$'000     | Principal<br>investment<br>HK\$'000 | Personal<br>finance<br>HK\$'000 | services<br>and trading<br>HK\$'000 | Investment<br>management<br>HK\$'000 | Others<br>HK\$'000 |                           |
|   | <b>Six months ended 30 June 2019</b> |                                     |                                 |                                     |                                      |                    |                           |
| Segment revenue and other loss<br>from external customers | 115,446                              | 3,532                               | 121,386                         | 108,879                             | 15,988                               | (6,860)            | 358,371                   |
| Segment results and profit/(loss)<br>before tax           | 33,418                               | 1,506                               | 25,174                          | 31,594                              | 1,398                                | (6,860)            | 86,230                    |

|  | Enterprise finance                                  |                                     | Institutional                   |                                     |                                      |                    | Segment total<br>HK\$'000 |
|--|---|-------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|--------------------|---------------------------|
|  | Corporate<br>finance<br>HK\$'000                    | Principal<br>investment<br>HK\$'000 | Personal<br>finance<br>HK\$'000 | services<br>and trading<br>HK\$'000 | Investment<br>management<br>HK\$'000 | Others<br>HK\$'000 |                           |
|  | <b>Six months ended 30 June 2018<br/>(Restated)</b> |                                     |                                 |                                     |                                      |                    |                           |
| Segment revenue and other gains<br>from external customers | 34,675  | (3,542)                             | 174,563                         | 62,135                              | 16,884                               | 5,505              | 290,220                   |
| Segment results and profit/(loss)<br>before tax            | 2,305   | (3,542)                             | 41,451                          | 12,138                              | 390                                  | 5,505              | 58,247                    |

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

An analysis of revenue and other gains are as follows:

|   | For the six months<br>ended 30 June |                                 |
|---|-------------------------------------|---------------------------------|
|   | 2019<br>(Unaudited)<br>HK\$'000     | 2018<br>(Unaudited)<br>HK\$'000 |
| <b><u>Revenue from contracts with customers within the scope of HKFRS 15:</u></b> |                                     |                                 |
| <b><i>Brokerage business:</i></b>   |                                     |                                 |
| Commission on securities dealing  |                                     |                                 |
| — Hong Kong securities  | 50,502                              | 101,069                         |
| — Other than Hong Kong securities   | 16,473                              | 18,425                          |
| Commission on futures and options contracts dealing                               | 7,137                               | 10,956                          |
| Handling fee income   | 2,066                               | 3,666                           |
| Research fee income and others  | 4,614                               | 5,398                           |
|   | <b>80,792</b>                       | <b>139,514</b>                  |
| <b><i>Corporate finance business:</i></b>   |                                     |                                 |
| Initial public offering, placing, underwriting and sub-underwriting commission    | 89,053                              | 14,472                          |
| Financial advisory, compliance advisory, sponsorship fee income and others        | 26,393                              | 20,203                          |
|   | <b>115,446</b>                      | <b>34,675</b>                   |
| <b><i>Asset management business:</i></b>  |                                     |                                 |
| Management fee and investment advisory fee income                                 | 15,988                              | 16,143                          |
| Performance fee income  | —                                   | 742                             |
|   | <b>15,988</b>                       | <b>16,885</b>                   |

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

|  | For the six months<br>ended 30 June |                                 |
|--|-------------------------------------|---------------------------------|
|  | 2019<br>(Unaudited)<br>HK\$'000     | 2018<br>(Unaudited)<br>HK\$'000 |
| <b><u>Interest revenue calculated using the effective interest method:</u></b> |                                     |                                 |
| <i><b>Financing and loans business:</b></i>                                    |                                     |                                 |
| Interest income from banks and others  | 40,558                              | 24,610                          |
| <b><u>Revenue from other sources:</u></b>                                      |                                     |                                 |
| <i><b>Financing and loans business:</b></i>                                    |                                     |                                 |
| Interest income from loans to cash clients and margin clients                  | 42,366                              | 68,651                          |
| Interest income from initial public offering loans                             | 753                                 | 4,605                           |
|  | <b>83,677</b>                       | <b>97,866</b>                   |
| <b><u>Interest revenue calculated using the effective interest method:</u></b> |                                     |                                 |
| <i><b>Investment business:</b></i>   |                                     |                                 |
| Interest income:   |                                     |                                 |
| — Unlisted investments   | 17,421                              | —                               |
| <b><u>Revenue from other sources:</u></b>                                      |                                     |                                 |
| <i><b>Investment business:</b></i>   |                                     |                                 |
| Net realised and unrealised gains/(losses) on financial assets:                |                                     |                                 |
| — Listed investments   | (1,336)                             | (237)                           |
| — Unlisted investments   | 8,174                               | (6,742)                         |
| Dividend income and interest income:   |                                     |                                 |
| — Listed investments   | —                                   | 99                              |
| — Unlisted investments   | 45,069                              | 2,655                           |
|  | <b>69,328</b>                       | <b>(4,225)</b>                  |
|  | <b>365,231</b>                      | <b>284,715</b>                  |
| <b>Other (losses)/gains, net:</b>  |                                     |                                 |
| Exchange (losses)/gains, net   | (6,860)                             | 5,505                           |

#### 4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 |                                 |
|---|----------------------------------|---------------------------------|
|   | 2019<br>(Unaudited)<br>HK\$'000  | 2018<br>(Unaudited)<br>HK\$'000 |
| Current — Hong Kong                                       |                                  |                                 |
| Provision for the period                                  | 6,839                            | 5,800                           |
| (Overprovision)/underprovision in respect of prior period | (40)                             | 15                              |
|   | 6,799                            | 5,815                           |
| Current — Elsewhere                                       | 60                               | 85                              |
| Deferred  | 1,234                            | (42)                            |
| Total tax charge for the period                           | 8,093                            | 5,858                           |

#### 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 2019, the total number of the issued ordinary shares was 1,561,138,689 shares.

|   | For the six months ended 30 June |                     |
|---|----------------------------------|---------------------|
|   | 2019<br>(Unaudited)              | 2018<br>(Unaudited) |
| Earnings  |                                  |                     |
| Profit for the period attributable to ordinary equity holders of the Company (HK\$'000) | 78,137                           | 52,390              |
| Number of shares  |                                  |                     |
| Weighted average number of ordinary shares in issue (in thousands) (note a)             | 1,354,039                        | 796,139             |
| Earnings per share, basic and diluted (HK cents per share)                              | 5.77                             | 6.58                |

Note:

- (a) On 14 December 2018, the Company and Shenwan Hongyuan (International) Holdings Limited (the "Subscriber") entered into the subscription agreement (the "Subscription Agreement"), pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 765,000,000 new shares at the subscription price of HK\$2.068 per subscription share. The subscription was completed on 18 February 2019 in accordance with the Subscription Agreement in which an aggregate of 765,000,000 new shares had been allotted and issued by the Company to the Subscriber at the subscription price of HK\$2.068 per subscription share. The net proceeds from the subscription after deducting the related expenses were approximately HK\$1.58 billion. The net proceeds were then applied for reinforcing and developing existing businesses as well as strategic expansion.



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

## 6. DIVIDEND

|  | For the six months<br>ended 30 June |                                 |
|--|-------------------------------------|---------------------------------|
|  | 2019<br>(Unaudited)<br>HK\$'000     | 2018<br>(Unaudited)<br>HK\$'000 |
| Interim — Nil (2018: Nil) per ordinary share | —                                   | —                               |

## 7. OTHER FINANCIAL ASSETS

|   | As at<br>30 June<br>2019<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(Audited)<br>HK\$'000 |
|---|---|---|
| <b><u>Non-current portion</u></b>                     |   |   |
| <b>Financial assets measured at amortised cost</b>    |   |   |
| — Unlisted debt investments                           | 234,450   | —   |
| <b>Financial assets measured at FVOCI (recycling)</b> |   |   |
| — Unlisted debt investments                           | 974,893   | —   |
| <b><i>Non-current total</i></b>                       | <b>1,209,343</b>                                    | <b>—</b>  |
| <b><u>Current portion</u></b>                         |   |   |
| <b>Financial assets measured at amortised cost</b>    |   |   |
| — Unlisted debt investments                           | 701,516   | —   |
| <b>Financial assets measured at FVOCI (recycling)</b> |   |   |
| — Unlisted debt investments                           | 135,857   | —   |
| <b><i>Current total</i></b>                           | <b>837,373</b>                                      | <b>—</b>  |
| <b>Total</b>  | <b>2,046,716</b>                                    | <b>—</b>  |

## 7. OTHER FINANCIAL ASSETS (Cont'd)

During the period, the gain in respect of changes in fair value of the Group's financial assets at fair value through other comprehensive income recognised in other comprehensive income amounted to approximately HK\$28,082,000 (30 June 2018: Nil).

Interest income derived from financial assets at FVOCI and at amortised cost were recognised as "Interest income from unlisted investments" in the consolidated statement of profit or loss.

Movement in expected credit losses is as follows:

|   | Stage 1                         |                                 |
|---|---------------------------------|---------------------------------|
|   | 2019<br>(Unaudited)<br>HK\$'000 | 2018<br>(Unaudited)<br>HK\$'000 |
| At 1 January  | –                               | –                               |
| Additional credit loss recognised during the period | 18,436                          | –                               |
| At 30 June  | 18,436                          | –                               |

## 8. INVESTMENTS

|   | As at<br>30 June<br>2019<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(Audited)<br>HK\$'000 |
|---|---|---|
| Investments at fair value through profit or loss: |   |   |
| Unlisted investment funds                         | 3,730   | 3,670   |
| Unlisted debt investments                         | 432,938   | 598,602   |
| Total   | 436,668   | 602,272   |

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

### 9. ACCOUNT RECEIVABLES

|   | As at<br>30 June<br>2019<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(Audited)<br>HK\$'000 |
|---|---|---|
| (i) Measured at amortised cost:   |   |   |
| Account receivables arising from securities dealing:                                |   |   |
| — Cash Clients  | 218,768   | 121,726   |
| — Brokers and dealers   | 157,691   | 103,199   |
| — Clearing houses   | 282,937   | 174,036   |
|   | 659,396   | 398,961   |
| Account receivables arising from corporate finance,<br>advisory and other services: |   |   |
| — Corporate Clients   | 80,992  | 25,496  |
|   | 740,388   | 424,457   |
| Less: Provision for loss allowance  | (1,473)   | (1,095)   |
| Less: Provision for impairment  | (7,775)   | (1,000)   |
|   | 731,140   | 422,362   |
| (ii) Measured at FVPL:  |   |   |
| Account receivables arising from securities dealing:                                |   |   |
| — Advances to cash clients  | 35,976  | 35,052  |
|   | 767,116   | 457,414   |

## 9. 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<br>30 June<br>2019<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(Audited)<br>HK\$'000 |
|----------------|---|---|
| Within 1 month | 237,292   | 132,243   |
| 1 to 2 months  | 3,750   | 3,601   |
| 2 to 3 months  | 2,001   | 3,174   |
| Over 3 months  | 11,701  | 17,760  |
|                | <b>254,744</b>                                      | <b>156,778</b>  |

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 2019, balances of HK\$821,000 (31 December 2018: HK\$1,000,000, fully impaired in 2018) were over 3 months past due, balances of HK\$1,749,000 (31 December 2018: HK\$274,000) were over 1 month past due, balance of HK\$1,120,000 (31 December 2018: Nil) were less than 1 month past due, and balances of HK\$77,302,000 (31 December 2018: HK\$24,222,000) 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\$35,976,000 (31 December 2018: HK\$35,052,000) bear interest at interest rates mainly with reference to Hong Kong dollar prime rate (31 December 2018: with reference to the Hong Kong dollar prime rate).

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

### 9. 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:

|                            | As at<br>30 June<br>2019<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(Audited)<br>HK\$'000 |
|----------------------------|---|---|
| Not past due               | 224,694   | 121,726   |
| Less than 1 month past due | 13,525  | 10,784  |
| 1 to 3 months past due     | 4,824   | 6,559   |
| Over 3 months past due     | 11,701  | 17,709  |
|                            | <b>254,744</b>                                      | <b>156,778</b>  |

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.

### 10. LOANS AND ADVANCES

|  | As at<br>30 June<br>2019<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(Audited)<br>HK\$'000 |
|--|---|---|
| Loans and advances to customers, secured<br>— At FVTPL | 1,271,129   | 1,208,091   |

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 2019 (31 December 2018: nil).

## 11. 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.

## 12. ACCOUNT PAYABLES

|                       | As at<br>30 June<br>2019<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(Audited)<br>HK\$'000 |
|-----------------------|---|---|
| Account payables      |   |   |
| — Client              | 4,249,260   | 5,012,850   |
| — Brokers and dealers | 199,804   | 15,969  |
| — Clearing houses     | 270   | 53,303  |
|                       | <b>4,449,334</b>                                    | <b>5,082,122</b>                                      |

All of the account payables are aged and due within one month or on demand.

## 13. 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.

## 14. 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).

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

### 14. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Cont'd)

#### Fair value hierarchy (Cont'd)

|   | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 | Total<br>HK\$'000 |
|---|---------------------|---------------------|-------------------|
| <b>As at 30 June 2019 (Unaudited)</b>             |                     |                     |                   |
| Loans and advances                                | –                   | 1,271,129           | 1,271,129         |
| Financial assets at FVOCI                         | –                   | 1,110,750           | 1,110,750         |
| Investments at fair value through profit or loss: |                     |                     |                   |
| Unlisted investment funds, at fair value          | 3,730               | –                   | 3,730             |
| Unlisted debt investments, at fair value          | –                   | 432,938             | 432,938           |
| Advances to cash clients                          | –                   | 35,976              | 35,976            |
|   | <b>3,730</b>        | <b>2,850,793</b>    | <b>2,854,523</b>  |
| <b>As at 31 December 2018 (Audited)</b>           |                     |                     |                   |
| Loans and advances                                | –                   | 1,208,091           | 1,208,091         |
| Investments at fair value through profit or loss: |                     |                     |                   |
| Unlisted investment funds, at fair value          | 3,670               | –                   | 3,670             |
| Unlisted debt investments, at fair value          | –                   | 598,602             | 598,602           |
| Advances to cash clients                          | –                   | 35,052              | 35,052            |
|   | <b>3,670</b>        | <b>1,841,745</b>    | <b>1,845,415</b>  |

During the six months ended 30 June 2019 and year ended 31 December 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

## 15. 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<br>30 June<br>2019<br>(Unaudited)<br>HK\$'000 | As at<br>31 December<br>2018<br>(Audited)<br>HK\$'000 |
|---|---|---|
| Within one year                         | 30,446  | 34,284  |
| In the second to fifth years, inclusive | 38,383  | 48,573  |
|   | <b>68,829</b>                                       | <b>82,857</b>   |

## 16. RELATED PARTY TRANSACTIONS

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

|   | Notes | For the six months<br>ended 30 June |                                 |
|---|-------|-------------------------------------|---------------------------------|
|   |       | 2019<br>(Unaudited)<br>HK\$'000     | 2018<br>(Unaudited)<br>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)   | 254                                 | 374                             |
| Research fee for supporting services in relation to research paid to a subsidiary of the ultimate holding company                                       | (ii)  | 6,500                               | 3,500                           |
| Consultancy fee for supporting services in relation to PRC market paid to the wholly-owned subsidiaries of the ultimate holding company                 | (iii) | 2,572                               | 2,000                           |
| 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)  | 3,500                               | 4,760                           |
| Consultancy fee for supporting services in connection with corporate finance business paid by ultimate holding company                                  | (v)   | 2,853                               | –                               |



## 16. RELATED PARTY TRANSACTIONS (Cont'd)

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

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.
- (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) The consultancy fee for supporting services in connection with corporate finance business paid by the ultimate holding company was calculated based on prescribed percentage stated in the signed corporation agreement for relevant fee earned by the ultimate holding company. The amount is included in the account receivables balance as at 30 June 2019 and is unsecured, interest free and repayable on demand.
- (vi) Included in the account receivable balances as at 30 June 2019 was a receivable due from a wholly-owned subsidiary of the ultimate holding company of HK\$8,507,000 (31 December 2018: HK\$3,933,000) 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.
- (vii) Included in the account receivables balance as at 30 June 2019 was a consultancy fee receivable due from a wholly-owned subsidiary of the ultimate holding company of HK\$3,500,000 (31 December 2018: HK\$6,002,000) 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.
- (viii) Included in the account receivables as at 30 June 2019 was the consultancy fee receivable due from the ultimate holding company of HK\$2,570,000 (31 December 2018: HK\$274,000) arising from supporting services in connection with corporate finance business. This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.
- (ix) Included in the account payables balance as at 30 June 2019 was a payable to a wholly-owned subsidiary of the ultimate holding company of the Company of HK\$3,888,000 (31 December 2018: HK\$1,177,000) 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.
- (x) Included in the account payables balance as at 30 June 2019 was the amount payable to the ultimate holding company of the Company in relation to the IPO settlement amount of HK\$96,154,000 (31 December 2018: Nil). This balance is unsecured, interest-free and payable on the settlement date of the relevant transactions.

## 16. RELATED PARTY TRANSACTIONS (Cont'd)

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

Notes: (Cont'd)

- (xi) Included in the account payables balance as at 30 June 2019 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK\$265,393,000 (31 December 2018: HK\$209,163,000). This balance is unsecured, bears interest at the bank deposit rate and is payable on demand.
- (xii) Included in the other payables and accruals balance as at 30 June 2019 was a consultancy fee payable to wholly-owned subsidiaries of the ultimate holding company of the Company of HK\$6,500,000 (31 December 2018: Nil) arising from supporting services for PRC market. This balance is unsecured, interest-free and payable on demand.
- (xiii) Included in the account payables balance as at 30 June 2019 was the amount of segregated client money held on behalf of directors of the Company and key management personnel of the Group of HK\$4,953,000 (31 December 2018: HK\$6,858,000). 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 2019 and 31 December 2018.

### (b) Key management personnel compensation

|                              | For the six months<br>ended 30 June |                                 |
|------------------------------|-------------------------------------|---------------------------------|
|                              | 2019<br>(Unaudited)<br>HK\$'000     | 2018<br>(Unaudited)<br>HK\$'000 |
| Short term employee benefits | 20,535                              | 20,350                          |
| Post-employment benefits     | 905                                 | 828                             |
|                              | <b>21,440</b>                       | <b>21,178</b>                   |

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

## 17. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

|                     | As at 30 June 2019 (Unaudited)                        |  |  |   |                                   |                     |
|---------------------|---|--|--|---|-----------------------------------|---------------------|
|                     | Gross amounts of recognised financial assets HK\$'000 | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000 | Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000 | Related amounts not set off in the consolidated statement of financial position |                                   | Net amount HK\$'000 |
|                     |   |  |  | Financial instruments HK\$'000  | Cash collateral received HK\$'000 |                     |
| <b>Assets</b>       |   |  |  |   |                                   |                     |
| Account receivables | 909,904   | (142,788)  | 767,116  | –   | –                                 | 767,116             |

|                    | As at 30 June 2019 (Unaudited)                             |   |   |   |                                  |                     |
|--------------------|--|---|---|---|----------------------------------|---------------------|
|                    | Gross amounts of recognised financial liabilities HK\$'000 | Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$'000 | Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000 | Related amounts not set off in the consolidated statement of financial position |                                  | Net amount HK\$'000 |
|                    |  |   |   | Financial instruments HK\$'000  | Cash collateral pledged HK\$'000 |                     |
| <b>Liabilities</b> |  |   |   |   |                                  |                     |
| Account payables   | 4,592,122  | (142,788)   | 4,449,334   | –   | –                                | 4,449,334           |

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

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

As at 31 December 2018 (Audited)

|                     | Gross amounts of recognised financial assets HK\$'000 | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000 | Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000 | Related amounts not set off in the consolidated statement of financial position |                                   | Net amount HK\$'000 |
|---------------------|---|--|--|---|-----------------------------------|---------------------|
|                     |   |  |  | Financial instruments HK\$'000  | Cash collateral received HK\$'000 |                     |
| <b>Assets</b>       |   |  |  |   |                                   |                     |
| Account receivables | 583,274   | (125,860)  | 457,414  | –   | –                                 | 457,414             |

As at 31 December 2018 (Audited)

|                    | Gross amounts of recognised financial liabilities HK\$'000 | Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$'000 | Net amounts of financial liabilities presented in the consolidated statement of financial position HK\$'000 | Related amounts not set off in the consolidated statement of financial position |                                  | Net amount HK\$'000 |
|--------------------|--|---|---|---|----------------------------------|---------------------|
|                    |  |   |   | Financial instruments HK\$'000  | Cash collateral pledged HK\$'000 |                     |
| <b>Liabilities</b> |  |   |   |   |                                  |                     |
| Account payables   | 5,207,982  | (125,860)   | 5,082,122   | –   | –                                | 5,082,122           |

## 18. REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019.

## 19. COMPARATIVE FIGURES

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

## REVIEW OF MARKET

From the perspective of the macro-economy of the Chinese Mainland, slowdown in macroeconomic growth continued for the first half of 2019 with stronger resilience in the real estate and infrastructure sectors but weaker demand-side data represented by investments in manufacturing. On the other hand, with tax and fee reduction as well as other industry-specific incentive policies in place, consumption data represented by the total retail sales of social consumer goods were an eye-catcher during the first half of the year and underpinned the macro-economy to some extent. However, the market remained doubtful about the effectiveness of subsequent incentive policies as whether the fiscal policies will continue to take effect remained to be observed while the focus of monetary policies is to facilitate a transmission mechanism of interest rates rather than a full relaxation.

From the perspective of the global market, the first half of 2019 continued the mild recession in 2018. On one hand, the incentive to U.S. economy as a result of the Trump administration's tax cut was waning while the uncertainties brought by trade frictions were manifesting, signaling an economic slowdown in U.S.. On the other hand, economic performance in Europe and Japan remained relatively weak.

Capital markets in the Chinese Mainland demonstrated an obvious rebound in the first quarter with big-cap stocks benefiting from the net inflow of foreign capitals and growth stocks of small-and-medium capitalisation bottoming out apparently. Starting from the second quarter, valuation returned to moderate from its extremely attractive level on one hand, while funds resumed a cautious stance subsequent to the impact from the external circumstances on the other hand.

Benefiting from the improvement of external circumstances and the stabilisation of Renminbi, Hong Kong stock market witnessed some recovery during the first quarter of the year. Fluctuation then set in amid the pressure of weaker economic data in the Chinese Mainland coupled with the reappearance of Sino-US trade frictions. As to the performance of individual segments, the real estate and consumption industries enjoyed the benefits of their more stable fundamentals while the IT sector benefited from the recovery of risk preference since the beginning of the year. All of these segments recorded significant revenues.

## REVIEW OF OPERATIONS

For the first half of 2019, the overall operation of the Group improved steadily with a turnover of HK\$365 million (the first half of 2018: HK\$285 million), representing a year-on-year increase of 28%. The unaudited profit before tax increased by 48% to HK\$86.23 million (the first half of 2018: HK\$58.25 million). Corporate finance business increased as a result of the improvement in market sentiments while brokerage business and financing and loans business retreated in light of the drop in market turnover. For the brokerage business, with the significant drop in market turnover, revenue from the brokerage business decreased by approximately HK\$58.72 million or 42% as compared with the same period last year. For the financing and loans business, the average margin balance for the first half of 2019 was approximately HK\$1.379 billion, achieving a revenue of HK\$83.68 million, representing a decrease of HK\$14.19 million or 14% as compared with the same period last year. For the corporate finance business, in the first half of the year, the number of lead underwriting, placing and financial advisory projects amounted to 12, 9 and 5 respectively, among which the sponsoring/lead underwriting projects included the successful completion of the listing of Palace Banquet Holdings Limited (1703), Heng Hup Holdings Limited (1891), H-shares of Shenwan Hongyuan Group Co., Ltd. (6806) and Kimou Environmental Holding Limited (6805). Revenue from the corporate finance business for the first half of the year amounted to HK\$115 million, representing an increase of approximately HK\$81 million or 233% as compared with the same period last year. Revenue from the asset management business for the first half of 2019 amounted to HK\$15.99 million, representing a decrease of approximately HK\$0.9 million or 5% as compared with the same period last year. Revenue from the investment business for the first half of the year amounted to HK\$69.33 million, representing an increase of approximately HK\$73.55 million or 1741% as compared with the same period last year.

The brokerage business of the Group focuses on the stock and futures markets in Hong Kong, A-share and B-share markets in Shanghai and Shenzhen under the Stock Connect mechanism, overseas stock markets and the global futures markets. In the first half of 2019, performance of the global financial markets fell short of expectations. In the first half of 2019, the Hong Kong stock market recorded an average daily turnover of HK\$92.7 billion, representing a decrease of 22% as compared with HK\$119.2 billion for the corresponding period in 2018. 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. Apart from expanding its presence in overseas stock markets and global futures markets, the Group continued to actively explore the Chinese Mainland market to increase the number of new accounts opened for Hong Kong stocks. For the period from January to June 2019, the Group worked closely with Shenwan Hongyuan Securities Co., Ltd. to vigorously explore cross-border products and invest in overseas markets through QDII, meeting the demand for overseas investments from clients in the Chinese Mainland. As at the end of June 2019, the total fund size invested in overseas markets, such as Hong Kong and U.S.A., by institutional and individual clients from the Chinese Mainland through the QDII channel of Shenwan Hongyuan Securities Co., Ltd. reached US\$400 million.

In the first half of 2019, the Hang Seng Index, Hang Seng China Enterprises Index and the average daily turnover retreated, which in turn affected clients' appetite to borrow. To mitigate the drop in net interest income, the Group has introduced timely measures to address clients' demand for borrowings and negotiated with banks for a reduction in lending rates. The average margin balance was approximately HK\$1.379 billion in the first half of 2019, representing a decrease of 42% as compared with HK\$2.361 billion for the same period last year. Interest income amounted to HK\$83.68 million, representing a decrease of 14% as compared with HK\$97.87 million for the same period last year.

The Group's corporate finance business mainly comprises sponsoring, financial advisory as well as equities and bonds underwriting businesses, etc. The Group acted as the sole sponsor, joint global coordinator, joint bookrunner and joint lead manager for Palace Banquet Holdings Limited (1703), Heng Hup Holdings Limited (1891) and Kimou Environmental Holding Limited (6805), as well as a joint sponsor, joint global coordinator, joint bookrunner and joint lead manager for H-shares of Shenwan Hongyuan Group Co., Ltd. (6806). The shares of the above four companies were successfully listed on the Main Board of Hong Kong Stock Exchange in February, March, April and July 2019 respectively. In the first half of 2019, the Group also provided various advisory services, including compliance advisory/independent financial advisory/financial advisory services, for a number of listed companies, including CSSC Offshore & Marine Engineering (Group) Company Limited — H-shares (317). In addition, the Group completed the placing of bonds for 12 companies, including China Evergrande Group, Guangzhou R&F Properties, Suning Appliance Group Co., Ltd., Xinjiang Financial Investment Co., Ltd., Fujian Yango Group Co., Ltd., Hua Yuan Property Co., Ltd. and Huai'an Water Conservancy Holding Group Co., Ltd..

For the Group's asset management business, the size of the total assets under management amounted to approximately HK\$5.744 billion as at the end of June 2019, and revenue from asset management business amounted to HK\$15.99 million, representing a slight decrease of 5% 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 its parent company, which is one of the leading securities companies in the Chinese Mainland, the Group has become a research specialist in Chinese Mainland securities, covering macroeconomics, market strategy and analysis, as well as key companies from Chinese Mainland under the Hong Kong-Shanghai Stock Connect and Shenzhen Stock Connect. During the first half of 2019, the Group's securities research team published a total of over 1,600 research reports, providing its clients with 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. In the first half of 2019, we engaged 7 analysts to present a total of 69 road shows held in Hong Kong. Representatives from A-share listed companies and Hong Kong listed companies were invited to attend 53 road shows held in Hong Kong, Taiwan, the United Kingdom, the United States, Singapore and other places.

In the first half of 2019, the Group has gradually developed a structured finance business which provides comprehensive financial services for sizable enterprises and institutional clients, issued structured notes abroad and provided professional services in respect of policy consultancy and investment optimisation, paving the way for its clients to absorb quality foreign investment capital and effectively supporting the demands for foreign financing of its peers in the Chinese Mainland.

### PROSPECTS

Looking at the overseas scenario, we expect the global economy to experience further slowdown during the second half of the year. As regards the U.S. economy, high growth in consumer spending under the Trump administration's tax cut policy might slow down further. Europe will remain subject to political predicaments such as the "Brexit". Japan and Korea, both export-oriented economies in the Northeast Asia, will fall victim to the slowdown in demand across the globe. Some Southeast Asian economies are expected to maintain higher economic growth thanks to manufacturing capacity transfer. As regards monetary policies, doves will certainly dominate the overall direction of monetary policies around the globe. However, the root cause of the current recession lies in the fact that long standing global structural conflicts remain unresolved and productivity can hardly achieve further breakthroughs before the thorough arrival of a new technological revolution. As a result, economic stimulus by way of relaxation of liquidity will only have limited effect.

From the macro-economic of Chinese Mainland perspective, changes in the external circumstances will have limited impacts on the domestic economy in the short term. As regards policies, monetary policies will remain neutral in the long run while fiscal policies will be keen on boosting the domestic demand. On the whole, the substantial de-inventory efforts since the first quarter may reverse, providing certain buffer for the quarters to come. As regards investments, the scenario will be characterised by the modest development in the real estate sector, slight improvement in infrastructure and the manufacturing sector hovering near the bottom. Excluding the price factor, fixed asset investments will still register stronger growth in real terms. Growth in exports may decline but trade surplus can still be maintained. Continued support from tax and fee reduction measures and industry-specific incentive policies may improve residents' consumption. As regards inflation, considering the wax and wane of various factors, there will be limited upward momentum for CPI which has little impact on monetary policies.

Under the economic pressure and the impact of weaker demand-side in particular on the domestic market, earnings growth in non-financial, oil and petrochemical segments will experience more downward pressure. On the other hand, monetary and fiscal stimulus policies will find it hard to surpass market expectation which is currently high. Besides, overseas events have increasing impact on the domestic market in recent years. Short-term impacts of long-lasting events on the market are noteworthy. Currently, market valuations of the mainland stock market are at their historical low, but not yet in the optimal range for bargain hunting. Structurally speaking, assets with good earnings prospect remain the core asset holdings. In addition, the segments of defence and military, 5G and new energy also have good prospects. The banking and property stocks which are undervalued will be favoured when the core assets switching takes place by the end of the year.

There are studies suggesting that during the second half of the year, fundamentals of the Hong Kong stock market will feel the heat from the economy of the Chinese Mainland and corporate earnings growth will be squeezed. On the other hand, valuation levels as well as the difference between dividend yield and the U.S. 10-year bond yields indicate that the valuation of the Hong Kong stock market is at the lower end but optimal timing for bargain hunting is yet to come. From the liquidity perspective, although a synchronised relaxation of monetary policies around the globe is approaching, the attraction of Hong Kong stock market, being an offshore market, to external liquidity is relatively limited when there is a downturn in market fundamentals. Considering the widening price gap between A shares and H shares, the Hong Kong stock market will appear to be more attractive to some investors from the Chinese Mainland. As a matter of fact, the Hong Kong stock market has been seeing a capital inflow from across the border since the beginning of the year. In conclusion, we expect the Hong Kong stock market to be characterised by the downturn of market fundamentals and abundance of liquidity for the rest of the year.



### CAPITAL STRUCTURE

On 14 December 2018, the Company and Shenwan Hongyuan (International) Holdings Limited (the "Subscriber") entered into the subscription agreement (the "Subscription Agreement"), pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 765,000,000 new shares at the subscription price of HK\$2.068 per subscription share. The subscription was completed on 18 February 2019 in accordance with the Subscription Agreement in which an aggregate of 765,000,000 new shares had been allotted and issued by the Company to the Subscriber at the subscription price of HK\$2.068 per subscription share. Please refer to the Company's related announcements and circular for details.

The net proceeds from the subscription after deducting the related expenses were approximately HK\$1.58 billion. The net proceeds were then applied for reinforcing and developing existing businesses as well as strategic expansion.

As at 30 June 2019, the total number of the issued ordinary shares was 1,561,138,689 shares and total equity attributable to ordinary equity holders was approximately HK\$3.86 billion (31 December 2018: HK\$2.21 billion).

### LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 June 2019, the Group had cash and bank balances of HK\$427 million (31 December 2018: HK\$621 million) and investments at fair value through profit or loss of HK\$437 million (31 December 2018: HK\$602 million). As at 30 June 2019, the Group's total unutilised banking facilities amounted to HK\$3,317 million (31 December 2018: HK\$3,186 million), of which HK\$2,042 million (31 December 2018: HK\$1,814 million) could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2019, the Group had outstanding short-term bank borrowings amounting to HK\$539 million (31 December 2018: HK\$470 million). The liquidity ratio (current assets to current liabilities) and gearing ratio (bank borrowings to net asset value) were 151% (2018: 138%) and 14% (31 December 2018: 21%) 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 2019.

## 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 2019, 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\$36 million (31 December 2018: HK\$35 million). The balance of margin financing amounted to HK\$1,271 million (31 December 2018: HK\$1,208 million), of which 33% (31 December 2018: 38%) 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 2019.

## 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 2019.

## EMPLOYEES AND TRAINING

As at 30 June 2019, the total number of full-time employees was 266 (2018: 264). The total staff costs for the period amounted to approximately HK\$122.6 million (2018: HK\$96.62 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 5 (2018: 7) Continuous Professional Training seminars for all licensed staff members during the six months ended 30 June 2019.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

### DIRECTOR'S INTERESTS IN SHARES

As at 30 June 2019, 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 2019, 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 interested (Notes)             | Percentage of the Company's issued shares |
|---|---|--|---|
| Shenwan Hongyuan Holdings (B.V.I.) Limited ("SWHYHBVI") | Directly beneficially owned                                   | 402,502,312 <sup>(1)</sup>                               | 25.78                                     |
| Venture-Some Investments Limited ("VSI")                | Through controlled corporation                                | 402,502,312 <sup>(1)</sup>                               | 25.78                                     |
| Shenwan Hongyuan (International) Holdings Limited       | Through controlled corporation<br>Directly beneficially owned | 402,502,312 <sup>(1)</sup><br>768,306,257 <sup>(2)</sup> | 25.78<br>49.22                            |

| Name                                  | Capacity and nature of interests | Number of ordinary shares interested (Notes) | Percentage of the Company's issued shares |
|---------------------------------------|----------------------------------|--|---|
| Shenwan Hongyuan Securities Co., Ltd. | Through controlled corporation   | 1,170,808,569 <sup>(1)(2)</sup>              | 75.00                                     |
| Shenwan Hongyuan Group Co., Ltd.      | Through controlled corporation   | 1,170,808,569 <sup>(1)(2)</sup>              | 75.00                                     |

*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 768,306,257 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 768,306,257 shares held by Shenwan Hongyuan (International) Holdings Limited under the SFO.

Save as disclosed above, as at 30 June 2019, 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 (the "Code") of the Listing Rules during the six months ended 30 June 2019.

Code provision A.6.7 specifies that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to other business engagements at that relevant time, an independent non-executive director of the Company was unable to attend the annual general meeting of the Company held on 10 May 2019, and a non-executive director of the Company was unable to attend the extraordinary general meetings held on 31 January 2019 and 17 May 2019 respectively.

## OTHER INFORMATION (Cont'd)

### 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 2019.

### DIRECTORS

As at the date of this interim report, the Board of the Company comprises 9 directors, of which Mr. Zhu Minjie, Mr. Chen Xiaosheng, Mr. Zhang Jian, 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. Chen Liqiang are the independent non-executive directors.

By Order of the Board  
**Zhu Minjie**  
Chairman

Hong Kong, 9 August 2019



**SHENWAN HONGYUAN (H.K.) LIMITED**  
**申萬宏源（香港）有限公司**

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