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SHENWAN HONGYUAN (H.K.) LIMITED

申萬宏源(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 218)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

RESULTS

The board of directors (the “Board”) of Shenwan Hongyuan (H.K.) Limited (the “Company”) are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017 together with comparative figures for the corresponding period of last year.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT	<u>45,133</u>	<u>47,743</u>
OTHER COMPREHENSIVE INCOME:		
Items that may be reclassified to profit or loss in subsequent periods:		
Release of exchange differences upon deemed disposal of a subsidiary	<u>522</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME, NET OF TAX	<u>522</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>45,655</u>	<u>47,743</u>
Attributable to:		
Ordinary equity holders of the Company	<u>45,681</u>	<u>47,744</u>
Non-controlling interests	<u>(26)</u>	<u>(1)</u>
	<u>45,655</u>	<u>47,743</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES

GENERAL INFORMATION

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

The financial information relating to the year ended 31 December 2016 that is included in this interim 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 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these unaudited interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2016, except that in the current period, the Group has adopted certain revised Hong Kong Financial Reporting Standards (“HKFRSs”) and interpretation as detailed below.

Changes in accounting policies and disclosures

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

Amendments to HKAS 7
Amendments to HKAS 12

Statement of cash flows: Disclosure initiative
Income taxes: Recognition of deferred tax assets for unrealised losses

2. OPERATING SEGMENT INFORMATION

The Group's unaudited segment results are as follows:

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

3. REVENUE AND OTHER GAINS

An analysis of revenue and other gains are as follows:

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<u>Revenue:</u>		
<u>Brokerage business:</u>		
Commission on securities dealing		
- Hong Kong securities	72,237	55,079
- Other than Hong Kong securities	10,302	13,006
Commission on futures and options contracts dealing	9,774	16,930
Handling fee income	5,874	10,116
Research fee income and others	5,562	7,328
	<u>103,749</u>	<u>102,459</u>
 <u>Corporate finance business:</u>		
Initial public offering, placing, underwriting and sub-underwriting commission	49,456	13,914
Financial advisory, compliance advisory, sponsorship fee income and others	13,478	11,988
	<u>62,934</u>	<u>25,902</u>
 <u>Asset management business:</u>		
Management fee and investment advisory fee income	3,074	1,117
 <u>Financing and loans business:</u>		
Interest income from loans to cash clients and margin clients	57,998	60,366
Interest income from initial public offering loans	67	101
Interest income from banks and others	23,385	12,566
	<u>81,450</u>	<u>73,033</u>
 <u>Investment business:</u>		
Net realised and unrealised gains/(losses) on financial assets:		
- Listed investments	(304)	(102)
- Unlisted investments	3,662	(1,450)
Dividend income and interest income:		
- Listed investments	272	40
- Unlisted investments	2,485	1,724
	<u>6,115</u>	<u>212</u>
	<u>257,322</u>	<u>202,723</u>
 <u>Other gains, net:</u>		
Exchange gains, net	4,877	2,484
Gain on disposal of property, plant and equipment	-	15
	<u>4,877</u>	<u>2,499</u>

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates.

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

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

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. The Group had no potentially dilutive ordinary shares in issue during these periods. As at 30 June 2017, the total number of the issued ordinary shares was 796,138,689 shares.

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

6. DIVIDEND

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

7. ACCOUNT RECEIVABLES

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

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

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

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

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

7. ACCOUNT RECEIVABLES (Continued)

The ageing of account receivables from clearing houses, brokers and dealers are within one month. 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 ageing of account receivables from corporate clients arising from corporate finance, advisory and other services are mostly within one month.

8. ACCOUNT PAYABLES

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

Account payables are non-interest-bearing except for the account payables to clients of HK\$3,781,300,000 (31 December 2016: HK\$4,352,897,000).

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

9. REVIEW OF ACCOUNTS

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

10. COMPARATIVE FIGURES

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

INTERIM DIVIDEND

The Board of Directors (the “Board”) resolved not to declare the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Market

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

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

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

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

Review of Operations

In the first half of 2017, the overall operation of the Group improved steadily with a turnover of HK\$257 million (the first half of 2016: HK\$203 million), representing a year-on-year increase of 27%. The unaudited profit before tax decreased by 7% to HK\$49 million (the first half of 2016: HK\$52 million). Revenue from brokerage business, financing and loans business and corporate finance business recorded a growth following the increase in market turnover. For brokerage business, with the increase in market turnover, revenue from brokerage business increased by approximately HK\$1.3 million or 1% as compared with the same period last year. For financing and loans business, the average margin balance in the first half of 2017 reached approximately HK\$1.672 billion, achieved a revenue of HK\$81.45 million, representing an increase of HK\$8.42 million or 12% as compared with the same period last year. For corporate finance business, in the first half year, the number of lead underwriting, placing and financial advisory projects amounted to 1, 4 and 8 respectively, of which the sole sponsor/lead underwriting projects included the successful completion of the listing of In Technical Productions Holdings Limited (8446) on the GEM. In the first half year, revenue from the businesses in corporate finance business, asset management and investment amounted to HK\$62.93 million, HK\$3.07 million and HK\$6.12 million respectively, representing an increase of approximately HK\$37.03 million or 143%, HK\$1.96 million or 175% and HK\$5.90 million or 2784% respectively as compared with the same period last year.

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

In the first half of 2017, due to the gradual recovery of the Hang Seng Index, Hang Seng China Enterprises Index, and the average daily turnover, improvements were seen in clients' willingness to borrow. Under this circumstance, the Group has taken timely measures to meet client's demand for loans for the purpose of securing the growth in interest income. In addition, the Group succeeded in reaching agreements with a number of banks in reducing the interest rate of borrowed funds so as to lower interest expense. The average margin balance reached approximately HK\$1.672 billion in the first half of this year, representing a decrease of 9% as compared with HK\$1.845 billion in the same period last year. Interest income amounted to HK\$81.45 million, representing an increase of 12% as compared with HK\$73.03 million in the same period last year.

Review of Operations (Cont'd)

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

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

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

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

Prospects

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

Capital Structure

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

Liquidity, Financial Resources and Gearing Ratio

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

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

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

Significant Investment Held, Material Acquisition and Disposal

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

Charges on the Group's Asset

No asset of the Group was subject to any charge as at 30 June 2017.

Risk Management

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

The management closely monitors the market condition so that precautionary measures will be taken to mitigate any risk that the Group may encounter. As at 30 June 2017, the advances to customers were overdue account receivables from cash clients and margin financing. The balance of overdue account receivables from cash client amounted to HK\$50.9 million (31 December 2016: HK\$32.6 million). The balance of margin financing amounted to HK\$1,745.6 million (31 December 2016: HK\$1,792.2 million), of which 32% (31 December 2016: 27%) was attributable to corporate customers with the rest attributable to individual customers.

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

The Group's exposure to fluctuations in exchange rates arises from its dealings in overseas share markets. Such dealings are entered into on behalf of clients of the Group and accounted for a small portion of the Group's revenue. A material portion of such overseas transactions is denominated in United States dollars and Renminbi. The pegged exchange rate between United States dollars and Hong Kong dollars kept the Group's exchange risk exposure to a minimum and thus, no hedging was required. Exchange gains and/or losses are dealt with in the income statement. 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 2017.

Future Plans for Material Investments or Capital Assets

Except the future plans as disclosed in the paragraph of "Prospects", the Group had no other future plans for material investments or capital assets as at 30 June 2017.

Employees and Training

As at 30 June 2017, the total number of full-time employees was 254 (2016: 263). The total staff costs for the period amounted to approximately HK\$93.4 million (2016: HK\$60.9 million).

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities and Futures Commission, the Group has organised a total of 8 (2016: 8) Continuous Professional Training seminars for all licensed staff members during the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE CODE

To better the Company's transparency and accountability to the shareholders, the Company is, so far as practicable, committed to maintaining high standard of corporate governance. Save for the deviation from the code provision A.6.7 which is explained as below, the Company has met all the code provisions stipulated in Appendix 14, Corporate Governance Code and Corporate Governance Report, of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2017.

Code provision A.6.7 specifies that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagement at the relevant time, an independent non-executive director of the Company was unable to attend the annual general meeting of the Company held on 12 May 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") at <http://www.hkexnews.hk> and on the Company's website at <http://www.swhyhk.com>. The 2017 interim report of the Company will be dispatched to the shareholders and will be available on the websites of HKEx and the Company in due course.

DIRECTORS

As at the date of this announcement, the Board of the Company comprises 8 directors, of which Mr. Zhu Minjie, Mr. Chen Xiaosheng, Mr. Guo Chun and Mr. Qiu Yizhou are the executive directors, Mr. Zhang Lei is the non-executive director, Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Zhuo Fumin are the independent non-executive directors.

By Order of the Board
Zhu Minjie
Chairman

Hong Kong, 11 August 2017