



西南證券 (600369 SH)
控股公司

西證國際

Southwest Securities International Securities Limited
西證國際證券股份有限公司*

Stock Code 股份代號 : 812

2017

Interim Report 中期報告

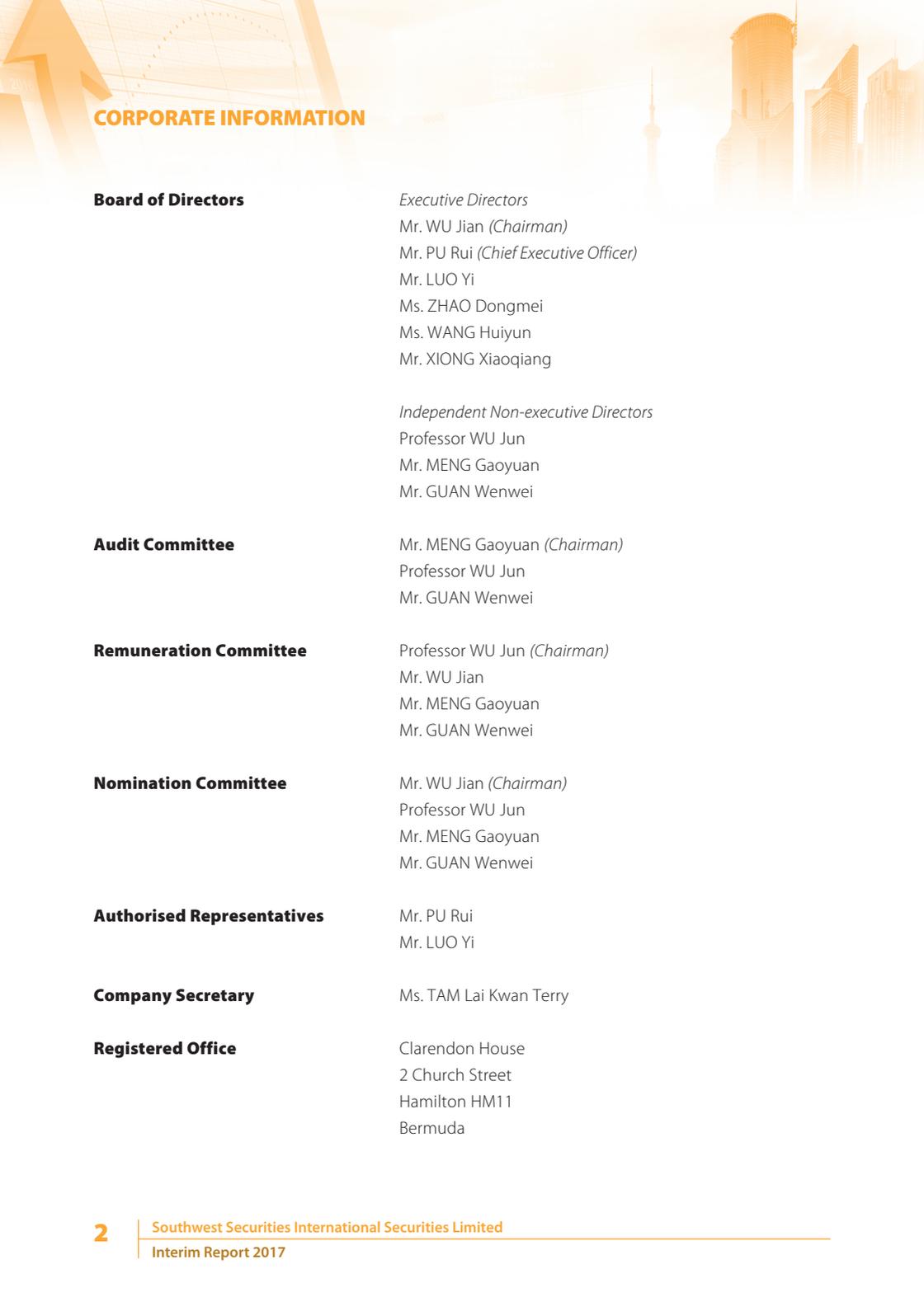


* For identification purpose only 僅供識別

CONTENTS

CORPORATE INFORMATION	2
INTERIM RESULTS	4
INTERIM DIVIDEND	4
MANAGEMENT DISCUSSION AND ANALYSIS	4
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	14
Condensed Consolidated Statement of Financial Position	16
Condensed Consolidated Statement of Cash Flows	17
Condensed Consolidated Statement of Changes in Equity	18
Notes to Condensed Consolidated Financial Statements	20
OTHER INFORMATION	49





CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. WU Jian (*Chairman*)

Mr. PU Rui (*Chief Executive Officer*)

Mr. LUO Yi

Ms. ZHAO Dongmei

Ms. WANG Huiyun

Mr. XIONG Xiaoqiang

Independent Non-executive Directors

Professor WU Jun

Mr. MENG Gaoyuan

Mr. GUAN Wenwei

Audit Committee

Mr. MENG Gaoyuan (*Chairman*)

Professor WU Jun

Mr. GUAN Wenwei

Remuneration Committee

Professor WU Jun (*Chairman*)

Mr. WU Jian

Mr. MENG Gaoyuan

Mr. GUAN Wenwei

Nomination Committee

Mr. WU Jian (*Chairman*)

Professor WU Jun

Mr. MENG Gaoyuan

Mr. GUAN Wenwei

Authorised Representatives

Mr. PU Rui

Mr. LUO Yi

Company Secretary

Ms. TAM Lai Kwan Terry

Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

CORPORATE INFORMATION

Head Office and Principal Place of Business in Hong Kong

40/F., Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Bermuda Principal Share Registrar

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Branch Share Registrar in Hong Kong

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Auditor

Pan-China (H.K.) CPA Limited
Certified Public Accountants
11/F., Hong Kong Trade Centre
161–167 Des Voeux Road Central
Hong Kong

Legal Adviser as to Hong Kong Law

Loong & Yeung Solicitors
Room 1603, 16/F
China Building
29 Queen's Road Central
Hong Kong

Listing Information

The Stock Exchange of Hong Kong Limited
Stock Code: 812

Website

www.swsc.hk



INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Southwest Securities International Securities Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017 together with the comparative figures for the six months ended 30 June 2016 as set out on pages 14 to 48 to this report.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: HK\$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the six months ended 30 June 2017 (the “Review Period”), uncertainties brought by the new U.S. president policies, the French presidential election, the United Kingdom general election and a number of terror attacks cloud the upswings of the global economy and the stock markets. Boosted by improving economic data, sound corporate earnings, moderate inflation and Trump’s potential fiscal policy, the U.S. stock market continued to hit new record high. However, above historical average valuation of U.S. equities, the failure of launching of certain Trump’s policies, the U.S. Federal Reserve interest rate hikes and balance sheet reduction plan still have the chances of triggering profit takings and the correction of the U.S. and global stock markets in the months to come. As for China, supported by a government infrastructure spending plan and a hot real estate market, China’s economy grew 6.9 percent in the first half of year comparing to a year earlier, slightly faster than expected. Infrastructure is picking up on the back of regional development initiatives such as the Belt and Road and the Beijing-Hebei-Tianjin Corridor. Underpinned by continuous job creations, private investment and consumption growth have been stable. Supply-side reforms still persist to minimise the excess capacities of various industries. On the other hand, China hosted the first Belt and Road Forum representing the cornerstone of China’s internationalisation and outward economic strategies. Tensions between China and the U.S. are easing, thanks to a series of trade deals between them. Renminbi (“RMB”) has soared and mainland enterprises were seeing earnings recovery in the first half of the year. As a result, the Shanghai Stock Exchange Composite Index climbed to a peak of about 3,300 in April 2017. However, the impact of earlier stimulus measures starts to fade out and the China local authorities step up their battle to rein in hot housing prices, the stock market index retreated from the peak. The Shanghai Stock Exchange Composite Index closed at 3,192.4 points in the first half of 2017, representing a rise of 2.9% for the Review Period, and the Shenzhen Stock Exchange Composite Index closed at 1,897.7 points, being down by 3.6% for the Review Period.



MANAGEMENT DISCUSSION AND ANALYSIS

The Hong Kong stock market has grown more vibrant in the first half of 2017. Mainland China investors have contributed much to the increased market turnover through the Southbound fund flows via Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect. The average daily market turnover has grown to HK\$76.0 billion (*for the six months ended 30 June 2016: HK\$67.5 billion*) in the first half of 2017. Poised to benefit from China's economy rebound, China enterprises' earnings recovery and the continuing surging of earnings of Hong Kong listed companies, the Hang Seng Index has rallied to the high of more than 26,000 points during the Review Period, with a variance of 3,800 points. The global uncertainties of the U.S. Federal Reserve interest rate hikes and the plan of balance sheet reduction announced in June 2017 have not put a large pressure over Hong Kong stock market. The Hang Seng Index closed at 25,764.6 points at the end of the Review Period, up by 17.1%, beating most of the major market indices worldwide.

Hong Kong's initial public offering ("IPO") market continued to rank top globally in terms of fund raised. According to data released by Hong Kong Exchanges and Clearing Limited, a total of 72 companies have been listed in Hong Kong in the first half of this year (*for the six months ended 30 June 2016: 40*). Proceeds raised from listings amounted to HK\$53.6 billion, representing a rise of 22.9% comparing to HK\$43.6 billion in the same period last year. According to analysis released by KPMG, the number of IPOs for the first half of this year almost doubled compared with the same period last year but the total fundraising did not raise as much due to the dominance of small to medium sized IPOs. Financial services sector continues to be the major contributor with healthcare/life sciences and public services (education institutions included) following.

BUSINESS REVIEW

The sector of financial services in Hong Kong is very complex and is flooded with capital from mainland China and all over the world, which means good business opportunities but also intense competitions. Supported by the parent company in China, Southwest Securities Company Limited ("SWSC"), the Group could enhance the existing customer base to explore new business's opportunities by providing one-stop securities, investment and financing services to investors from China and other countries. Further, the Group continued to consolidate its teams, restructure its organisation, mitigate the risks and strengthen internal monitoring procedures to maximise the operation effectiveness it could achieve. Recruitment of top financial talents to better the Group's competitiveness never ceased. In the first half of 2017, the Group was the sole sponsor of a listing on the GEM board of The Stock Exchange of Hong Kong and there are plenty of projects coming out in the future. The business of margin financing and loan financing also thrived during the Review Period, contributing a significant portion of income to the Group. Other business, such as the asset management, wealth management and proprietary trading, have made stable income contribution to the Group and helped balance its income streams.

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 30 June 2017, although the uncertainties on the global economy and stock markets due to many foreign issues did not fade out, still blessed by the recovery of Hong Kong stock market, the efforts paid by the Group's management on exploring new business opportunities and implementing strict cost control measures have resulted in a booster to the Group's business and thus the total revenue of the Group during the Review Period has remarkably climbed to HK\$90.6 million (*for the six months ended 30 June 2016: HK\$8.2 million*). However, RMB has appreciated during the Review Period and therefore an exchange loss of HK\$58.8 million (*for the six months ended 30 June 2016: exchange gain of HK\$21.9 million*) was incurred for the Bonds Payable of the Group which will be settled by RMB while the fair value gain for the period of the cross-currency swap for hedging against the RMB exchange risk was only HK\$18.4 million (*for the six months ended 30 June 2016: fair value loss of HK\$5.1 million*). This is the main reason for the result of the Group to plunge to a loss before tax of HK\$53.8 million (*for the six months ended 30 June 2016: HK\$90.2 million*). According to current accounting standards, the fair value change of the cross-currency swap might not be same as the exchange difference of the Bonds Payable before the expiry of the cross-currency swap agreement but the difference between them is floating. As long as the Group could execute the cross-currency exchange before the expiry according to the agreement, the past gains or losses recognised in profit or loss will reverse entirely when the agreement is expired.

Brokerage and Margin Financing

Revenue generated from the Group's brokerage and margin financing business amounted to HK\$32.0 million during the Review Period (*for the six months ended 30 June 2016: HK\$47.4 million*).

Mainland China and Hong Kong stock markets have been flourishing in the first half of 2017 because the global economy was picking up and RMB appreciation was the major rhythm in the period. Average daily turnover of the Hong Kong stock market in the first half of this year expanded by 12.6% to HK\$76.0 billion (*for the six months ended 30 June 2016: HK\$67.5 billion*). The Group's average daily turnover increased by 19.7% along with the surging Hong Kong stock market turnover and thus there was an increase of the general commission income from securities, futures and options dealings for the Review Period. However, the underwriting and placing commission income had a relatively large fall in the first half of 2017 compared to the same period in 2016, resulting in a 30.3% decrease of the total brokerage commission revenue down to HK\$11.5 million (*for the six months ended 30 June 2016: HK\$16.5 million*). As for margin financing, interest income from the margin financing business decreased by 33.7% to HK\$20.5 million in the first half of 2017 (*for the six months ended 30 June 2016: HK\$30.9 million*). The interest income in first half of 2016 mainly came from one major customer and this customer did not have any borrowings from the Group in 2017. However, in the second quarter of 2017, SWSC in China has again introduced high-quality customers to the Group, which has propelled the margin financing business to another bloom. The Group's adequate funding sources allowed the interest income from the margin financing business to remain high in the second quarter of 2017.



MANAGEMENT DISCUSSION AND ANALYSIS

During the Review Period, owing to the increase in market value of the stock collateral provided by customers, the Group has written back the excess provisions for impairment for margin financing customers by HK\$24.6 million (*for the six months ended 30 June 2016: HK\$Nil*). Further, some other margin financing customers fell short of margin deposits and provisions for impairment of HK\$5.1 million (*for the six months ended 30 June 2016: HK\$8.6 million*) have been made for these customers. The Group continues to adopt a cautious and conservative approach to handle shortfall margin loans, strengthen credit risk management, tighten high-risk credit, pay close attention to the liquidity position and require frontline staff to better understand their customers and strengthen the bonds with them.

Corporate Finance

Revenue generated from the Group's corporate finance business amounted to HK\$13.2 million during the Review Period (*for the six months ended 30 June 2016: HK\$16.6 million*). A major placing project in the first half of 2016 delivered an extra service bonus to the business while there was no such extra revenue in the first half of 2017, accounting for the overall decrease of revenue. The major revenue stream of the corporate finance business in the first half of 2017 was from the IPO sponsor projects. The number of projects and revenue are similar to those in the same period in 2016.

The increasing integration of Hong Kong and China financial markets calls for the Group to capitalise on the business opportunities of developing and executing IPO projects, underwriting placing projects and offering independent financial advisory service and other advisory service during the Review Period. The Group completed one IPO project and filed listing applications for some IPO projects, which are pending approval. The Group has geared up for providing corporate finance services for quality SMEs with high growth potential. During the Review Period, the Group signed several sponsor contracts, boosting the number of existing sponsor projects. The shared resources of the Group and its parent company, SWSC, help to keep up the pace of its merger and acquisition ("M&A") business to the demand of mainland corporations acquiring high-potential business in Hong Kong and overseas.

By the support of the resources of SWSC, more quality mainland enterprises aiming to expand globally would be introduced to the Group to make use of the Hong Kong capital financial platform and enjoy the Group's professional corporate finance service.

Wealth Management

The Group's wealth management business recorded a revenue of HK\$4.4 million during the Review Period (*for the six months ended 30 June 2016: HK\$1.6 million*).



MANAGEMENT DISCUSSION AND ANALYSIS

In the second quarter of 2016, the Group set up the Southwest Securities International Wealth Management Centre which is a one-stop financial service platform building on the foundation of its existing wealth management business and other related resources. The centre organised a number of training seminars held for the SWSC sales department in mainland China and for the Hong Kong license holders. The centre provides the Group a series of comprehensive investment products to enrich its offerings and enhance its competitiveness. Collaborations with third party organisations, such as banks and insurance companies, also help meet the needs of institutional and other various customers. This segment continued to develop steadily during the Review Period. With the dramatic increase of China investors' demand of overseas asset allocations, the Group has achieved a remarkable growth in revenue during the Review Period.

Proprietary Trading

The proprietary trading business recorded a revenue gain of HK\$30.8 million for the Review Period (*for the six months ended 30 June 2016: revenue loss of HK\$57.4 million*).

During the first half of the year, Hong Kong stock market has been mounting up and become more active with vibrant southbound fund inflows through Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect. The supply-side reform of mainland China has been effective and helped to eliminate excess capacities of various industries and stabilise the economy. The improved mainland China economic fundamentals alongside the RMB appreciation and the earnings recovery of Hong Kong listed companies have poised a positive view on the Hong Kong stock market. Our Group has exploited the soaring stock market by setting up a new hedge fund last year which has come to full swing during the Review Period. A new fixed income investment team has also been set up to invest in the bond market during the Review Period. The results of them in addition to other securities investments have actuated the net gains from proprietary trading.

In 2017, the Group has continued to implement position control on its proprietary portfolio with hedging of derivatives. The investment focus will be on leading enterprises of different industries guided by the principle of minimising investment risks.

Money Lending

During the Review Period, the Group's interest income from money lending business amounted to HK\$10.2 million (*for the six months ended 30 June 2016: HK\$1,000*).

In the first half of 2017, the Group has advanced a loan of HK\$200 million to a customer under the Money Lender License. The Group would continue to seek more business of money lending in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income and Gains

During the Review Period, the Group's other income and gains amounted to HK\$36.4 million (*for the six months ended 30 June 2016: HK\$44.1 million*).

Other income and gains in the Review Period mainly included interest income from two bond investments and amounted to HK\$8.3 million (*for the six months ended 30 June 2016: HK\$20.5 million*). In February 2017, the Group completed the disposal of the convertible bonds issued by XinRen Aluminum Holdings Limited included in the available-for-sale financial assets, thus the interest income from the convertible bonds was decreased during the Review Period. Furthermore, the Group incurred an exchange loss due to the appreciation of RMB for the Review Period but it incurred an exchange gain of HK\$20.7 million for the six months ended 30 June 2016. The dividend income from available-for-sale financial assets held by the Group is HK\$0.96 million (*for the six months ended 30 June 2016: HK\$1.0 million*).

Staff Costs

During the Review Period, the Group's staff costs amounted to HK\$34.9 million (*for the six months ended 30 June 2016: HK\$30.1 million*).

The number of staff and fixed costs remained stable during the Review Period. As part of the salaries of frontline staff was linked to their performance, their related salaries increased along with the improving business and therefore the overall staff costs of the Group became higher too. Moreover, the Group was flexible in adjusting staff deployment with reference to business growth and desired resources allocation.

Fee and Commission Expenses

The Group's fee and commission expenses during the Review Period were HK\$10.2 million (*for the six months ended 30 June 2016: HK\$6.1 million*).

Fee and commission expenses mainly include commissions paid in the course of conducting the brokerage business and wealth management business. The increase in commission expenses during the Review Period was mainly a result of the increased commission income from the securities dealing, futures and options dealing and wealth management business.

Finance Costs

The Group's finance costs during the Review Period amounted to HK\$57.2 million (*for the six months ended 30 June 2016: HK\$60.2 million*).

The Group issued RMB-denominated bonds in May 2015, so the finance costs during the Review Period were mainly bond interest expenses.



MANAGEMENT DISCUSSION AND ANALYSIS

Future Prospects

Impacted by the earlier fiscal and monetary stimulus, China's economic growth is projected to hold up in the second half of 2017. Prices of houses are still surging, notwithstanding a series of home purchase restrictions and tighter mortgage conditions. Underpinned by continued job creations and rising real income, domestic consumption growth will be the main theme for the rest of the year. The recovery of global economy is boosting China's exports and industrial production. RMB has shown signs of leveling off but remained strong, thanks to the improved enterprise profits. Facing good economic prospects and investment demands of capital from China, Hong Kong remains to be the platform for the mainland capital to make acquisitions of overseas corporations and investments in equities and bonds. With the demand for raising fund and expanding business, high quality China enterprises will continue to seek to go for IPO and become internationalised in Hong Kong. Securities companies backed up by mainland capital in Hong Kong will enjoy the first opportunities of this cross-border business.

In the second half of the year, the Group will maintain a series of developments to expand the its business scope with corporate finance business, asset management business and loan financing business being the focus. As for corporate finance, the Group is looking for more project loan business on top of the good quality IPO projects to prop up a higher profit margin and a better use of capital. Its parent company, SWSC, will share its resources with the Group for more cross-border M&A projects from mainland enterprises. More quality IPO projects to raise fund in Hong Kong will be developed together with the project teams of SWSC. Also, the Group will pay continuous efforts to win more underwriting and placing business opportunities through collaborations with SWSC or other financial services firms in Hong Kong. In respect of asset management business, the Group is organising a large private equity fund with its asset management division being the fund manager, which will generate more income to the Group by the management fee incurred. After launching its first hedge fund last year, the asset management division is planning to expand the asset base under its management by attracting third parties to be its customers with the good returns it generated in the first half of the year. Having achieved successful results lately, the Group's proprietary trading team will stick to the fruitful investment strategies to seek to better its results even more in the remaining time of the year. With the Money Lender License, the business of loan financing is viewed as another focus that will be developed together with the resources of SWSC in the foreseeable future. This will add another spotlight to the Group's business.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group will attract more talents to its existing talent pool and pay more efforts in nurturing them to build both competent frontline and back office teams that are crucial to the future success of the Group. Further, to achieve the internationalisation of the Group and streamlining its operations, corporate internal controls and risk management have always been a main focus. They also serve to reduce the business risks through standardised business assessment criteria and decision procedures. In the future, referrals from SWSC, both in terms of business opportunities and pooling of talents, will help the Group's business flourish in the short and long term. Continuing sharing resources with SWSC in these aspects have achieved fruitfulness in the past and thus will not cease in the future.

Having gone through a good half year of its business, but facing the potentially unforeseen circumstances in the remaining half year, the Group will concentrate on both its short-term business opportunities and long-term corporate development strategies. With good experience in different business, the Group is advancing into the second half of year with confidence of maintaining its growth momentum, making its operations more effective and efficient, and stepping up its internationalisation.

FINANCIAL REVIEW

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2017, the Group had total cash and bank balances including pledged deposits of HK\$376.1 million (*at 31 December 2016: HK\$624.8 million*), while net current assets amounted to HK\$66.3 million (*at 31 December 2016: HK\$1,790.0 million*). The current ratio as a ratio of current assets to current liabilities was 1.0 times (*at 31 December 2016: 8.2 times*). The decrease in the current ratio is mainly because the outstanding principal of the Bonds Payable will be mature on 28 May 2018 and thus is reclassified from "Non-current liabilities" to "Current liabilities".

At the end of the Review Period, the gearing ratio was 908.5% (*at 31 December 2016: 705.8%*). Gearing ratio represents the ratio of total borrowings to the total equity of the Group.

The Group monitored its capital structure in order to ensure the compliance of the capital requirements under the Securities and Futures (Financial Resources) Rules (Cap. 571N of the Laws of Hong Kong) for its licensed subsidiaries and to support the development of new business. All licensed corporations within the Group complied with their respective liquid capital requirements during the Review Period and up to the date of this report.



MANAGEMENT DISCUSSION AND ANALYSIS

Banking Facilities and Charges on Assets

As at 30 June 2017, the Group had no bank loans outstanding (*at 31 December 2016: HK\$Nil*) and had an aggregate banking facilities of HK\$676.0 million (*at 31 December 2016: HK\$677.2 million*).

In the case of certain banking facilities of HK\$326.0 million (*at 31 December 2016: HK\$326.0 million*), the drawdown of which is subject to the market value of the marketable securities pledged and the margin deposits placed. The bank loans are subject to floating interest rates with reference to the costs of funds of the banks. At the end of the Review Period, the Group pledged no investments in listed securities (*at 31 December 2016: HK\$Nil*) and no fixed deposits (*at 31 December 2016: HK\$1.2 million*) for the facilities.

Material Acquisitions, Disposals and Significant Investments

During the Review Period, the Group disposed of the convertible bonds issued by XinRen Aluminum Holdings Limited included in the available-to-sale financial assets and realised a loss on disposal of HK\$1.4 million (*for the six months ended 30 June 2016: no material acquisitions and disposals of investments*).

Contingencies

The Group has no material contingent liabilities as at 30 June 2017 (*at 31 December 2016: Nil*).

Commitments

In August 2015, the Group has entered into a two-year foreign currency forward contract with a bank in the United Kingdom to manage the currency risks. Upon maturity of the foreign currency forward contract, the Company agrees to convert RMB100.0 million to HK\$113.0 million (i.e. pay RMB100.0 million and receive HK\$113.0 million).

In June 2015, the Group has entered into a three-year cross-currency swap agreement with a bank in the United Kingdom with initial exchange amounts of RMB1.5 billion and HK\$1.9 billion. Pursuant to the cross-currency swap agreement, the Group is obliged to make semi-annual interest payments to the bank. The amount to be paid is calculated on the final exchange amount of HK\$1.9 billion with reference to the agreed annual rate of 4.7%. The Group in return is entitled to receive semi-annual interest on the final exchange amount of RMB1.5 billion at 6.45% per annum. Upon maturity of the cross-currency swap, the Group agrees to convert the final exchange amount of HK\$1.9 billion to RMB1.5 billion (i.e. pay HK\$1.9 billion and receive RMB1.5 billion). The cross-currency swap is settled on gross basis.



MANAGEMENT DISCUSSION AND ANALYSIS

Exposure to Fluctuations in Exchange Rates and Related Hedges

As at 30 June 2017, the Group has RMB exposure arising from the issuance of bonds. Considered the major operating cash flow is in Hong Kong dollars and to mitigate the relevant currency risks, the Group had entered into a three-year cross-currency swap as mentioned in the paragraph of "Commitments" in this report.

EMPLOYEES

As at 30 June 2017, the Group had a total of 103 employees. The Group regards employees as important asset. Hence, the Group has established clear policy on its employee's remuneration. Base salary is being reviewed on an annual basis. Discretionary performance bonus is paid by making references to market, business results, departmental and individual's performance. The discretionary performance bonus aims to reward employees for their contributions and to retain and inspire talented and experienced employees. Other benefits offered by the Group include overtime allowance, mandatory provident fund scheme, occupational retirement scheme, medical and dental insurance.

The Group provides internal and external training programs for the staff to enhance their skills and knowledge in products, regulations and compliance. Most of the in-house training are qualified for claiming Continuous Professional Training hours for the licensed persons.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	Unaudited Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Fee and commission income		29,113	34,697
Interest income		30,664	30,866
Net investment gains (losses)		30,837	(57,395)
Total revenue	2	90,614	8,168
Other income and gains	3	36,369	44,123
Total revenue and other income and gains		126,983	52,291
Fee and commission expenses	2	(10,195)	(6,077)
Fair value change on derivative financial assets		–	(9,405)
Fair value change on derivative financial liabilities		11,021	(6,442)
Finance costs	4b	(57,210)	(60,210)
Staff costs	4a	(34,934)	(30,121)
Depreciation		(4,134)	(2,254)
Other operating expenses		(85,318)	(27,944)
Total expenses		(180,770)	(142,453)
Loss before tax	4	(53,787)	(90,162)
Income tax expense	5	–	–
Loss for the period attributable to equity shareholders of the Company		(53,787)	(90,162)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	Unaudited	
		Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
Other comprehensive income (loss)			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign subsidiaries		(318)	(119)
Change in fair value of available-for-sale financial assets		8,456	(3,072)
Other comprehensive income (loss) for the period, net of tax		8,138	(3,191)
Total comprehensive loss for the period attributable to equity shareholders of the Company		(45,649)	(93,353)
Loss per share			
— Basic (<i>HK cents</i>)	6	(2.203)	(3.693)
— Diluted (<i>HK cents</i>)	6	(2.203)	(3.693)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

		Unaudited At 30 June 2017 HK\$'000	Audited At 31 December 2016 HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		24,007	15,017
Intangible assets		–	–
Available-for-sale financial assets	7(a)	92,991	84,535
Other non-current assets		6,165	4,670
		123,163	104,222
Current assets			
Available-for-sale financial assets	7(b)	–	233,477
Held-to-maturity investments	8	115,110	111,170
Loans and advances	9	200,000	41
Financial assets at fair value through profit or loss	10	491,515	396,717
Derivative financial assets	11	105	5,851
Accounts receivable	12	655,025	391,477
Deposits, prepayments and other receivables		197,445	276,628
Pledged deposits		–	1,247
Cash and bank balances	13	376,061	623,543
		2,035,261	2,040,151
Current liabilities			
Derivative financial liabilities	14	180,688	187,230
Accounts payable	15	41,579	20,777
Other payables and accrued charges		25,784	42,140
Bonds payable	16	1,720,953	–
		1,969,004	250,147
Net current assets		66,257	1,790,004
Total assets less current liabilities		189,420	1,894,226
Non-current liabilities			
Bonds payable	16	–	1,659,157
NET ASSETS		189,420	235,069
Capital and reserves			
Share capital	17	244,121	244,121
Reserves		(54,701)	(9,052)
TOTAL EQUITY		189,420	235,069

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Net cash (used in) generated from operating activities	(439,292)	89,615
Net cash generated from investing activities	245,310	14,171
Net cash used in financing activities	(54,429)	(57,691)
Net (decrease) increase in cash and cash equivalents	(248,411)	46,095
Cash and cash equivalents at the beginning of the period	624,790	476,283
Effect on exchange rate changes	(318)	(119)
Cash and cash equivalents at the end of the period	376,061	522,259
Analysis of balances of cash and cash equivalents		
Pledged deposits	–	1,247
Cash and bank balances	376,061	521,012
	376,061	522,259

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to equity shareholders of the Company							
	Share capital	Investment	Share premium	*Capital reserve	Foreign	Accumulated losses	Total reserves	Total
		revaluation reserve			exchange reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2016	244,121	(6,952)	214,319	40,836	306	(84,979)	163,530	407,651
Loss for the period	-	-	-	-	-	(90,162)	(90,162)	(90,162)
Exchange difference on translation of financial statements of foreign subsidiaries	-	-	-	-	(119)	-	(119)	(119)
Change in fair value on available-for-sale financial assets	-	(3,072)	-	-	-	-	(3,072)	(3,072)
Other comprehensive loss for the period, net of tax	-	(3,072)	-	-	(119)	-	(3,191)	(3,191)
Total comprehensive loss for the period	-	(3,072)	-	-	(119)	(90,162)	(93,353)	(93,353)
At 30 June 2016 (Unaudited)	244,121	(10,024)	214,319	40,836	187	(175,141)	70,177	314,298

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to equity shareholders of the Company							
	Share capital	Investment	Share premium	*Capital reserve	Foreign		Total reserves	Total
		revaluation reserve			exchange reserve	Accumulated losses		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2017	244,121	(12,069)	214,319	40,836	(236)	(251,902)	(9,052)	235,069
Loss for the period	-	-	-	-	-	(53,787)	(53,787)	(53,787)
Exchange difference on translation of financial statements of foreign subsidiaries	-	-	-	-	(318)	-	(318)	(318)
Change in fair value on available-for-sale financial assets	-	8,456	-	-	-	-	8,456	8,456
Other comprehensive income (loss) for the period, net of tax	-	8,456	-	-	(318)	-	8,138	8,138
Total comprehensive income (loss) for the period	-	8,456	-	-	(318)	(53,787)	(45,649)	(45,649)
At 30 June 2017 (Unaudited)	244,121	(3,613)	214,319	40,836	(554)	(305,689)	(54,701)	189,420

* The capital reserve of the Group represents the difference between the nominal value of the shares issued by the Company for the acquisition of the subsidiaries and the nominal value of the ordinary shares of these subsidiaries in issue as at 30 June 2001 which were converted into deferred non-voting share capital on 11 January 2002.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016. These condensed consolidated financial statements have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee.

All amounts have been rounded to the nearest thousand of Hong Kong dollars ("HK\$"), unless otherwise indicated.

The accounting policies applied in preparing these condensed consolidated financial statements are consistent with those applied in preparing the Group's annual consolidated financial statements for the year ended 31 December 2016. The adoption of the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>

Future changes in HKFRSs

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the current accounting period. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to reasonably estimate their impact on its results of operations and financial position.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

2. SEGMENT INFORMATION

The Directors have been identified as the chief operating decision makers to evaluate the performance of operating segments based on the Group's internal reporting in respect of these segments. Segment assets and liabilities are not disclosed as they are not considered as crucial for resources allocation and thereby not being regularly provided to the Directors.

During the six months ended 30 June 2017, the Group developed the money lending business, which becomes one of the key business segments. In view of this, the management has separately reported the performance of money lending business to the Directors. Hence, effective from the financial period of six months ended on 30 June 2017, the operating segment has changed accordingly as detailed in the following paragraph.

The provision of finance previously reported under "Other operations" was separately disclosed under operating segment "Money lending".

Prior period corresponding segment information that is presented for comparative purposes has been reclassified.

Reportable operating segments

The Directors consider brokerage and margin financing, wealth management, corporate finance, proprietary trading and money lending are the Group's major operating segments.

	For the six months ended 30 June 2017 (Unaudited)						
	Brokerage and margin financing	Wealth management	Corporate finance	Proprietary trading	Money lending	Other operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	31,982	4,383	13,242	30,837	10,170	-	90,614
Fee and commission expenses	(4,214)	(1,676)	-	(3,478)	(827)	-	(10,195)
Results	10,469	(987)	(2,274)	5,021	4,198	(39,380)	(22,953)
Unallocated expenses, represented central administration costs							(11,127)
Depreciation							(4,134)
Unallocated finance costs							(15,573)
Loss for the period							(53,787)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

2. SEGMENT INFORMATION (Continued) Reportable operating segments (Continued)

	For the six months ended 30 June 2016 (Unaudited)						
	Brokerage and margin financing HK\$'000	Wealth management HK\$'000	Corporate finance HK\$'000	Proprietary trading HK\$'000	Money lending HK\$'000 (restated)	Other operations HK\$'000 (restated)	Consolidated HK\$'000
Revenue	47,364	1,612	16,586	(57,395)	1	-	8,168
Fee and commission expenses	(2,952)	(967)	(1,255)	(1,051)	-	148	(6,077)
Results	5,678	(4,305)	3,336	(79,851)	(379)	11,087	(64,434)
Unallocated expenses, represented central administration costs							(11,613)
Depreciation							(2,254)
Unallocated finance costs							(11,861)
Loss for the period							(90,162)

The accounting policies of the operating segments are consistent with those applied in preparing the Group's annual consolidated financial statements for the year ended 31 December 2016. Segment profit and loss represents the profit earned by or loss incurred from each segment without allocation of central administration costs and finance costs, directors' salaries, depreciation and income tax expense. This is the measure reported to the Directors for the purpose of resources allocation and performance assessment.

Geographical segments

The geographical location of customers is based on the location at which the services were provided. During the six months ended 30 June 2017 and 2016, the Group's revenue is mainly derived from customers in Hong Kong.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

3. OTHER INCOME AND GAINS

	Note	Unaudited	
		Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
Other income			
Dividend income from available-for-sale financial assets		962	1,014
Handling income		469	648
Other interest income		10,302	21,647
Sundry income		35	70
		11,768	23,379
Other gains			
Exchange gain, net	(i)	-	20,744
Reversal of allowance for doubtful debt		24,601	-
		24,601	20,744
		36,369	44,123

Note:

- (i) Included an amount of HK\$Nil (for the six months ended 30 June 2016: HK\$21,910,000) representing an exchange gain arising on retranslation to Hong Kong dollars in respect of bonds payable denominated in Renminbi ("RMB").

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

4. LOSS BEFORE TAX

	Note	Unaudited	
		Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
Loss before tax is arrived at after charging:			
(a) Employee benefit expenses			
Salaries, commission and allowances		34,045	29,427
Contributions to retirement benefit schemes		889	694
		34,934	30,121
(b) Finance costs			
Bank loan interest expenses		10	–
Bond interest expenses		54,146	57,214
Imputed interest expenses on bonds payable		3,036	2,995
Other interest expenses		18	1
		57,210	60,210
(c) Other items			
Exchange loss, net	(i)	51,567	–
Impairment loss on accounts receivable		5,149	9,250
		56,716	9,250

Note:

- (i) Included an amount of HK\$58,760,000 (for the six months ended 30 June 2016: HK\$Nil) representing an exchange loss arising on retranslation to Hong Kong dollars in respect of bonds payable denominated in RMB. Detailed information is set out in note 16.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. INCOME TAX EXPENSE

Hong Kong Profits Tax has not been provided as the Group incurred losses for taxation purpose for the six months ended 30 June 2017 (*for the six months ended 30 June 2016: HK\$Nil*). No tax provided on all entities within the Group as they either incurred losses for taxation purpose or their estimated assessable profits for the period are wholly absorbed by unrelieved tax losses brought forward from previous years.

In the opinion of the Directors, the Group is not subject to taxation in any other jurisdictions.

6. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the loss attributable to the equity shareholders of the Company and the weighted average number of ordinary shares in issue during the reporting period.

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Loss attributable to equity shareholders of the Company	(53,787)	(90,162)
Number of shares	'000	'000
Weighted average number of ordinary shares in issue for the purpose of basic loss per share (<i>note</i>)	2,441,220	2,441,220
Basic loss per share (<i>HK cents</i>)	(2.203)	(3.693)
Diluted loss per share (<i>HK cents</i>)	(2.203)	(3.693)

Note: The diluted loss per share for the six months ended 30 June 2017 and 2016 are the same as the basic loss per share as no potential dilutive ordinary shares were outstanding during the respective periods.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

(a) Non-current portion

		Unaudited At 30 June 2017 HK\$'000	Audited At 31 December 2016 HK\$'000
	<i>Note</i>		
Unlisted equity securities, at cost	<i>(i)</i>	14,268	14,268
Impairment losses		(13,021)	(13,021)
		1,247	1,247
Equity securities			
— listed in Hong Kong at fair value	<i>(ii)</i>	91,744	83,288
		92,991	84,535

Notes:

- (i) The unlisted equity securities represent the Group's investments in three (at 31 December 2016: three) private entities.

Given the equity securities are unlisted, the range of fair value estimated is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed, the Directors are of the opinion that their fair values cannot be reliably measured and hence they are measured at cost less impairment at the end of each reporting period.

- (ii) Fair values are determined with reference to quoted market bid prices on the Hong Kong Stock Exchange at the end of each reporting period.

At the end of the reporting period, the Group has not pledged any listed equity securities to banks as collateral for the banking facilities granted to the Group (at 31 December 2016: HK\$Nil).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

(b) Current portion

		Unaudited	Audited
		At 30 June	At 31 December
		2017	2016
	<i>Note</i>	HK\$'000	HK\$'000
Debt component of the Convertible			
Bonds reclassified from held-to-maturity investments at fair value during the year ended			
31 December 2016 (<i>note 8</i>)	<i>(i)</i>	-	233,477

Note:

- (i) It represented the debt component of the convertible bonds issued by XinRen Aluminum Holdings Limited ("XinRen"), a company incorporated in Singapore (the "Convertible Bonds"). The Convertible Bonds in the principal amount of US\$30,000,000 (equivalent to approximately HK\$234,000,000), carries interest of 8% per annum and has a maturity date of 27 August 2020. The Convertible Bonds are secured by a security package including a charge over certain assets and undertaking of the guarantors, share mortgages over each of the guarantors and equity pledges over four subsidiaries of XinRen in the People's Republic of China ("PRC"), certain bank accounts and security accounts and equipment mortgages.

The Group had the right exercisable to convert the whole or part of the outstanding principal amount of the Convertible Bonds held by the Group into such number of shares of XinRen as at the conversion price Singapore dollars ("SG\$")1.01 per share (using a fixed US\$ to SG\$ conversion rate of US\$1=SG\$1.326).

On 30 December 2016, the Group entered into a sale and purchase agreement to dispose of the entire Convertible Bonds, subject to conditions.

The disposal was completed in February 2017. The consideration of approximately HK\$241,779,000 was received in February 2017 and the loss of approximately HK\$1,377,000 was recognised in the profit or loss for the six months ended 30 June 2017.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

8. HELD-TO-MATURITY INVESTMENTS

		Unaudited At 30 June 2017 HK\$'000	Audited At 31 December 2016 HK\$'000
Convertible bonds			
— Debt component		-	233,477
— Derivative component		-	-
		-	233,477
Less: Reclassification to available-for-sale financial assets (note 7b)		-	(233,477)
		-	-
Guaranteed notes	(i)	115,110	111,170
		115,110	111,170

Note:

- (i) It represented the investment in guaranteed notes issued by HNA Tourism Finance Limited ("HNA"), a company incorporated in the PRC, in the principal amount of RMB100,000,000, carries interest of 9.25% per annum and has a maturity date of 12 August 2017 (the "Guaranteed Notes"). Interest on the Guaranteed Notes is receivable semi-annually in arrears. The effective interest rate is 9.25% per annum. The guarantor of the Guaranteed Notes is HNA Tourism Group Co., Ltd., a company incorporated in the PRC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

9. LOANS AND ADVANCES

	Unaudited	Audited
	At 30 June	At 31 December
	2017	2016
	HK\$'000	HK\$'000
Loans and advances	200,000	41

As at 30 June 2017, the Group had a short-term loan receivable arising from the Group's money lending business. The loan to an entity that is an independent third party, with principal amount of HK\$200,000,000 pursuant to a facility agreement dated 7 March 2017, which is interest-bearing at 16% per annum for a period of four months, subject to any potential extension by mutual agreement. It is secured by a share charge and guaranteed by an independent third party. The loan was fully repaid by the borrower in July 2017.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Unaudited	Audited
		At 30 June	At 31 December
		2017	2016
	<i>Note</i>	HK\$'000	HK\$'000
Held for trading			
Equity securities			
— Listed in Hong Kong	<i>(i) and (iv)</i>	454,656	340,875
— Listed outside Hong Kong	<i>(i)</i>	7,153	2,186
		461,809	343,061
Bond investment listed outside Hong Kong	<i>(ii)</i>	29,706	26,568
Unlisted fund investments	<i>(iii)</i>	—	27,088
		491,515	396,717

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes:

- (i) Fair values of the listed equity securities are determined with reference to quoted active market bid price on the respective stock exchange at the end of each reporting period.
- (ii) Fair value of the listed bond investment is determined with reference to quoted active market bid price on the respective stock exchange at the end of each reporting period.
- (iii) For the unlisted fund investments, the fair values were determined by their net assets values quoted by the relevant investments trusts with reference to the underlying assets (mainly listed securities) of the funds.
- (iv) The Group has not pledged any listed securities at 30 June 2017 to any bank as collateral for the banking facilities granted (at 31 December 2016: HK\$Nil).

11. DERIVATIVE FINANCIAL ASSETS

		Unaudited	Audited
		At 30 June	At 31 December
		2017	2016
	<i>Note</i>	HK\$'000	HK\$'000
Foreign currency forward contract	<i>(i)</i>	–	5,851
Futures contracts held for trading	<i>(ii)</i>	105	–
		105	5,851

Notes:

- (i) The details of the foreign currency forward contract were set out in note 14(ii).
- (ii) Fair value of the futures contracts is determined with reference to quoted active market price on the Hong Kong Futures Exchange.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12. ACCOUNTS RECEIVABLE

		Unaudited At 30 June 2017 HK\$'000	Audited At 31 December 2016 HK\$'000
	<i>Note</i>		
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:			
— securities cash clients	<i>(b)(i)</i>	1,201	5,127
— securities margin clients	<i>(b)(ii)</i>	573,443	280,766
— securities subscription clients	<i>(b)(iii)</i>	358	–
— securities and options clearing houses and brokers	<i>(b)(iii)</i>	72,782	98,868
— futures clients	<i>(b)(iv)</i>	1	20
— futures clearing house and brokers	<i>(b)(iv)</i>	3,043	3,604
Accounts receivable arising from the provision of corporate finance advisory services	<i>(b)(v)</i>	3,623	2,669
Accounts receivable arising from the provision of investment-linked and insurance products broking services	<i>(b)(vi)</i>	574	423
		655,025	391,477

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12. ACCOUNTS RECEIVABLE (Continued)

Notes:

(a) Settlement terms

The settlement terms of accounts receivable arising from the ordinary course of business of broking in securities are one to three trading days after the transaction dates.

Accounts receivable arising from the subscription of initial public offering ("IPO") of listed companies in Hong Kong on behalf of clients are settled upon the share allotments of such listed companies.

Accounts receivable arising from the ordinary course of business of broking in index, commodity and currency futures contracts and options represent the margin deposits maintained with futures clearing house, options clearing house or brokers to meet the margin requirements of open contracts. Margin calls from clearing house and brokers are settled on a daily basis. The excess amounts over the required margin deposits stipulated are repayable on demand.

Accounts receivable arising from the provision of corporate finance advisory services and investment-linked and insurance products broking services are repayable within 30 days.

(b) Ageing analysis

- (i) Accounts receivable from cash clients arising from the business of dealing in securities are repayable on demand subsequent to settlement date. Overdue accounts receivable are repayable on demand and charged interests at commercial rates.

No ageing analysis is disclosed as in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of broking business.

At the end of the reporting period, no provision for impairment loss of accounts receivable arising from securities cash clients had been made (at 31 December 2016: HK\$Nil).

- (ii) Accounts receivable from securities margin clients are secured by their pledged securities, repayable on demand and bear interests at commercial rates. Credits are extended to securities margin clients subject to the marginable value of the listed securities pledged with the Group. The margin ratios are reviewed and determined periodically. At the end of the reporting period, fair value of marketable securities pledged by securities margin clients was HK\$3,977,316,000 (at 31 December 2016: HK\$923,628,000).

During the six months ended 30 June 2017, there was a margin loan financed to an entity that is an independent third party, with principal amount of HK\$300,000,000 pursuant to a facility agreement dated 31 March 2017, which is interest-bearing at 12% per annum, secured by a share charge and guaranteed by an independent third party. The loan is repayable in March 2018.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

(b) Ageing analysis (Continued)

(ii) (Continued)

No ageing analysis is disclosed as in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of broking business.

The gross carrying amount of accounts receivable and the movements in the provision for impairment of accounts receivable from securities margin clients were as follows:

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Gross amount of accounts receivable:		
At the end of the reporting period	634,566	598,499
Provision for impairment loss:		
At the beginning of the reporting period	80,575	–
Reversal of impairment loss	(24,601)	–
Impairment loss recognised	5,149	8,550
At the end of the reporting period	61,123	8,550
Net carrying amount of accounts receivable	573,443	589,949

During the six months ended 30 June 2017, the transaction price of the collaterals increased compared to the year ended 31 December 2016, hence, management reversed the impairment made in the year 2016 for an amount of HK\$24,601,000 (*for the six months ended 30 June 2016: HK\$Nil*).

At the end of the reporting period, the provision for impairment loss of accounts receivable arising from securities margin clients amounted to HK\$61,123,000 (*at 31 December 2016: HK\$80,575,000*).

(iii) At the end of the reporting period, accounts receivable from securities subscription clients were not yet due and were required to be settled on the allotment date determined under the relevant market practices or exchange rules.

At the end of the reporting period, accounts receivable from securities and options clearing houses and brokers were not yet due and repayable on demand.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

(b) Ageing analysis (Continued)

(iii) (Continued)

The Group maintains margin deposits with the options clearing house in respect of clients' monies in the ordinary course of business of options broking. At the end of the reporting period, clients' monies deposits not otherwise dealt with in the condensed consolidated financial statements amounted to HK\$7,766,000 (at 31 December 2016: HK\$6,381,000).

(iv) Accounts receivable from futures clearing house and brokers did not include clients' monies deposited in the futures clearing house in Hong Kong amounting to HK\$5,206,000 (at 31 December 2016: HK\$4,430,000), which was not dealt with in the condensed consolidated financial statements. At the end of the reporting period, accounts receivable from futures clients, futures clearing house and brokers were all overdue within 30 days and repayable on demand.

The gross carrying amount of accounts receivable and the movements in the provision for impairment of accounts receivable from futures clients, futures clearing house and brokers were as follows:

	Note	Unaudited	
		Six months ended 30 June	
		2017	2016
		HK\$'000	HK\$'000
Gross amount of accounts receivable:			
At the end of the reporting period		3,044	4,022
Provision for impairment loss:			
At the beginning of the reporting period		119	154
Amount written back		(119)	–
At the end of the reporting period		–	154
Net carrying amount of			
accounts receivable	(c)	3,044	3,868

At the end of the reporting period, no provision for impairment loss of accounts receivable from futures clients, futures clearing house and brokers had been made (at 31 December 2016: HK\$119,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

(b) Ageing analysis (Continued)

- (v) At the end of the reporting period, the ageing analysis of accounts receivable arising from the provision of corporate finance advisory services, based on the contract terms, was as follows:

	Unaudited	Audited
	At 30 June	At 31 December
	2017	2016
<i>Note</i>	HK\$'000	HK\$'000
Current	2,079	180
Overdue:		
Within 30 days	143	1,020
31–90 days	–	1,168
91–180 days	1,100	120
Over 180 days	1,001	881
<i>(c)</i>	2,244	3,189
	4,323	3,369

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

(b) Ageing analysis (Continued)

(v) (Continued)

The gross carrying amount of accounts receivable and the movements in the provision for impairment of accounts receivable from corporate finance advisory services were as follows:

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	<i>Note</i>	
Gross amount of accounts receivable:		
At the end of the reporting period	4,323	6,976
Provision for impairment loss:		
At the beginning of the reporting period	700	–
Impairment loss recognised	–	700
At the end of the reporting period	700	700
Net carrying amount of accounts receivable	3,623	6,276

At the end of the reporting period, the provision for impairment loss of accounts receivable from corporate finance advisory services amounted to HK\$700,000 (at 31 December 2016: HK\$700,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

(b) Ageing analysis (Continued)

- (vi) At the end of the reporting period, the ageing analysis of accounts receivable arising from the provision of investment-linked and insurance products broking services was as follows:

	Unaudited At 30 June 2017 HK\$'000	Audited At 31 December 2016 HK\$'000
Current	343	143
Overdue:		
Within 30 days	7	70
31–90 days	36	38
91–180 days	8	4
Over 180 days	180	168
<i>(c)</i>	231	280
	574	423

At the end of the reporting period, no provision for impairment loss of accounts receivable arising from the provision of investment-linked and insurance products broking services had been made (at 31 December 2016: HK\$Nil).

(c) Accounts receivable that are not impaired

At the end of the reporting period, accounts receivable from the futures clients, futures clearing house and brokers, customers of corporate finance advisory and investment-linked and insurance products broking services with carrying amount of HK\$4,819,000 (at 31 December 2016: HK\$6,393,000) are past due but not impaired. The management of the Group is of the opinion that no provision for impairment is necessary in respect of the overdue amount as the balances have been fully settled subsequently or were being settled according to the agreed repayment schedules or were being considered to be recoverable based on the historical experience of the Group. The Group does not hold any collateral or other credit enhancements over these balances other than accounts receivable from securities margin clients.

Receivables that were neither past due nor impaired were related to a wide range of customers for whom there were no history of default and the management believes that the amounts are recoverable.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

13. CASH AND BANK BALANCES

The Group maintains trust accounts with banks to deal with clients' monies in the ordinary course of business. At the end of the reporting period, trust monies not otherwise dealt with in the condensed consolidated financial statements amounted to approximately HK\$292,503,000 (at 31 December 2016: HK\$193,915,000).

14. DERIVATIVE FINANCIAL LIABILITIES

		Unaudited At 30 June 2017 HK\$'000	Audited At 31 December 2016 HK\$'000
	<i>Note</i>		
Cross-currency swap (note 19(c))	<i>(i)</i>	179,000	186,900
Foreign currency forward contract (note 19(b))	<i>(ii)</i>	1,538	–
Futures contracts held for trading	<i>(iii)</i>	150	330
		180,688	187,230

Notes:

- (i) In June 2015, the Group entered into a three-year cross-currency swap agreement with a bank in the United Kingdom to swap the Renminbi Bonds principal and the relevant interest payments, as detailed in note 16 to the condensed consolidated financial statements, into Hong Kong dollars to manage the interest rate and currency risks.

During the six months ended 30 June 2017, the profit on change in fair value of the cross-currency swap of HK\$18,411,000 (for the six months ended 30 June 2016: loss of HK\$5,094,000) was recognised in the profit or loss.

- (ii) In August 2015, the Group entered into a two-year foreign currency forward contract with a bank in the United Kingdom to manage the currency risks. Upon maturity of the foreign currency forward contract, the Group agrees to convert RMB100,000,000 to HK\$112,994,000 (i.e. pay RMB100,000,000 and receive HK\$112,994,000).

The loss on change in fair value of the foreign currency forward contract of HK\$7,390,000 was recognised in the profit or loss for the six months ended 30 June 2017 (for the six months ended 30 June 2016: HK\$1,348,000). Forward price available at the reporting date is used to estimate the fair value of the foreign currency forward contract as at the reporting date.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

14. DERIVATIVE FINANCIAL LIABILITIES (Continued)

Notes: (Continued)

- (iii) The futures contracts are classified as held for trading. At 30 June 2017, the notional value amounted to HK\$140,935,000 (at 31 December 2016: HK\$56,328,000) and the fair value amounted to HK\$150,000 (at 31 December 2016: HK\$330,000). Fair value was determined with reference to quoted active market price on the Hong Kong Futures Exchange and commodity market. During the reporting period, the loss on change in fair value of futures contracts amounting to HK\$21,494,000 (for the six months ended 30 June 2016: profit of HK\$363,000) was recognised in the profit or loss.

15. ACCOUNTS PAYABLE

		Unaudited At 30 June 2017 HK\$'000	Audited At 31 December 2016 HK\$'000
	Note		
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:			
— securities cash clients	(i)	8,380	10,740
— securities margin clients	(i)	20,148	1,830
— securities clearing houses	(i)	–	4,406
— futures clients	(ii)	3,037	3,598
Accounts payable to brokers	(i)	9,783	–
Accounts payable arising from the provision of investment-linked and insurance products broking services	(iii)	231	203
		41,579	20,777

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

15. ACCOUNTS PAYABLE (Continued)

Notes:

Settlement terms

- (i) The settlement terms of accounts payable arising from the ordinary course of business of broking in securities in respect of cash clients, margin clients, clearing houses and brokers are one to three trading days after the transaction dates.
- (ii) Accounts payable arising from the ordinary course of business broking in index, commodity and currency futures contracts represent the margin deposits received from clients for their trading in futures contracts. The excess over the required margin deposits stipulated are repayable to clients on demand.
- (iii) Accounts payable arising from the provision of investment-linked and insurance products broking services are payable within 30 days.

At the end of the reporting period, accounts payable are stated net of clients' segregated assets of HK\$305,475,000 (at 31 December 2016: HK\$204,726,000).

No ageing analysis is disclosed in respect of accounts payable. In the opinion of the Directors, an ageing analysis does not give additional value in view of the nature of broking business.

Interest with reference to savings rate of financial institutions is payable to accounts payable arising from the ordinary course of business of securities broking subject to their balances maintained with the Group. All other categories of accounts payable are non-interest bearing.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

16. BONDS PAYABLE

	Unaudited	Audited
	At 30 June	At 31 December
	2017	2016
	HK\$'000	HK\$'000
Carrying amount:		
At the beginning of the reporting period	1,659,157	1,754,122
Imputed interest expenses for the period/year	3,036	6,041
Exchange realignment	58,760	(101,006)
At the end of the reporting period	1,720,953	1,659,157

On 28 May 2015, the Company issued bonds with aggregate principal amount of RMB1,500,000,000 (the "Bonds"). The Bonds bear interest from 28 May 2015 (inclusive) at the rate of 6.45% per annum. Interest on the Bonds is payable semi-annually in arrears. The Bonds are listed on the Stock Exchange and will be mature on 28 May 2018 with the outstanding principal and interest payable at the maturity date. At 30 June 2017, the fair value of the Bonds was RMB1,516,875,000 (at 31 December 2016: RMB1,501,665,000).

The Bonds are carried at amortised cost using an average effective interest rate of 6.84% per annum.

The maturity date of the Bonds is within twelve months after the end of the reporting period, accordingly the Bonds is reclassified from "Non-current liabilities" to "Current liabilities" at 30 June 2017.

At the end of the reporting period, the Bonds were repayable as follows:

	Unaudited	Audited
	At 30 June	At 31 December
	2017	2016
	HK\$'000	HK\$'000
Within 1 year or on demand	1,720,953	-
After 1 year but within 2 years	-	1,659,157
	1,720,953	1,659,157

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

17. SHARE CAPITAL

	At 30 June 2017 (Unaudited)		At 31 December 2016 (Audited)	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000

Authorised:

Ordinary shares of HK\$0.1 each

At beginning and end of
the reporting period

4,000,000	400,000	4,000,000	400,000
------------------	----------------	-----------	---------

Issued and fully paid:

At beginning and end of
the reporting period

2,441,220	244,121	2,441,220	244,121
------------------	----------------	-----------	---------

18. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these condensed consolidated financial statements, there were related party transactions entered into by the Group during the reporting period, details of which are set out below:

Related party relationship	Nature of transaction	Unaudited Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Key management personnel, including Directors	Salaries, commission and allowances	3,926	3,305
	Contributions to retirement benefit schemes	57	62
		3,983	3,367

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

19. COMMITMENT

(a) Commitments under operating leases

The Group leases a number of properties and other items under operating leases, which typically run for an initial period of 1 to 3 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	Unaudited At 30 June 2017 HK\$'000	Audited At 31 December 2016 HK\$'000
Within one year	15,968	20,509
In the second to fifth year inclusive	24,904	32,873
	40,872	53,382

(b) Commitments under foreign currency forward contract

In August 2015, the Group entered into a two-year foreign currency forward contract with a bank in the United Kingdom to manage the currency risks. Upon maturity of the foreign currency forward contract, the Group agrees to convert RMB100,000,000 to HK\$112,994,000 (i.e. pay RMB100,000,000 and receive HK\$112,994,000).

The foreign currency forward contract is accounted for by the Group in accordance with HKAS 39 accordingly and included in derivative financial liabilities set out in note 14 to the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

19. COMMITMENT (Continued)

(c) Commitments under cross-currency swap agreement

In June 2015, the Company entered into a three-year cross-currency swap agreement with a bank in the United Kingdom with initial exchange amounts of RMB1,484,279,000 and HK\$1,853,032,000.

Pursuant to the cross-currency swap agreement, the Group is obliged to make semi-annual interest payments to the bank in Hong Kong Dollars. The amount to be paid is calculated on the final exchange amount of HK\$1,872,659,000 with reference to the agreed annual rate of 4.7%. The Group in return is entitled to receive semi-annual interest on the final exchange amount of RMB1,500,000,000 at 6.45% per annum. Upon maturity of the cross-currency swap, the Group agrees to convert the final exchange amount of HK\$1,872,659,000 to RMB1,500,000,000 (i.e. pay HK\$1,872,659,000 and receive RMB1,500,000,000). The cross-currency swap is settled on gross basis.

The cross-currency swap is accounted for by the Group as a derivative in accordance with HKAS 39 accordingly and included in derivative financial liabilities set out in note 14 to the condensed consolidated financial statements.

20. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value on a recurring basis in the condensed consolidated financial statements at 30 June 2017 and the consolidated financial statements at 31 December 2016 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair value measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

20. FAIR VALUE MEASUREMENTS (Continued)

At 30 June 2017 (Unaudited)

	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Assets measured at fair value				
Available-for-sale financial assets				
— Equity securities listed in Hong Kong	91,744	91,744	-	-
Financial assets at fair value				
through profit or loss				
— Equity securities listed in Hong Kong	454,656	454,656	-	-
— Equity securities listed outside Hong Kong	7,153	7,153	-	-
— Bond investment listed outside Hong Kong	29,706	29,706	-	-
Derivative financial assets				
— Futures contracts	105	105	-	-
Liabilities measured at fair value				
Derivative financial liabilities				
— Cross-currency swap	179,000	-	179,000	-
— Foreign currency forward contract	1,538	-	1,538	-
— Futures contracts	150	150	-	-

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

20. FAIR VALUE MEASUREMENTS (Continued)

At 31 December 2016 (Audited)

	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Assets measured at fair value				
Available-for-sale financial assets				
— Equity securities listed in Hong Kong	83,288	83,288	—	—
— Debt component of the Convertible Bonds	233,477	—	233,477	—
Financial assets at fair value through profit or loss				
— Equity securities listed in Hong Kong	340,875	340,875	—	—
— Equity securities listed outside Hong Kong	2,186	2,186	—	—
— Bond investment listed outside Hong Kong	26,568	26,568	—	—
— Unlisted fund investments	27,088	—	27,088	—
Derivative financial assets				
— Foreign currency forward contract	5,851	—	5,851	—
Liabilities measured at fair value				
Derivative financial liabilities				
— Cross-currency swap	186,900	—	186,900	—
— Futures contracts	330	330	—	—

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

20. FAIR VALUE MEASUREMENTS (Continued)

Movements in Level 3 fair value measurements of financial assets

	Unaudited At 30 June 2017 HK\$'000	Audited At 31 December 2016 HK\$'000
Financial assets at fair value through profit or loss		
At the beginning of the reporting period	-	41,387
Transfer into Level 1 (<i>note (i)</i>)	-	(31,992)
Net loss recognised in profit or loss	-	(9,405)
Exchange realignment	-	10
At the end of the reporting period	-	-

Note:

- (i) Certain listed equity securities had been suspended for trading since October 2015. In the absence of active market, these investments' fair values of HK\$31,992,000 as at 31 December 2015 were estimated on the basis of the quoted bid price before trading suspension, an analysis of the investees' prospects and other factors. These investments were transferred to Level 3 on the dates when the trading suspended. During the year ended 31 December 2016, these listed equity securities were resumed from suspension and transferred into Level 1 in March 2016.

At 30 June 2017, there are no financial assets measured as Level 3.

Description of the valuation techniques and inputs used in Level 2 fair value measurement

The fair values of certain available-for-sale financial assets, unlisted fund investments, derivative financial assets and derivative financial liabilities are determined by using valuation techniques and inputs using third-party pricing information without adjustment from the fund managers and the bank.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

20. FAIR VALUE MEASUREMENTS (Continued)

Description of the valuation techniques and inputs used in Level 2 fair value measurement (Continued)

(a) *Certain available-for-sale financial assets*

Debt component of the Convertible Bonds was re-classified from held-to-maturity investments to available-for-sale financial assets and was remeasured at fair value during the year ended 31 December 2016. The fair value was determined with reference to the consideration as stipulated in the sale and purchase agreement dated 30 December 2016.

(b) *Unlisted fund investments*

Note 10 to the condensed consolidated financial statements provide detailed information about the valuation techniques used in the determination of the fair value of the unlisted fund investments.

(c) *Derivative financial assets*

Derivative financial assets, representing foreign currency forward contract, are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. To the extent that these significant inputs are observable, the Group categories these investments as Level 2.

(d) *Derivative financial liabilities*

(i) Derivative financial liabilities, representing cross-currency swap, are measured using valuation techniques similar to swap models, using present value calculations. The models incorporate various market observable inputs, which are major inputs without any adjustment, including the credit quality of counterparties, currency and interest rate curves.

(ii) Derivative financial liabilities, representing foreign currency forward contract, are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. To the extent that these significant inputs are observable, the Group categories these investments as Level 2.

Valuation processes of the Group

The Directors determine the policies and procedures for both recurring and non-recurring fair value measurement. In estimating the fair value of an asset or a liability, the Directors use market-observable data to the extent it is available. Where Level 1 inputs are not available, the Directors would engage third party qualified valuer to perform the valuation for significant assets and liabilities.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2017, none of the Directors, the chief executive of the Company and their respective associates had any interests and short positions in the shares, underlying shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and 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 to the Listing Rules.

SHARE OPTION SCHEMES

At the annual general meeting of the Company held on 12 November 2013, the shareholders of the Company approved the adoption of a new share option scheme (the "2013 Share Option Scheme") and the termination of the share option scheme which was adopted by the Company on 30 January 2004 (the "2004 Share Option Scheme"). The 2013 Share Option Scheme is valid and effective for 10 years from the date of adoption. Options granted under the 2004 Share Option Scheme prior to such termination will continue to be valid and exercisable in accordance with the rules of the 2004 Share Option Scheme.

During the Review Period, there was no outstanding share option and no share option was granted, exercised or cancelled under both the 2004 Share Option Scheme and the 2013 Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed in the "Share Option Schemes" above, at no time during the Review Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Directors or their respective spouse or children under the age of 18, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under the age of 18 to acquire such rights in any other body corporate.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the persons (other than Directors and chief executive of the Company whose interests or short positions have been disclosed in the "Directors' Interests in Shares" above) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and to the best knowledge of the Company are as follows:

Interests in Long Positions in the Shares of the Company

Name of Shareholders	Note	Capacity and nature of interest	Number of ordinary shares held	Approximate % of holding
Southwest Securities International Investment Limited ("SSII")	1	Beneficial owner	1,811,796,822	74.22%
Southwest Securities Co. Ltd. ("SWSC")	1	Interest of controlled corporation	1,811,796,822	74.22%

Note:

1. SSII is wholly owned by SWSC. SWSC is therefore deemed, or taken to be, interested in all shares which SSII is interested for the purpose of the SFO.

Save as disclosed above, as at 30 June 2017, the Company has not been notified of any substantial shareholders (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under Section 336 of the SFO.

OTHER INFORMATION

UPDATES ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Change of information of the Directors, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:–

- Mr. Zhang Chunyong, Mr. Xu Mingdi and Ms. Liang Yiqing resigned as Executive Directors of the Company; and Mr. Luo Yi, Ms. Zhao Dongmei, Ms. Wang Huiyun and Mr. Xiong Xiaoqiang were appointed in replacement thereof, all with effect from 25 March 2017.
- Mr. Luo Yi, an Executive Director of the Company, ceased to act as the joint company secretary of the Company with effect from 1 May 2017.
- Ms. Wang Huiyun, an Executive Director of the Company, was appointed as the president of the investment banking department of SWSC, the controlling shareholder of the Company, in July 2017.
- Professor Wu Jun, an Independent Non-executive Director of the Company, was an independent director of SWSC from 16 March 2009 to 3 May 2017 and 浙江紹興瑞豐農村商業銀行股份有限公司 (Zhejiang Shaoxing Ruifeng Rural Commercial Bank*) from January 2011 to March 2017.
- Ms. Liang Yiqing resigned as a member of the remuneration committee of the Company and Mr. Wu Jian was appointed in replacement thereof, both with effect from 25 March 2017.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE

The Company has complied with all the provisions of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules throughout the Review Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry with each Director and confirmed that all Directors have complied with the required standard set out in the Model Code during the six months ended 30 June 2017. Employees and consultants who are privy to inside information are required to follow the Model Code.

* for identification purpose only

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any shares of the Company during the six months ended 30 June 2017.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the condensed consolidated financial statements for the six months ended 30 June 2017 (the "Interim Financial Statements"). The Audit Committee is satisfied that the Interim Financial Statements have been prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2017.

By order of the Board

WU Jian

Chairman

Hong Kong, 31 August 2017

