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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 2015

RESULTS

The Directors 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 2015 together with comparative figures for the corresponding period of last year.

CONDENSED CONSOLIDATED INCOME STATEMENT

| | | For the six months ended 30 June | |
|---|--------------|---|--------------------------|
| | | 2015 | 2014 |
| | | (Unaudited) | (Unaudited) |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| REVENUE | 3 | 429,430 | 196,991 |
| Other gains/ (losses) | 3 | 4,453 | (843) |
| Commission expenses | | (96,881) | (37,545) |
| Employee benefit expenses | | (109,416) | (67,258) |
| Depreciation expenses | | (2,627) | (3,258) |
| Interest expenses for financial service operations | | (11,656) | (6,538) |
| Other expenses, net | | (73,938) | (49,484) |
| PROFIT BEFORE TAX | | 139,365 | 32,065 |
| Income tax expense | 4 | (14,949) | (2,840) |
| PROFIT | | 124,416 | 29,225 |
| Attributable to: | | | |
| Ordinary equity holders of the Company | | 124,416 | 29,229 |
| Non-controlling interests | | - | (4) |
| | | 124,416 | 29,225 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (BASIC AND DILUTED) | 5 | 15.70 cents | (Restated) 4.12 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 | |
|---|---|----------------|
| | 2015 | 2014 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| PROFIT | 124,416 | 29,225 |
| OTHER COMPREHENSIVE INCOME/ (LOSS) : | | |
| Items that may be reclassified to profit or loss on subsequent periods: | | |
| Changes in fair value of an available-for-sale investment | - | (2,306) |
| Disposal of an available-for-sale investment | <u>(167)</u> | <u>-</u> |
| OTHER COMPREHENSIVE INCOME/ (LOSS) | <u>(167)</u> | <u>(2,306)</u> |
| TOTAL COMPREHENSIVE INCOME | <u>124,249</u> | <u>26,919</u> |
| Attributable to: | | |
| Ordinary equity holders of the Company | 124,249 | 26,923 |
| Non-controlling interests | <u>-</u> | <u>(4)</u> |
| | <u>124,249</u> | <u>26,919</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at 30 June 2015 (Unaudited) <i>HK\$'000</i> | As at 31 December 2014 (Audited) <i>HK\$'000</i> |
|---|--------------|---|---|
| | <i>Notes</i> | | |
| <u>NON-CURRENT ASSETS</u> | | | |
| Property, plant and equipment | | 12,357 | 13,259 |
| Stock and Futures Exchange trading rights | | 4,212 | 4,212 |
| Other assets | | 54,948 | 43,983 |
| Available-for-sale investments | 7 | 2,470 | 7,610 |
| Deferred tax assets | | <u>169</u> | <u>236</u> |
| Total non-current assets | | <u>74,156</u> | <u>69,300</u> |
| <u>CURRENT ASSETS</u> | | | |
| Investments at fair value through profit or loss | | 154,099 | 199,879 |
| Accounts receivable | 8 | 1,397,555 | 1,140,380 |
| Loans and advances | | 3,378,300 | 1,717,634 |
| Prepayments, deposits and other receivables | | 26,932 | 24,442 |
| Tax recoverable | | 148 | 148 |
| Bank balances held on behalf of clients | | 3,684,173 | 2,664,938 |
| Cash and bank balances | | <u>500,995</u> | <u>272,413</u> |
| Total current assets | | <u>9,142,202</u> | <u>6,019,834</u> |
| <u>CURRENT LIABILITIES</u> | | | |
| Accounts payable | 9 | 4,836,263 | 3,653,108 |
| Other payables and accruals | | 274,291 | 105,370 |
| Interest-bearing bank borrowings | | 2,064,920 | 1,009,097 |
| Tax payable | | <u>19,362</u> | <u>4,793</u> |
| Total current liabilities | | <u>7,194,836</u> | <u>4,772,368</u> |
| <i>NET CURRENT ASSETS</i> | | <u>1,947,366</u> | <u>1,247,466</u> |
| <i>TOTAL ASSETS LESS CURRENT LIABILITIES</i> | | <u>2,021,522</u> | <u>1,316,766</u> |
| <u>NON-CURRENT LIABILITY</u> | | | |
| Deferred tax liability | | <u>247</u> | <u>270</u> |
| NET ASSETS | | <u>2,021,275</u> | <u>1,316,496</u> |
| <u>EQUITY</u> | | | |
| Share capital | | 1,200,457 | 580,120 |
| Other reserves | | <u>818,187</u> | <u>733,745</u> |
| Equity attributable to ordinary equity holders of the Company | | 2,018,644 | 1,313,865 |
| Non-controlling interests | | <u>2,631</u> | <u>2,631</u> |
| TOTAL EQUITY | | <u>2,021,275</u> | <u>1,316,496</u> |

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

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 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 2014, except that in the current period, the Group has adopted certain revised Hong Kong Financial Reporting Standards (“HKFRSs”) and interpretation as detailed in note (a) below.

(a) Changes in accounting policy and disclosures

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

| | |
|--|--|
| Amendment to HKAS 19 Annual Improvements 2010-2012 Cycle | <i>Defined Benefit Plans: Employee Contributions</i> Amendments to a number of HKFRSs |
| Annual Improvements 2011-2013 Cycle | Amendments to a number of HKFRSs |

In addition, the Company during the period has adopted Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622). The adoption has had no significant financial effect on these interim financial statements.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

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

| | |
|---|---|
| HKFRS 9 | <i>Financial Instrument</i> ¹ |
| Amendments to HKFRS 10 and HKAS 28 (2011) | <i>Sale of Contribution of Assets between an Investor and its Associate or Joint Venture</i> ² |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) | <i>Investment Entities : Applying the Consolidation Exception</i> ² |
| Amendments to HKFRS 11 | <i>Accounting for Acquisitions of Interests in Joint Operations</i> ² |
| HKFRS 14 | <i>Regulatory Deferral Accounts</i> ³ |
| HKFRS 15 | <i>Revenue from Contracts with Customers</i> ¹ |
| Amendments to HKAS 1 | <i>Disclosure Initiative</i> ² |
| Amendments to HKAS 16 and HKAS 38 | <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ² |
| Amendments to HKAS 16 and HKAS 41 | <i>Agriculture : Bearer Plants</i> ² |
| Amendments to HKAS 27 (2011) | <i>Equity Method in Separate Financial Statement</i> ² |
| Annual Improvements 2012-2014 Cycle | Amendments to a number of HKFRSs ² |

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

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 2015 | | | | | | | |
| Segment revenue and other gains/(losses) from external customers | 256,196 | 57,538 | 6,148 | 90,855 | 18,693 | 4,453 | 433,883 |
| Segment results and profit/(loss) before tax | 58,381 | 15,454 | 836 | 43,415 | 16,826 | 4,453 | 139,365 |
| | <i>Brokerage business HK\$'000 (restated)</i> | <i>Corporate Finance business HK\$'000 (restated)</i> | <i>Asset Management business HK\$'000 (restated)</i> | <i>Financing and Loans business HK\$'000 (restated)</i> | <i>Investment business HK\$'000 (restated)</i> | <i>Others HK\$000 (restated)</i> | <i>Total HK\$'000 (restated)</i> |
| Six months ended 30 June 2014 | | | | | | | |
| Segment revenue and other gains/(losses) from external customers | 112,373 | 11,884 | 5,630 | 60,670 | 6,434 | (843) | 196,148 |
| Segment results and profit/(loss) before tax | 8,778 | 686 | 332 | 17,849 | 5,263 | (843) | 32,065 |

Certain comparative amounts have been restated to conform with the current period's presentation.

3. REVENUE AND OTHER GAINS/ (LOSSES)

An analysis of revenue, which is also the Group's turnover, and other gains/ (losses) are as follows:

| | For the six months ended 30 June | |
|--|---|--------------------|
| | 2015 | 2014 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| <u>Revenue:</u> | | |
| <u>Brokerage business:</u> | | |
| Commission on securities dealing | | |
| - Hong Kong securities | 195,466 | 84,162 |
| - Other than Hong Kong securities | 27,688 | 11,147 |
| Commission on futures and options contracts dealing | 21,136 | 12,851 |
| Handling fee income | 2,545 | 2,163 |
| Research fee income and others | 9,361 | 2,050 |
| | <u>256,196</u> | <u>112,373</u> |
| <u>Corporate Finance business:</u> | | |
| Initial public offering, placing, underwriting and sub-underwriting commission | 43,939 | 3,717 |
| Financial advisory, compliance advisory, sponsorship fee income and others | 13,599 | 8,167 |
| | <u>57,538</u> | <u>11,884</u> |
| <u>Asset Management business:</u> | | |
| Management fee and investment advisory fee income | 6,148 | 5,486 |
| Performance fee income | - | 144 |
| | <u>6,148</u> | <u>5,630</u> |
| <u>Financing and Loans business:</u> | | |
| Interest income from cash clients and margin clients | 74,524 | 47,024 |
| Interest income from initial public offering loans | 4,595 | 2,067 |
| Interest income from banks and others | 11,736 | 11,579 |
| | <u>90,855</u> | <u>60,670</u> |
| <u>Investment business:</u> | | |
| Net realised and unrealised gains on financial assets | | |
| - Listed investments | 822 | 66 |
| - Unlisted investments | 15,500 | 2,074 |
| Dividend income and interest income | | |
| - Listed investments | 53 | 265 |
| - Unlisted investments | 2,318 | 4,029 |
| | <u>18,693</u> | <u>6,434</u> |
| | <u>429,430</u> | <u>196,991</u> |
| <u>Other gains/ (losses):</u> | | |
| Gain on disposal of an available-for-sale investment | 167 | - |
| Exchange gains/ (losses), net | 4,286 | (843) |
| | <u>4,453</u> | <u>(843)</u> |

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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 prevailing in the jurisdiction in which the Group operates.

| | For the six months ended 30 June | |
|--|----------------------------------|---------------------------------|
| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
| Current – Hong Kong Charge for the period | 14,800 | 2,670 |
| Current – Elsewhere | 104 | 165 |
| Deferred | 45 | 5 |
| Total tax charge for the period | <u>14,949</u> | <u>2,840</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 2015, the total number of the issued ordinary shares was 796,138,689 shares.

| | For the six months ended 30 June | |
|--|----------------------------------|------------------------------|
| | 2015 (Unaudited) | 2014 (Unaudited) |
| Earnings | | |
| Profit for the period attributable to ordinary equity holders of the Company (HK\$'000) | <u>124,416</u> | <u>29,229</u> |
| Number of shares | | |
| Weighted average number of ordinary shares in issue (in thousands) (note (a)) | <u>792,313</u> | <u>709,584</u> (Restated) |
| Earnings per share, basic and diluted (HK cents per share) | <u>15.70</u> | <u>4.12</u> (Restated) |

Note:

- (a) During the period, the Group issued 265,379,563 new shares and raised approximately HK\$622 million by way of rights issue on the basis of one rights share for every two existing shares held by shareholders of the Company at the price of HK\$2.342, which represent a discount to the prevailing fair value at the date of rights issue of the existing shares.

The effect of the bonus element resulting from the rights issue has been included in the calculation of basic and diluted earnings per share and prior period basic and diluted earnings per share is adjusted in order to provide a comparable basis for the rights issue in the current period.

6. DIVIDEND

For the six months ended 30 June

| | 2015 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 |
|--|--|---|
| Interim – Nil (2014: Nil) per ordinary share | <u>-</u> | <u>-</u> |

7. AVAILABLE-FOR-SALE INVESTMENTS

| | As at 30 June 2015 (Unaudited) HK\$'000 | As at 31 December 2014 (Audited) HK\$'000 |
|---|--|---|
| Available-for-sale investments, at fair value: | | |
| Unlisted equity investment | - | 5,140 |
| Unlisted club debentures | <u>2,470</u> | <u>2,470</u> |
| | <u>2,470</u> | <u>7,610</u> |

8. ACCOUNTS RECEIVABLE

| | As at 30 June 2015 (Unaudited) HK\$'000 | As at 31 December 2014 (Audited) HK\$'000 |
|---|--|---|
| Accounts receivable before provision for impairment | 1,397,555 | 1,140,380 |
| Less: Provision for impairment | <u>-</u> | <u>-</u> |
| Accounts receivable | <u>1,397,555</u> | <u>1,140,380</u> |

Save for credit period granted by the Group, the accounts receivable shall be due on the settlement date of the respective securities and futures contract transaction.

An aged analysis of accounts receivable before provision for impairment based on the trade date is as follows:

| | As at 30 June 2015 (Unaudited) HK\$'000 | As at 31 December 2014 (Audited) HK\$'000 |
|----------------|--|---|
| Within 1 month | 1,337,137 | 1,111,263 |
| 1 to 2 months | 41,136 | 12,002 |
| 2 to 3 months | 9,652 | 3,116 |
| Over 3 months | <u>9,630</u> | <u>13,999</u> |
| | <u>1,397,555</u> | <u>1,140,380</u> |

9. ACCOUNTS PAYABLE

An aged analysis of accounts payable based on the trade date is as follows:

| | As at 30 June 2015 (Unaudited) HK\$'000 | As at 31 December 2014 (Audited) HK\$'000 |
|----------------|--|--|
| Within 1 month | <u>4,836,263</u> | <u>3,653,108</u> |

10. REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2015.

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 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Market

In the first half of 2015, the world economy maintained a modest recovery pattern overall. With the supply and demand relationship improving, the crude oil price, being the biggest black swan incident last year, was stabilized and moved up gradually from its trough. This, to a certain extent, had eliminated global deflationary risk. After a short period of seasonal slowdown of the U.S. economy in the first quarter, as driven by the real estate market and enterprise investments, the U.S. economy maintained a stable growth with the employment market continued to show substantial improvements. Therefore, investors were confident that the expected timing of interest rate raise by the U.S. Federal Reserve Board may be around September this year or later. As compared to the U.S., the European economy showed certain weak signs. Core countries, such as Germany and France, were slowed down by different extent after a few quarters of strong economic growth. Meanwhile, with the new session government of Greece, the periphery country, came into power, the debt crisis phantom once again had entwined Europe. Although the debts parties were keen to reach an agreement and advocated to let Greece remained in the Eurozone, the prolonged progress on negotiation rendered unpromising outcome. With the imminent centralized repayment due dates, we would not exclude the possibility that Greece will be in default and pull out from the Eurozone, which may become the biggest black swan incident in the second half year. Meanwhile, the Japanese economic recovery showed no unperturbed incident. The new Japanese government would continue to implement other economic structural reforms after completing its taxation reform, with the markets still observing. The emerging market economies were improving by different extents. India continued to implement its economic structural reform with both enterprise profits and government tax revenues continued to grow. With oil price and bulk commodity price stabilizing, the resource export countries, such as Russia, Brazil and South Africa were also escalating from abyss, and appreciating domestic currencies also benefit their debt credit ratings.

For the Chinese Mainland economy, after experiencing a short rebound in the fourth quarter last year, despite the continuous interest rate reduction and reserve requirement ratio cuts by the Central Bank in the first half year, real estate sales and medium and long term bank loans continued to drop. As compared to the weak economic growth rate, Chinese Mainland had vigorously conducted its economic structural reform. Financial reform, state-owned enterprise reform, land reform, resource factors price reform were all progressing steadily. Of which, financial reform was mostly praised. After the official launch of Shanghai-Hong Kong Stock Connect last year, Hong Kong and Chinese Mainland mutual funds recognition had been formally implemented on 1 July and QDII2 and Shenzhen-Hong Kong Stock Connect are expected to be launched in the near future, all of which had injected vitality to the Chinese Mainland stock market. The Hang Seng Index fluctuated within a narrow range from 23,500 to 25,000 in the beginning of the year. In March, the Chinese Insurance Regulatory Commission encouraged the Chinese Mainland insurance companies to invest in Hong Kong’s GEM Board. Under this impact, Hang Seng Index began a wave of rapid surge for one month, increased to 28,588 on 27 April, up by approximately 17%. Thereafter, following the Greece debt crisis and a wave of A-share medium level adjustment, investors took profits and Hang Seng Index trembled down to 26,250 by the end of June. In the first half of 2015, Hong Kong Stock Exchange recorded an average daily turnover of HK\$124.9 billion, representing an increase of 99% as compared with the average daily turnover of HK\$62.9 billion in the corresponding period of 2014.

Review of Operations

In the first half of 2015, the overall operation of the Group achieved a strong growth with a turnover of HK\$429 million (2014: HK\$197 million), representing an increase of 118% as compared with the same period last year. The unaudited profit before tax increased by 334% to HK\$139 million (2014: HK\$32 million). Revenue from brokerage business, financing and loans business and corporate finance business achieved a higher growth. For brokerage business, with the significant increase in market turnover and our Company outperformed the market, we achieved a breakthrough in market share increase as compared with the same period last year. Revenue from brokerage business increased by approximately HK\$144 million or 128% as compared with the same period last year. For financing and loans business, the current average margin balance reached nearly HK\$2.4 billion, achieved revenue of HK\$90.86 million, representing an increase of HK\$30.19 million or 50% 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, 7 and 13 respectively, of which the lead underwriting project successfully completed the listing of NIRAKU GC HOLDINGS, INC. (1245) on the Main Board. In the first half year, revenue from corporate finance business amounted to HK\$57.54 million, representing an increase of HK\$45.65 million or 384% as compared with the same period last year. In the first half year, revenue from asset management business amounted to HK\$6.15 million, representing an increase of HK\$0.52 million or 9% as compared with the same period last year. In the first half year, revenue from investment business amounted to HK\$18.69 million, representing an increase of HK\$12.26 million or 191% as compared with the same period last year.

The brokerage business of the Group focuses on the stock and futures markets in Hong Kong as well as the B-share market in Chinese Mainland. In 2015, the markets in both Hong Kong and Chinese Mainland increased significantly, with the average daily turnover in Hong Kong stock market increased from HK\$62.9 billion to HK\$124.9 billion. The Group leveraged on the market opportunities, like the active new economic concept stocks and introduction of Shanghai-Hong Kong Stock Connect policy, to pro-actively introduce customers to participate in trading Hong Kong stocks and obtained satisfactory results. While expanding the Hong Kong stocks transaction business, the Group seized the favorable knock-in opportunities of Hong Kong Stock Information to actively expanding into the Chinese Mainland market to increase the number of new account opened for Hong Kong stocks. From January and June this year, the number of new accounts opened for Hong Kong stocks increased 3,930, representing an increase of 270% as compared with the same period last year. From January and June this year, the Group had closely cooperated with the International Business Division of the parent company to vigorously explore cross-border products, invested in overseas markets using QDII channels, satisfying domestic customers' demands to invest overseas. At the end of June, the total size of fund was US\$189 million, including domestic institutions and individual customers invested in overseas markets, such as Hong Kong, U.S., by using QDII channel.

Review of Operations (Cont'd)

In the first half year, in supporting its business development, the Group conducted a comprehensive appraisal on various sources of fund and leverage applications on debt issues, syndicated loans and commercial credits. By fully taking advantage on the opportunities brought by the intensive issue of new shares in the Hong Kong stock market and the active performance of individual stock in the first half year, the Group expanded the loan size on time with risk under control. In the first half year, the average margin balance reached nearly HK\$2.4 billion, achieved revenue of HK\$90.86 million in the first half of 2015, representing an increase of 50% as compared with the same period last year.

Shenwan Hongyuan Capital (H.K.) Limited (“Shenwan Hongyuan Capital”), a wholly-owned subsidiary of the Group, is mainly engaged in the sponsor, financial advisory and securities underwriting businesses. Shenwan Hongyuan Capital acted as the sponsor and sole lead manager of NIRAKU GC HOLDINGS, INC. (1245), the shares of which were successfully listed on the Main Board of the Hong Kong Stock Exchange in April 2015. During the first half of 2015, Shenwan Hongyuan Capital acted as underwriter for various new share issues and actively participated in a number of share placements as well as a number of financial advisory projects.

The “Shenyin Wanguo RMB Investment Fund” (RQFII Fund), managed by Shenwan Hongyuan Asset Management (Asia) Limited (“Shenwan Hongyuan Asset Management”), a wholly-owned subsidiary of the Group, continued to perform well. The total asset management size amounted to approximately HK\$4.7 billion by the end of June. During the first half of 2015, revenue from asset management business amounted to HK\$6.15 million.

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 and publishes regular reports on Chinese Mainland securities. The reports also cover macroeconomics, market strategy and analyses, as well as the key Chinese Mainland companies listed on the Hong Kong, Shanghai and Shenzhen stock exchanges. The securities research team of the Group also prepares detailed company analytical reports for circulation to our clients. During the first half of 2015, the securities research team of the Group published a total of nearly 1,000 research reports, and a products research team was newly set up to improve reports quality to further satisfying customer demand. Prior to the official launch of Shanghai-Hong Kong Stock Connect, the products research team already made relevant preparation and will provide relevant research products for customers. During the first half of 2015, a total of 25 analysts had personally met or invited Hong Kong listed companies to meet with our clients in Hong Kong and Asia and conducted international roadshows.

Prospects

The market generally expects that the U.S. economy will continue to recover and that the U.S. Federal Reserve Board will start to raise interest rate in September 2015 or later. Meanwhile, the quantitative easing policies of Japan and Europe will still continue. The impact on global economic growth and inflationary trends brought by the result of Greece debt crisis remain to be observed. We believe that there is a relatively high pressure on the slowdown in the Chinese Mainland economy, the traditional industries are proactively reducing their capacity and the new industries have not yet formed any effective point of growth. Therefore, the Chinese government will continue its overall mentality of facilitating stable growth in the second half of this year, with the monetary policy and fiscal policy fortifying to support the economy and actively prevent systematic risk. It is expected that there will be several occasions of interest rate reduction and reserve requirement ratio cuts, and the governments will increase investments in railway and infrastructure construction during the year in a bid to achieve the economic growth target set in the beginning of the year. At the same time, financial market reform, state-owned enterprise reform, resource factors price reform and environmental governance will continue to contribute reform benefits in pushing the continuing economic transformation. Under the current valuation standard, Hong Kong stocks remain the world's most attractive major market. If Shenzhen-Hong Kong Stock Connect can be successfully launched in the second half of this year, we expect large blue chips and emerging small and middle caps stocks will show better investment opportunities.

Capital Structure

On 19 January 2015, the Company completed the rights issue on the basis of one rights share for every two existing shares by issuing 265,379,563 new shares. Please refer to the Company's related announcements and listing documents for details. As at 30 June 2015, the total number of the issued ordinary shares was 796,138,689 shares and total equity attributable to ordinary equity holders was approximately HK\$2.02 billion.

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2015, the Group had cash and bank balances of HK\$501.0 million (31 December 2014: HK\$272.4 million) and short-term marketable securities of HK\$154.1 million (31 December 2014: HK\$199.9 million). As at 30 June 2015, the Group's total unutilised banking facilities amounted to HK\$1,061.1 million (31 December 2014: HK\$836.9 million), of which HK\$677.5 million (31 December 2014: HK\$245.8 million) could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2015, the Group had outstanding short-term bank borrowings amounting to HK\$2.06 billion (31 December 2014: HK\$1.01 billion). The liquidity ratio (current assets to current liabilities) and gearing ratio (bank borrowings to net asset value) were 127% (31 December 2014: 126%) and 102% (31 December 2014: 77%) 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 2015.

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 2015, loans and advances in the condensed consolidated statement of financial position included margin financing and IPO loans to clients, and the balance before impairment provision amounted to HK\$3.38 billion (31 December 2014: HK\$1.72 billion) of which 9% (31 December 2014: 14%) 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. 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 monitor its foreign currency positions and takes necessary measures when the situations so justify.

Contingent Liabilities

There were no material contingent liabilities as at 30 June 2015.

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 2015.

Employees and Training

As at 30 June 2015, the total number of full-time employees was 249 (2014: 239). The total staff costs for the period amounted to approximately HK\$109.4 million (2014: HK\$67.3 million).

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities and Futures Commission, the Group has organised a total of 7 (2014: 6) Continuous Professional Training seminars for all licensed staff members during the six months ended 30 June 2015.

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 2015.

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 engagements, a non-executive director and two independent non-executive directors were unable to attend the annual general meeting of the Company held on 15 May 2015.

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 2015.

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 2015 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. Chu Xiaoming, Mr. Lu Wenqing, Mr. Guo Chun and Mr. Lee Man Chun Tony 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
Chu Xiaoming
Chairman

Hong Kong, 7 August 2015