申萬宏源香港
SHENWAN HONGYUAN

SHENWAN HONGYUAN (H.K.) LIMITED
申 萬 宏 源 (香 港) 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock code: 218)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

RESULTS

The board of directors (the "Board") of Shenwan Hongyuan (H.K.) Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 together with comparative figures for the corresponding period of last year.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	3	**365,231**	284,715
- Interest revenue calculated using the effective interest method		**57,979**	24,610
- Revenue from contracts with customers within the scope of HKFRS 15		**212,226**	191,074
- Revenue from other sources		**95,026**	69,031
Other (losses)/gains, net	3	**(6,860)**	5,505
Commission expenses		**(41,644)**	(58,909)
Employee benefit expenses		**(122,600)**	(96,620)
Depreciation		**(10,832)**	(4,066)
Interest expenses		**(10,384)**	(9,886)
Other expenses, net		**(86,681)**	(62,492)
PROFIT BEFORE TAX		**86,230**	58,247
Income tax	4	**(8,093)**	(5,858)
PROFIT FOR THE PERIOD		**78,137**	52,389
Attributable to:			
Ordinary equity holders of the Company		**78,137**	52,390
Non-controlling interests		**-**	(1)
		78,137	52,389
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (BASIC AND DILUTED)	5	**5.77 cents**	6.58 cents

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES

GENERAL INFORMATION

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

The financial information relating to the year ended 31 December 2018 that is included in this interim result announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements for the year ended 31 December 2018. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these unaudited interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2018, except that in the current period, the Group has adopted certain revised Hong Kong Financial Reporting Standards ("HKFRSs") and interpretation as detailed below.

(a) ***HKFRS 16, Leases***

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

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

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

1. GENERAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) ***HKFRS 16, Leases (Continued)***

(i) New definition of a lease

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

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

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

(ii) Lessee accounting

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

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

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

1. GENERAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) *HKFRS 16, Leases (Continued)*

(ii) Lessee accounting (Continued)

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

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

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

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

1. GENERAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) *HKFRS 16, Leases (Continued)*

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

(i) Determining the lease term

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

Transitional impact

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

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

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);

1. GENERAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) *HKFRS 16, Leases (Continued)*

Transitional impact (Continued)

(ii) (Continued)

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

	As at 31 December 2018 HK$'000	***Remeasurement HK$'000***	***As at 1 January 2019 HK$'000***
NON-CURRENT ASSETS			
Property, plant and equipment	13,150	**-**	**13,150**
Stock and Futures Exchange trading rights	4,212	**-**	**4,212**
Other assets	22,922	**-**	**22,922**
Right-of-use assets	-	**31,648**	**31,648**
Deferred tax assets	4,624	**-**	**4,624**
Total non-current assets	44,908	**31,648**	**76,556**
CURRENT ASSETS			
Investments at fair value through profit or loss	602,272	**-**	**602,272**
Account receivables	457,414	**-**	**457,414**
Other contract cost	5,000	**-**	**5,000**
Loans and advances	1,208,091	**-**	**1,208,091**
Prepayments, deposits and other receivables	37,277	**39**	**37,316**
Tax recoverable	8,674	**-**	**8,674**
Bank balances held on behalf of clients	4,879,449	**-**	**4,879,449**
Cash and bank balances	620,571	**-**	**620,571**
Total current assets	7,818,748	**39**	**7,818,787**
CURRENT LIABILITIES			
Account payables	5,082,122	**-**	**5,082,122**
Other payables and accruals	82,185	**65**	**82,250**
Interest-bearing bank borrowings	469,920	**-**	**469,920**
Contract liabilities	13,144	**-**	**13,144**
Tax payable	7,232	**-**	**7,232**
Total current liabilities	5,654,603	**65**	**5,654,668**
NET CURRENT ASSETS	2,164,145	**(26)**	**2,164,119**
TOTAL ASSETS LESS CURRENT LIABILITIES	2,209,053	**31,622**	**2,240,675**

1. GENERAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) *HKFRS 16, Leases (Continued)*

Transitional impact (Continued)

(ii) (Continued)

	As at 31 December 2018 HK$'000	***Remeasurement HK$'000***	***As at 1 January 2019 HK$'000***
NON-CURRENT LIABILITIES			
Lease liabilities	-	**31,635**	**31,635**
Deferred tax liability	943	**-**	**943**
Total non-current liabilities	943	**31,635**	**32,578**
NET ASSETS	2,208,110	**(13)**	**2,208,097**
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Share capital	1,200,457	**-**	**1,200,457**
Other reserves	1,005,026	**(13)**	**1,005,013**
	2,205,483	**(13)**	**2,205,470**
Non-controlling interests	2,627	**-**	**2,627**
TOTAL EQUITY	2,208,110	**(13)**	**2,208,097**

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

	As at 30 June 2019 *HK$'000*	As at 1 January 2019 *HK$'000*
Other properties leased for own use, carried at depreciated cost	**26,427**	31,648
Machinery and equipment leased for own use, carried at depreciated cost	**363**	-
	26,790	31,648

1. GENERAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) *HKFRS 16, Leases (Continued)*

Transitional impact (Continued)

(ii) (Continued)

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

	As at 30 June 2019 *HK$'000*	As at 1 January 2019 *HK$'000*
Within 1 year	**158**	-
After 1 year but within 5 years	**27,194**	31,635
	27,352	31,635

(iii) Impact on the financial result

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

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

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

1. GENERAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatment*
Annual Improvements to HKFRSs 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its associate or Joint Venture*[1]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKFRS 3	*Definition of a Business*[2]

[1] *No mandatory effective date yet determined but available for adoption*

[2] *Effective for annual periods beginning on or after 1 January 2020*

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

2. OPERATING SEGMENT INFORMATION

The Group's unaudited segment results are as follows:

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

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

3. REVENUE AND OTHER GAINS

An analysis of revenue and other gains are as follows:

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15:		
Brokerage business:		
Commission on securities dealing		
– Hong Kong securities	**50,502**	101,069
– Other than Hong Kong securities	**16,473**	18,425
Commission on futures and options contracts dealing	**7,137**	10,956
Handling fee income	**2,066**	3,666
Research fee income and others	**4,614**	5,398
	80,792	139,514
Corporate finance business:		
Initial public offering, placing, underwriting and sub-underwriting commission	**89,053**	14,472
Financial advisory, compliance advisory, sponsorship fee income and others	**26,393**	20,203
	115,446	34,675
Asset management business:		
Management fee and investment advisory fee income	**15,988**	16,143
Performance fee income	**-**	742
	15,988	16,885
Interest revenue calculated using the effective interest method:		
Financing and loans business:		
Interest income from banks and others	**40,558**	24,610
Revenue from other sources:		
Financing and loans business:		
Interest income from loans to cash clients and margin clients	**42,366**	68,651
Interest income from initial public offering loans	**753**	4,605
	83,677	97,866
Interest revenue calculated using the effective interest method:		
Investment business:		
Interest income:		
– Unlisted investments	**17,421**	-
Revenue from other sources:		
Investment business:		
Net realised and unrealised gains/(losses) on financial assets:		
– Listed investments	**(1,336)**	(237)
– Unlisted investments	**8,174**	(6,742)
Dividend income and interest income:		
– Listed investments	**-**	99
– Unlisted investments	**45,069**	2,655
	69,328	(4,225)
	365,231	284,715
Other (losses)/gains, net:		
Exchange (losses)/gains, net	**(6,860)**	5,505

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates.

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Provision for the period	**6,839**	5,800
(Overprovision)/underprovision in respect of prior period	**(40)**	15
	6,799	5,815
Current – Elsewhere	**60**	85
Deferred	**1,234**	(42)
Total tax charge for the period	**8,093**	5,858

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

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. The Group had no potentially dilutive ordinary shares in issue during these periods. As at 30 June 2019, the total number of the issued ordinary shares was 1,561,138,689 shares.

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

Note:

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

6. DIVIDEND

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim – Nil (2018: Nil) per ordinary share	**-**	-

7. ACCOUNT RECEIVABLES

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

Save for the credit period allowed by the Group, the account receivables from cash clients shall be due on the settlement dates of the respective securities and futures contract transactions. In view of the fact that the Group's account receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Although the Group does not hold any collateral or other credit enhancements over its account receivables from cash clients, the Group is allowed to dispose of the securities deposited by the customers with the Group to settle any overdue amounts. Overdue account receivables from cash clients of HK$35,976,000 (31 December 2018: HK$35,052,000) bear interest at interest rates mainly with reference to Hong Kong dollar prime rate (31 December 2018: with reference to the Hong Kong dollar prime rate).

7. ACCOUNT RECEIVABLES (Continued)

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

	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**237,292**	132,243
1 to 2 months	**3,750**	3,601
2 to 3 months	**2,001**	3,174
Over 3 months	**11,701**	17,760
	254,744	156,778

The ageing of account receivables from clearing houses, brokers and dealers are within one month. They represent (1) pending trades arising from business of dealing in securities, which are normally due within a few days after the trade date, (2) deposits at clearing house arising from the business of dealing in securities, futures and options contracts and (3) cash and deposits balances at brokers and dealers. The ageing of account receivables from corporate clients arising from corporate finance, advisory and other services are mostly within one month.

8. ACCOUNT PAYABLES

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

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

9. REVIEW OF ACCOUNTS

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

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 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Market

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

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

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

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

Review of Operations

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

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

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

Review of Operations (Cont'd)

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

For the Group's asset management business, the size of the total assets under management amounted to approximately HK$5.744 billion as at the end of June 2019, and revenue from asset management business amounted to HK$15.99 million, representing a slight decrease of 5% as compared with the same period last year.

Our securities trading and brokerage businesses are professionally supported by a securities research team of the Group. With the support of its parent company, which is one of the leading securities companies in the Chinese Mainland, the Group has become a research specialist in Chinese Mainland securities, covering macroeconomics, market strategy and analysis, as well as key companies from Chinese Mainland under the Hong Kong-Shanghai Stock Connect and Shenzhen Stock Connect. During the first half of 2019, the Group's securities research team published a total of over 1,600 research reports, providing its clients with incisive analysis of Hong Kong stocks, U.S. stocks (including ETFs), Shanghai-Shenzhen Stock Connect A shares, global bond funds and global commodity futures, etc. In the first half of 2019, we engaged 7 analysts to present a total of 69 road shows held in Hong Kong. Representatives from A-share listed companies and Hong Kong listed companies were invited to attend 53 road shows held in Hong Kong, Taiwan, the United Kingdom, the United States, Singapore and other places.

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

Prospects

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

Prospects (Cont'd)

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

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

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

Capital Structure

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

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

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

Liquidity, Financial Resources and Gearing Ratio

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

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

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

Significant Investment Held, Material Acquisition and Disposal

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

Charges on the Group's Asset

No asset of the Group was subject to any charge as at 30 June 2019.

Risk Management

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

The management closely monitors the market condition so that precautionary measures will be taken to mitigate any risk that the Group may encounter. As at 30 June 2019, the advances to customers were overdue account receivables from cash clients and margin financing. The balance of overdue account receivables from cash client amounted to HK$36 million (31 December 2018: HK$35 million). The balance of margin financing amounted to HK$1,271 million (31 December 2018: HK$1,208 million), of which 33% (31 December 2018: 38%) was attributable to corporate customers with the rest attributable to individual customers.

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

The Group's exposure to fluctuations in exchange rates arises from its dealings in overseas share markets. Such dealings are entered into on behalf of clients of the Group and accounted for a small portion of the Group's revenue. A material portion of such overseas transactions is denominated in United States dollars and Renminbi. The pegged exchange rate between United States dollars and Hong Kong dollars kept the Group's exchange risk exposure to a minimum and thus, no hedging was required. Exchange gains and/or losses are dealt with in the consolidated statement of profit or loss. The Group has endeavored to closely monitors its foreign currency positions and takes necessary measures when the situations so justify.

Contingent Liabilities

There were no material contingent liabilities as at 30 June 2019.

Future Plans for Material Investments or Capital Assets

Except the future plans as disclosed in the paragraph of "Prospects", the Group had no other future plans for material investments or capital assets as at 30 June 2019.

Employees and Training

As at 30 June 2019, the total number of full-time employees was 266 (2018: 264). The total staff costs for the period amounted to approximately HK$122.6 million (2018: HK$96.6 million).

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities and Futures Commission, the Group has organised a total of 5 (2018: 7) Continuous Professional Training seminars for all licensed staff members during the six months ended 30 June 2019.

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 2019.

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

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 2019.

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 2019 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 9 directors, of which Mr. Zhu Minjie, Mr. Chen Xiaosheng, Mr. Zhang Jian, Mr. Guo Chun and Mr. Qiu Yizhou are the executive directors, Mr. Zhang Lei is the non-executive director, Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Chen Liqiang are the independent non-executive directors.

By Order of the Board
Zhu Minjie
Chairman

Hong Kong, 9 August 2019