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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 2022

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 2022 together with comparative figures for the corresponding period of last year.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	For the six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
			(Restated)
REVENUE	3	281,338	450,052
- Interest income calculated using the effective interest method		55,297	104,626
- Revenue from contracts with customers within the scope of HKFRS 15		136,814	214,326
- Revenue from other sources		89,227	131,100
Other (losses)/gains, net	3	(35,166)	5,777
Commission expenses*		(29,770)	(79,190)
Employee benefit expenses		(134,405)	(154,063)
Depreciation		(30,615)	(20,607)
Interest expenses		(45,745)	(54,987)
Net charges for expected credit losses		(70,775)	(19,650)
- from financial assets at amortised cost		(31,899)	(15,515)
- from financial assets at fair value through other comprehensive income		(38,876)	(4,135)
Other expenses		(62,388)	(66,895)
(LOSS)/PROFIT BEFORE TAXATION		(127,526)	60,437
Income tax	4	4,096	(6,771)
(LOSS)/PROFIT FOR THE PERIOD		(123,430)	53,666
Attributable to:			
Ordinary equity holders of the Company		(123,430)	53,666
Non-controlling interests		-	-
		(123,430)	53,666
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (BASIC AND DILUTED)	5	HK(7.91)cents	HK3.44 cents

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(LOSS)/PROFIT FOR THE PERIOD	<u>(123,430)</u>	<u>53,666</u>
OTHER COMPREHENSIVE INCOME :		
Items that may be reclassified to the consolidated statement of profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income		
- Net movement in fair value reserve (recycling)	(25,597)	(2,146)
- Exchange loss on translation of financial statements of foreign operations	<u>(8,009)</u>	<u>(4,769)</u>
OTHER COMPREHENSIVE INCOME, NET OF TAX[#]	<u>(33,606)</u>	<u>(6,915)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>(157,036)</u></u>	<u><u>46,751</u></u>
Attributable to:		
Ordinary equity holders of the Company	(157,036)	46,751
Non-controlling interests	<u>-</u>	<u>-</u>
	<u><u>(157,036)</u></u>	<u><u>46,751</u></u>

Notes:

* For the period ended 30 June 2021, commission expense of HK\$25.33 million and financial consulting income of HK\$26.82 million are related income and expenses in a project (2022: Nil).

[#] Other comprehensive income refers to other changes to the equity which does not form part of the consolidated statement of profit or loss.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
<u>NON-CURRENT ASSETS</u>			
Property, plant and equipment		8,064	11,360
Stock and Futures Exchange trading rights		4,212	4,212
Other assets		24,807	23,125
Other financial assets		317,747	791,263
Right-of-use assets		122,429	149,227
Deferred tax assets		247,488	116,646
		724,747	1,095,833
<u>CURRENT ASSETS</u>			
Financial assets at fair value through profit or loss		7,029,217	6,106,058
Other financial assets		697,875	991,448
Accounts receivable	7	5,538,812	4,894,775
Loans and advances		1,789,034	2,556,416
Prepayments, deposits and other receivables		564,344	1,158,863
Reverse repurchase agreement		568,717	809,294
Tax recoverable		41,850	42,138
Bank balances held on behalf of clients		5,180,193	4,675,752
Cash and bank balances		571,227	576,706
		21,981,269	21,811,450
<u>CURRENT LIABILITIES</u>			
Financial liabilities at fair value through profit or loss		2,275,478	5,400,052
Accounts payable	8	9,330,335	8,333,954
Contract liabilities		2,505	1,560
Other payables and accruals		1,313,065	774,949
Repurchase agreement		1,173,607	798,717
Interest-bearing bank borrowings		2,990,088	3,500,796
Lease liabilities		52,921	60,237
Debt securities in issue		1,569,600	-
Tax payable		217,083	74,995
		18,924,682	18,945,260
<i>NET CURRENT ASSETS</i>		3,056,587	2,866,190
<i>TOTAL ASSETS LESS CURRENT LIABILITIES</i>		3,781,334	3,962,023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
<u>NON-CURRENT LIABILITIES</u>		
Deferred tax liabilities	706	803
Lease liabilities	<u>85,631</u>	<u>106,561</u>
Total non-current liabilities	<u>86,337</u>	<u>107,364</u>
NET ASSETS	<u>3,694,997</u>	<u>3,854,659</u>
<u>EQUITY</u>		
Equity attributable to ordinary equity holders of the Company		
Share capital	2,782,477	2,782,477
Other reserves	<u>912,520</u>	<u>1,069,556</u>
	3,694,997	3,852,033
Non-controlling interests	<u>-</u>	<u>2,626</u>
TOTAL EQUITY	<u>3,694,997</u>	<u>3,854,659</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES

GENERAL INFORMATION

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

The financial information relating to the year ended 31 December 2021 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 2021 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 2021. 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.

CHANGES IN 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 2021.

The HKICPA has issued following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, Reference to the Conceptual Framework
- Amendments to HKAS 16, Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to HKAS 37, Onerous Contracts - Cost of Fulfilling a Contract
- Annual Improvements to HKFRSs 2018 – 2020

Neither of these amendments to HKFRSs have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

1. GENERAL INFORMATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 30 JUNE 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, which are not yet effective for the period ended 30 June 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

Amendments to HKAS 1	<i>Classification of liabilities as current or non-current¹</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of accounting policies¹</i>
Amendments to HKAS 8	<i>Definition of accounting estimates¹</i>
Amendments to HKAS 12	<i>Deferred tax related to assets and liabilities arising from a single transaction¹</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>

¹ *Effective for annual periods beginning on or after 1 January 2023*

² *Effective time to be determined*

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2. OPERATING SEGMENT INFORMATION

The Group's unaudited segment results are as follows:

	Enterprise finance		Wealth management	Institutional services and trading	Asset management	Others	Total
	Corporate finance	Principal investment					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2022							
Segment revenue and other losses from external customers	25,038	2,563	124,289	113,870	15,578	(35,166)	246,172
Segment results and (loss) /profit before taxation	(19,432)	1,555	5,496	(74,432)	(5,547)	(35,166)	(127,526)
	Enterprise finance		Wealth management	Institutional services and trading	Asset management	Others	Total
	Corporate finance	Principal investment					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2021							
Segment revenue and other gains from external customers	28,330	(4,395)	208,016	206,305	11,796	5,777	455,829
Segment results and profit/(loss) before taxation	633	(4,395)	28,717	32,933	(3,228)	5,777	60,437

3. REVENUE AND OTHER LOSSES, NET

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

	For the six months ended 30 June	
	2022	(Restated) 2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<i>Fee and commission income:</i>		
<u>Revenue from contracts with customers within the scope of HKFRS 15:</u>		
Commission on securities dealing		
– Hong Kong securities	51,074	93,314
– Other than Hong Kong securities	15,393	20,749
Commission on futures and options contracts dealing	9,632	11,812
Initial public offering, placing, underwriting and sub-underwriting commission	17,264	23,937
Financial advisory, compliance advisory, sponsorship fee income and others	17,486	46,708
Management fee, investment advisory fee income and performance fee income	15,579	11,796
Handling fee income	2,331	2,224
Research fee income and other service fee income	8,055	3,786
	136,814	214,326
<i>Income from interest bearing transactions:</i>		
<u>Interest income calculated using the effective interest method:</u>		
Interest income from banks and others	14,255	7,277
Interest income from initial public offering loans	5	27,228
<u>Revenue from other sources:</u>		
Interest income from loans to cash clients and margin clients	79,591	74,637
	93,851	109,142
<i>Income from investment business:</i>		
<u>Interest income calculated using the effective interest method:</u>		
Interest income:		
– Debt securities	41,037	70,121
<u>Revenue from other sources:</u>		
Net realised and unrealised gains/(losses) on financial instruments:		
– Listed equities and futures	66,760	7,262
– Debt securities and derivatives	(54,753)	19,197
– Structured products	(2,371)	30,004
	50,673	126,584
	281,338	450,052
<i>Other (losses)/gains, net:</i>		
Exchange (losses)/gains, net	(47,835)	1,264
Change in net assets value attributable to other holders of a consolidated investment fund	12,669	4,513
	(35,166)	5,777

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	124,870	9,200
Over-provision in respect of prior period	(38)	(34)
Current tax – Elsewhere	164	-
Deferred tax	<u>(129,092)</u>	<u>(2,395)</u>
Total tax (credit)/charge for the period	<u><u>(4,096)</u></u>	<u><u>6,771</u></u>

5. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic (loss)/earnings per share is calculated by dividing the (loss)/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 2022, the total number of the issued ordinary shares was 1,561,138,689 shares.

	For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
(Loss)/profit for the period attributable to ordinary equity holders of the Company (HK\$'000)	<u><u>(123,430)</u></u>	<u><u>53,666</u></u>
Number of shares		
Weighted average number of ordinary shares in issue (in thousands)	<u><u>1,561,139</u></u>	<u><u>1,561,139</u></u>
(Loss)/earnings per share, basic and diluted (HK cents per share)	<u><u>(7.91)</u></u>	<u><u>3.44</u></u>

6. DIVIDEND

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim – Nil (2021: Nil) per ordinary share	<u>-</u>	<u>-</u>

7. ACCOUNTS RECEIVABLE

	As at 30 June 2022	As at 31 December 2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
(i) Measured at amortised cost:		
Accounts receivable arising from securities dealing:		
- Cash Clients	3,511,693	2,650,600
- Brokers and dealers	1,674,136	2,044,914
- Clearing houses	299,095	139,834
	5,484,924	4,835,348
Accounts receivable arising from corporate finance, advisory and other services:		
- Corporate Clients	34,459	34,272
	5,519,383	4,869,620
Less: Expected credit losses (Stage 1)	(1,955)	(1,955)
Less: Expected credit losses (Stage 3)	(27,038)	-
	5,490,390	4,867,665
(ii) Measured at FVPL:		
Accounts receivable arising from securities dealing:		
- Advances to cash clients	48,422	27,110
	5,538,812	4,894,775

Save for the credit period allowed by the Group, the accounts receivable 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 accounts receivable 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 accounts receivable 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 accounts receivable from cash clients of HK\$48,422,000 (31 December 2021: HK\$27,110,000) bear interest at interest rates mainly with reference to Hong Kong dollar prime rate (31 December 2021: with reference to the Hong Kong dollar prime rate).

7. ACCOUNTS RECEIVABLE (Continued)

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

	As at 30 June 2022 (Unaudited) <i>HK\$'000</i>	As at 31 December 2021 (Audited) <i>HK\$'000</i>
Within 1 month	3,539,868	2,660,210
1 to 2 months	1,123	2,921
2 to 3 months	1,472	1,102
Over 3 months	<u>17,652</u>	<u>13,477</u>
	<u>3,560,115</u>	<u>2,677,710</u>

The ageing of accounts receivable 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 accounts receivable from corporate clients arising from corporate finance, advisory and other services are mostly within one month.

8. ACCOUNTS PAYABLE

	As at 30 June 2022 (Unaudited) <i>HK\$'000</i>	As at 31 December 2021 (Audited) <i>HK\$'000</i>
Accounts payable		
- Client	7,288,974	6,842,694
- Brokers and dealers	2,041,361	1,296,653
- Clearing houses	<u>-</u>	<u>194,607</u>
	<u>9,330,335</u>	<u>8,333,954</u>

All of the accounts payable 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 2022.

10. COMPARATIVE FIGURES

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

INTERIM DIVIDEND

The board of directors (the “**Board**”) resolved not to declare the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

First Half of 2022 Market Review

In terms of the global environment, the first half of 2022 was dominated by a deepening of stagflation overseas and a shift towards tangible tightening by developed country central banks. The Russia-Ukraine conflict had a huge impact on the global supply chain, pushing up global energy prices, leading to higher-than-expected inflation in developed countries and dampening general demand and industrial production. Although the Omicron variant pandemic had subsided in the first half of the year, the global pandemic remains highly uncertain and the recovery of the global service sector remains difficult. As the stagflation pattern deepened, major overseas developed countries accelerated their monetary and fiscal tightening in the first half of the year, and the Federal Reserve started to raise the interest rate in March, the pace of tightening accelerated rapidly thereafter, raising the rate by 75 points in July. Currency tightening, coupled with the Russia-Ukraine conflict and the resurgence of the pandemic, has led to increased expectations of economic recession in overseas developed countries.

In terms of the macro-economic in the Chinese Mainland, the pandemic in Shanghai and Jilin had once an impact on both the supply and demand sides of the economy, yet before and after the reopening of Shanghai, the industrial production showed positive signs of recovery without significant fiscal stimulus, and the toughness of China's industrial chain has once again withstood a severe test, and no shift in the chain has occurred. Coupled with the demand gap for products overseas remains sizable, the export amount in US Dollars grew by 14.2% year-on-year. In addition to the strong exports, the increase in the size of the tax credit rebate pushed manufacturing investment and infrastructure investment to grow rapidly, and consumer consumption for services has resumed strong in June. At the same time, weak real estate completion and weak fiscal spending weighed on real GDP in the second quarter, which fell back to 0.4% increase year-on-year, and real GDP in the first half of the year was RMB52,664.2 billion, up 2.5% year-on-year. In terms of price level, despite the conflict between Russia and Ukraine aggravated the tightness of overseas energy supply, and the surge in oil prices raised the domestic industrial output producer price index (PPI) in the first half of the year, the overall consumer price index (CPI) rose at a relatively moderate rate (1.7% in the first half of the year) due to the still pending recovery of overall consumer demand in the Chinese Mainland and the continued strengthening of the coal supply and price stabilization policy, resulting in a smaller and relatively controllable overall pressure of inflation compared to that of overseas.

The capital market of the Chinese Mainland experienced a pullback in the first half of 2022, with the Shanghai Stock Exchange Index down 6.4% in the first half of the year, the GEM Index down 13.5%, and the SSE 50 Index, which reflects the blue chips in the stock market, is down 6.3%. The IPO market is structurally fragmented, the main board IPO fundraising dropped significantly to RMB54.493 billion, down nearly 40% year-on-year, but the SSE Star Market and the GEM saw significant growth in fundraising as the registration system reform progressed, with total IPO fundraising on the SSE Star Market reaching RMB111.442 billion and total fundraising on the GEM exceeding RMB90 billion.

In Hong Kong, under the influence of the fifth wave of the pandemic, the interest rate hike by the Federal Reserve, rising commodity prices, and the Russia-Ukraine conflict, Hong Kong stocks failed to continue their strong start of the year and started to go downward from mid to late February, falling to 18,235 points in March. Later, with the gradual stabilization of the pandemic and the intensive release of various economic stabilization policies in the Chinese Mainland, southbound capital continued to flow in, and the Hang Seng Index rebounded and fell by about 6% in the first half of the year. The total net inflow of southbound funds in the first half of the year was HK\$207.633 billion, concentrated in the leading enterprises in the industries. IPOs in Hong Kong continued the recession during the second half of 2021, with 26 IPOs raising HK\$17.8 billion in the first half of the year, down 92% compared to the same period last year. The establishment of the Special Purpose Acquisition Company (SPAC) listing mechanism by the HKEx, which has been in effect since early 2022, resulted in two SPAC listings in the first half of the year, and will further enhance Hong Kong's competitiveness as an international financial center.

First Half of 2022 Market Review (Cont'd)

During the first half of 2022, the overall financing environment remained tense, with credit events continued to dominate the offshore Chinese-issued US Dollar bond market, the volatility in the Chinese Mainland real estate sector, and the significant interest rate hike by the US Federal Reserve, all impacted the bond market. The cliff fall in the size of Chinese-issued US Dollar bond, especially for high-yield bonds, severely undermined market confidence, and the secondary market remained under pressure due to the continued emergence of defaulting real estate companies.

Review of Operations

In the first half of 2022, at the strategic level, the Group continued to serve the overall national strategy, and promoted business transformation and constructed an integrated financial services platform. At the operational level, in view of the material volatility in both domestic and overseas market conditions, the Group implemented risks management, adopted various risk mitigation measures and actively processed the reserve of risky projects, while vigorously promoting the light capital business, practicing the development strategy of "investment + investment banking", creating new growth points by establishing new products, expanding new businesses, providing new services and developing business synergies. In terms of management, the Company will further improve its corporate governance by strengthening organization construction, system construction, process optimization and other refining management efforts.

In the first half of 2022, the revenue of the Group decreased to HK\$281 million from HK\$450 million in the first half of 2021, representing a decrease of 37% as compared to that of the corresponding period of last year. Due to the repeated coronavirus epidemics, geopolitical tensions, and the tightening of global monetary policy as a result of hikes in the federal funds rate, fee and commission income and interest income have decreased. In the first half of 2022, the Group recorded a loss before tax of HK\$128 million, compared with a profit before tax of HK\$60.44 million in the first half of 2021; and a loss attributable to shareholders of HK\$123 million, compared with a profit attributable to shareholders of HK\$53.67 million in the first half of 2021. It was mainly due to an increase in the expected credit loss provision of fixed income products in the institutional services and trading business. The expected credit loss provision is not a realized loss. The business of the Group operates as usual and the overall financial, business and operating positions of the Group remain sound.

	For the six months ended 30 June			
			(Restated)	
	2022		2021	
	HK\$'000	Ratio	HK\$'000	Ratio
Fee and commission income	136,814	49%	214,326	48%
Interest income	93,851	33%	109,142	24%
Income from investment business	50,673	18%	126,584	28%
	281,338	100%	450,052	100%

During the period under review, as the debt and equity trading, sponsoring and underwriting businesses were affected by the highly volatile debt and equity market, fee and commission income decreased by 36% to HK\$136 million. Interest income was relatively less affected, representing a year-on-year decrease of 14% to HK\$93.85 million. The fixed income trading business was affected by the volatility of the offshore US dollar bond market, dragging the revenue of the investment business by 60% to HK\$50.67 million.

Wealth Management Business

The wealth management business mainly provides a series of comprehensive financial services including securities, futures and options brokerage, the sales of financial products such as wealth management, over-the-counter, as well as securities margin financing to individual customers and nonprofessional institutional investors through a combination of online and offline methods.

	For the six months ended 30 June		
	2022	2021	Change
	HK\$'000	HK\$'000	
Fee and commission income	55,202	107,831	(49%)
Interest income	69,107	100,181	(31%)
-Loan to clients	58,779	94,909	(38%)
-Others	10,328	5,272	96%
(Loss)/income from investment business	(20)	4	(600%)
	124,289	208,016	(40%)

In the first half of 2022, the stock market was shaken by geopolitical conflicts, repeated coronavirus epidemics from overseas and domestic, and hikes in the federal funds rate. The Hang Seng Index fell to a low of 18,235 points in March, with a high and low volatility of over 6,800 points in the first half year. A number of liquidity indicators such as Hong Kong's foreign exchange reserves, Hong Kong dollar M1 and M2 growth rates were at historic lows, and market turnover declined year-on-year, the average daily turnover of Hong Kong stocks in the first half of 2022 was HK\$138.26 billion, a decrease of 26.5 % from the average daily turnover of HK\$188.15 billion in the first half year of 2021. Equity financing activities in Hong Kong were also at a low ebb, with the scale of IPO fallen by approximately 90% in the first half of the year. During the period under review, income from the Group's wealth management business decreased by 40%, with fee and commission income from wealth management business amounting to HK\$55.2 million, a decrease of 49% compared to HK\$107.83 million in the first half of 2021. As for interest income, interest income from customer loans amounted to HK\$69.11 million in the first half of the year, representing a decrease of 31% from HK\$100.18 million in the first half of 2021.

The Group will continue to build its wealth management brand "Wynner", promote the internationalization and informatization of its wealth management platform, optimize its business practices, boost customer loyalty, so as to provide integrated, one-stop wealth management services to high net worth clients. In the face of the complex and challenging market environment and the constant challenges from internet brokerage firms, the Group insists on focusing on its services to customers, expanding diversified product platforms and deepening the use of financial technology, in order to support the transformation and development of its wealth management business based on its financial technologies.

Enterprise Finance Business

The enterprise finance business consists of corporate finance business and investment business. The corporate finance business provides corporate clients with stock underwriting sponsorship, bond underwriting and financial advisory services, while investment business mainly includes self-financing equity investment, debt investment and other investments.

Enterprise Finance Business (Cont'd)

	For the six months ended 30 June		
	2022	2021	Change
	HK\$'000	HK\$'000	
Fee and commission income	25,038	28,330	(12%)
Income/(loss) from investment business	2,563	(4,395)	158%
	27,601	23,935	15%

During the first half of 2022, the Group's sponsorship and underwriting business was impacted by the slowdown in the Hong Kong IPO and offshore US dollar bond market, and the fee and commission income of the enterprise finance business decreased by 12% year-on-year to HK\$25.04 million during the period under review. In addition, the Group utilized its own funds to make investments and recorded an investment income of HK\$2.56 million.

—*Sponsorship and underwriting and financial advisory*

In the first half of the year, the Group completed one sponsorship project in the face of the severe market environment and the sharp decrease in the overall primary market issuance. It assisted Huaxin Cement Co., Ltd. to be successfully listed on the Main Board of the HKEx by way of introduction. As the first B-share to H-share conversion project on the Shanghai Stock Exchange (i.e. listing of domestic listed foreign capital shares switching to the HKEx), the listing project is highly innovative and exemplary in China's stock market, and has received strong support from both the Hong Kong and Chinese Mainland regulators. At the same time, the Group is steadfast in its strategies of internationalization and domestic/overseas integration, and has increased its sponsorship and underwriting project reserves compared to the past, as well as maintained the development and follow-up on a wide range of financial advisory projects. With the support of the parent company, the Group will continue to expand its sponsorship and underwriting project reserves, actively participate in mergers and acquisitions of related financial advisory projects to expand revenue sources, and strengthen the collaboration with the parent company's domestic team to increase potential client coverage in the enterprise finance business.

—*Equity capital market*

In the first half of 2022, the equity capital market team participated in 3 IPO underwriting projects and 1 B to H listing projects in a volatile market. The team will continue to actively position itself in key sectors, and serve quality companies to be listed in Hong Kong. In response to the impact of changes in regulatory policies on business development, the Group will explore business opportunities, expand its sales network, strengthen its equity capital market team and enhance cooperation between domestic and overseas business teams to provide better and more comprehensive services to clients.

Enterprise Finance Business (Cont'd)

—Debt capital market

Benefitting from the collaboration between both domestic and overseas teams and the project accumulation in first half of 2022, the Group completed a total of 60 bond issuance projects as at 30 June 2022 (including 57 underwriting projects and 3 financial advisory projects), among which 45 are state-owned enterprises and local government financing vehicles (LGFVs) projects, 2 real estate projects, 12 financial institutional-related projects and 1 industry-related project which raised US\$7.053 billion, US\$0.3 billion, US\$2.45 billion and US\$0.154 billion for clients, respectively. In the face of the challenges and opportunities arising from the ever-changing offshore US dollar bond market, the Group will continue to explore overseas bond issuance projects for quality enterprises, such as large-scale government-controlled enterprises and state-owned conglomerates, continue to enhance the collaboration capabilities of its domestic and overseas teams, and will continue to recruit talents to improve on the business capacity of the team, in an effort to increase its market share and revenue.

Institutional Services and Trading Business

The institutional services and trading business mainly provides one-stop integrated financial services for institutional clients, such as brokerage and trading of global markets, sales and trading of fixed income bonds, currencies and commodities, research advisory, and investment and financing solutions.

	Fee and commission income		For the six months ended 30 June				Total		Change
			Interest income		Income/(loss) from investment business				
	2022	2021	2022	2021	2022	2021	2022	2021	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Fixed income, currencies and commodities	-	-	-	-	50,501	100,971	50,501	100,971	(50%)
Structured products	-	-	-	-	(2,371)	30,004	(2,371)	30,004	(108%)
Stock business	40,996	66,369	24,744	8,961	-	-	65,740	75,330	(13%)
	40,996	66,369	24,744	8,961	48,130	130,975	113,870	206,305	(45%)

The global financial markets were highly volatile in the first half of 2022, with significant volatility in US dollar interest rate hitting a multi-decade high, the overall US dollar bond market was weak, with dull trading and weak demand in new bond issuance. In the face of the severe market environment, the fixed income transaction team flexibly adjusted its strategy, adjusting its hedging positions to reduce risks, and closing most of its short positions at the previous lows, while increasing the transactions in gaming, technology and banking sectors, as well as continuing to reduce its real estate positions to maintain stability. In the face of adverse market conditions, the fixed income portfolio still delivered an annualized return of 5.15%, noticeably outperforming the annualized return rate of the Bloomberg Barclays Comparable Bond Index and similar large cap funds in high yield offshore US dollar bonds. In addition, we actively achieved our environmental, social and governance (ESG) obligations through bond investments, reaching HK\$991 million in green bonds during the first half of the year. To facilitate business transformation, the fixed income transaction team will continue to strengthen its secondary market trading business, as well as the development and trading of foreign exchange and interest rate products.

Institutional Services and Trading Business (Cont'd)

The financial products team has been steadily developing its business and continues to diversify its product range and revenue streams. Under the volatile market, the team closely monitored market dynamics and changes in regulatory policies to adjust portfolio strategies and actively mitigate the risks of existing projects, while transforming underlying assets in order to control business risks. In the first half of 2022, back-to-back hedging OTC transactions were active, with clients and business volume doubling over the period; cooperation and collaboration with domestic securities companies further deepened, and the scale of cross-border business continued to expand, amounting to over HK\$7 billion, with underlying targets covering offshore funds, offshore US dollar bonds, A-shares, Hong Kong stocks, US ADRs and Chinese government bonds, etc., and the financial products business became an important platform for the Group's cross-border business. In the face of the credit turmoil of domestic real estate enterprises and the volatile high-yield offshore US dollar bond market, the financial products team actively adopted risk management measures to achieve stable growth in revenue of the business. To promote innovative business in low-risk categories and accelerate asset structure adjustment, the team will continue to actively promote the development and sale of structured products, explore structured notes projects with LGFVs investment bonds and financial bonds as the underlying assets, and prepare to apply for the launch of market-making of derivatives and issuance of warrants in the Hong Kong Stock Exchange.

During the period under review, due to severe market volatility, the institutional services and trading business recorded a revenue of HK\$48.13 million from investment business, a decrease of 63% year-on-year.

In terms of equity sales, the institutional sales, trading and corporate relations team continued to strengthen the coverage of institutional clients, promote the upgrading of the trading system, and actively organize various corporate communication activities to further demonstrate the strength of the Shenwan Hongyuan brand. The team deepened the collaboration with domestic resources and further leverage on the complementary advantages of domestic and international resources, so as to develop new clients and restart trading for important institutional clients, providing new and existing clients with more diversified and comprehensive research resources, investment products, securities margin financing and trading experience. During the period under review, fee and commission income from institutional services and trading business amounted to HK\$41 million, a decrease of 38% year-on-year, while interest income amounted to HK\$24.74 million, an increase of 176% year-on-year.

Asset Management Business

The asset management business mainly provides public fund management, private fund management, investment advisory and discretionary managed account services.

	For the six months ended 30 June		
	2022	2021	
	HK\$'000	HK\$'000	Change
Fee and commission income	15,578	11,796	32%

In the first half of 2022, the Group continued to pay attention to regulatory policies and clients' demand for cross-border asset management, persisted in business innovation, and with its excellent product design capabilities, implemented a number of cross-border asset management products, which were well received by the market. On this basis, the Group further optimized its business layout, actively explored private equity investment business and expanded its product range, which effectively drove business growth.

During the period under review, the scale of asset management increased significantly, amounted to HK\$11.9 billion as at the end of June 2022, representing a year-on-year growth of 18%, while the fee and commission income from asset management business amounted to HK\$15.58 million, representing a year-on-year increase of 32%.

Asset Management Business (Cont'd)

The Group will continue to seize the policy opportunities, taking Hong Kong as an entry point to the Greater Bay Area, while maintaining its strength in cross-border business and actively expand its business scope, so as to develop private equity business to meet the needs of clients in different markets. At the same time, we will further broaden our sales channels, realize the linkage of different business segments, expand our asset management scale, and strive to become the preferred cross-border asset management service provider for our clients.

Prospects

From the perspective of the global financial market environment, the overseas monetary environment will continue to tighten in the second half of 2022, but may slow down marginally by the end of the year. With the monetary tightening operations in the first half of the year gradually reflected in the economy, the possibility of recession may force the Federal Reserve to end interest rate hikes early by the end of the year, and the impact of the Russia-Ukraine conflict on the eurozone economy has driven the European Central Bank to fully consider the possibility of recession in making decisions to raise the interest rates. Meanwhile, emerging countries also face greater pressure, whereas the developed countries tightened their monetary policies, and the impact of the Russia-Ukraine conflict spillover may have a lagging impact on their economic development and should not be taken lightly.

For Chinese Mainland, with the implementation of six new measures to stabilize growth by the State Council, infrastructure investment has appropriately stimulated, real estate investment completion has improved, consumer consumption of goods and services has moderately and steadily recovered, and the current momentum of export driven by external demand remained strong. The economy is expected to return to normal growth in the second half of the year, avoiding short-term overheat and long-term expected chaos.

In Hong Kong, the outbreak of the Omicron variant continued to rage at the beginning of 2022 and has not yet subsided, casting a shadow over the economic outlook once again. As central banks around the world begin to tighten their monetary policies, Hong Kong equity market will face a macro environment of continued liquidity tightening. With the US Holding Foreign Company Accountable Act coming into effect, more China concept stocks are expected to return. From the market's perspective, the overall valuation level is relatively low and the market is expected to have limited room for further downside, but the upside will depend more on the combined effects of the continued strength of various growth stabilization policies in the Chinese Mainland, the implementation of regulatory measures, and the macro environment overseas.

In the US dollar bond market, market confidence has remained weak since 2022 and the high yield bond market has been under pressure. In the second half of the year, the Federal Reserve is expected to maintain its decision to raise interest rates, and the primary market for offshore US dollar bonds is expected to remain volatile. In the secondary market, although the Chinese Mainland will maintain abundant capital amidst the demand for stable growth, market confidence is unlikely to recover in the near future and the high yield bond market is expected to remain under downward pressure.

In the second half of 2022, the global macro economy is still uncertain and the pandemic is expected to continue to affect various economic and social activities. The Group will continue to pay close attention to the changes in the pandemic and the macro-economic and regulatory development trends, proactively respond to such changes and actively promote its business to strive for stable and rapid development. The main measures are: Firstly, we will stabilize the business fundamentals, continue to actively resolve the risk of stocks, and adhere to effective risk management and compliant operation as the bottom line; secondly, we will improve our efficiency, standards, optimize procedures and enhance our system to cultivate a better corporate governance capabilities, thereby strengthening performance oriented business; thirdly, we will develop financial technology as a guide to create an integrated, one-stop wealth management platform, enhance customer experience and strengthen our business competitiveness; fourthly, we will do everything possible to develop new customers, new products and new services, and strive to create new revenue growth plan. We are committed to becoming an integrated financial services provider with market recognition and international competitiveness.

Capital Structure

During the period under review, there was no change to the share capital of the Company. As at 30 June 2022, 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\$3.69 billion (31 December 2021: HK\$3.85 billion).

Debentures Issued

On 27 January 2022, the Company issued unsecured and unguaranteed bonds in principal amount of US\$200 million which is listed on The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 1.5% per annum with a maturity period of 364 days. The principal will be full repayable on the maturity date on 26 January 2023. Please refer to the Company's announcements dated 21 January 2022, 27 January 2022 and 28 January 2022 for details of the issuance of bonds.

Treasury Policies

The Group generally finances its business operations with internally generated cash flow and bank borrowings. The Group's banking facilities are mainly renewable on a yearly basis and are on floating interest rates basis. In addition, it has been the policy of the Group to maintain adequate liquidity at all times to meet its liabilities as and when they fall due.

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2022, the Group had cash and bank balances of HK\$571 million (31 December 2021: HK\$577 million) and investments at fair value through profit or loss of HK\$7,029 million (31 December 2021: HK\$6,106 million). As at 30 June 2022, the Group's total unutilised banking facilities amounted to HK\$8,217 million (31 December 2021: HK\$7,353 million), of which HK\$8,217 million (31 December 2021: HK\$7,353 million) could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2022, the Group had outstanding short-term bank borrowings amounting to HK\$2,990 million (31 December 2021: HK\$3,501 million). The liquidity ratio (current assets to current liabilities) and gearing ratio (bank borrowings to net asset value) were 116% (31 December 2021: 115%) and 81% (31 December 2021: 91%) 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 under review, 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 2022.

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 2022, the advances to customers were overdue accounts receivable from cash clients, margin financing and structured products.

As at 30 June 2022, the balance of overdue accounts receivable from cash clients, margin financing amounted to HK\$48 million (31 December 2021: HK\$27 million), HK\$1,789 million (31 December 2021: HK\$2,556 million) respectively.

41% (31 December 2021: 43%) of margin financing 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 monitor its foreign currency positions and takes measures when necessary.

Contingent Liabilities

There were no material contingent liabilities as at 30 June 2022.

Changes since 30 June 2022

There were no important events affecting the Group since 30 June 2022.

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 2022.

Employees and Training

As at 30 June 2022, the total number of full-time employees was 311 (2021: 303). The total staff costs for the period under review amounted to approximately HK\$134 million (2021: HK\$154 million).

The Group maintains policies for the recruitment, compensation, promotion and training of staff. Pay surveys are conducted periodically by independent consultants appointed by the Group to maintain the Group's competitiveness in the market. With reference to market conditions, the Group will formulate relevant and proper remuneration and incentive plans to attract and retain talent. The Group supports equal opportunities and recruits competent candidates globally.

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 under review.

CORPORATE GOVERNANCE CODE

To improve the Company's transparency and accountability to the shareholders, the Company is, so far as practicable, committed to maintaining high standard of corporate governance. Throughout the six months ended 30 June 2022, the Company has met all applicable code provisions set out in Appendix 14, Corporate Governance Code, of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 under review.

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 2022.

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 2022 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 interim report, the Board of the Company comprises 8 directors, of which Ms. Wu Meng, Mr. Zhang Jian, Mr. Liang Jun and Mr. Hu Jing 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
Shenwan Hongyuan (H.K.) Limited
Wu Meng
Chairman

Hong Kong, 26 August 2022