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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 2023

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 2023 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	
		2023	2022
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		
REVENUE	3	361,010	281,338
- Interest income calculated using the effective interest method		111,837	55,297
- Revenue from contracts with customers within the scope of HKFRS 15		121,268	136,814
- Revenue from other sources		127,905	89,227
Other losses, net	3	(45,594)	(35,166)
Commission expenses		(19,739)	(29,770)
Employee benefit expenses		(133,624)	(134,405)
Depreciation		(25,123)	(30,615)
Interest expenses		(89,629)	(45,745)
Net charges for expected credit losses		(56,240)	(70,775)
- from financial assets at amortized cost		(49,516)	(31,899)
- from financial assets at fair value through other comprehensive income		(6,724)	(38,876)
Other expenses		(61,955)	(62,388)
LOSS BEFORE TAXATION		(70,894)	(127,526)
Income tax	4	(450)	4,096
LOSS FOR THE PERIOD		(71,344)	(123,430)
Attributable to:			
Ordinary equity holders of the Company		(71,344)	(123,430)
Non-controlling interests		-	-
		(71,344)	(123,430)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (BASIC AND DILUTED)	5	HK(4.57)cents	HK(7.91)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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<u>(71,344)</u>	<u>(123,430)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:		
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)	22,089	(25,597)
- Exchange gains/(loss) on translation of financial statements of foreign operations	<u>781</u>	<u>(8,009)</u>
OTHER COMPREHENSIVE INCOME, NET OF TAX[#]	<u>22,870</u>	<u>(33,606)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>(48,474)</u></u>	<u><u>(157,036)</u></u>
Attributable to:		
Ordinary equity holders of the Company	(48,474)	(157,036)
Non-controlling interests	<u>-</u>	<u>-</u>
	<u><u>(48,474)</u></u>	<u><u>(157,036)</u></u>

Notes:

[#] 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 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
<u>NON-CURRENT ASSETS</u>			
Property, plant and equipment		4,462	5,977
Right-of-use assets		86,127	108,557
Stock and Futures Exchange trading rights		4,212	4,212
Other assets		39,587	26,395
Other financial assets		211,943	391,462
Deferred tax assets		<u>86,164</u>	<u>89,326</u>
Total non-current assets		<u>432,495</u>	<u>625,929</u>
<u>CURRENT ASSETS</u>			
Financial assets at fair value through profit or loss		4,702,353	3,739,178
Other financial assets		165,403	346,516
Accounts receivable	7	3,193,905	2,835,339
Loans and advances		1,195,270	1,308,845
Prepayments, deposits and other receivables		277,373	275,171
Reverse repurchase agreement		444,195	901,633
Tax recoverable		54,840	45,942
Bank balances held on behalf of clients		3,887,110	5,199,634
Cash and bank balances		<u>1,303,178</u>	<u>1,238,496</u>
Total current assets		<u>15,223,627</u>	<u>15,890,754</u>
<u>CURRENT LIABILITIES</u>			
Financial liabilities at fair value through profit or loss		3,206,842	2,950,371
Accounts payable	8	6,349,404	6,523,725
Contract liabilities		1,721	1,745
Other payables and accruals		549,246	670,584
Repurchase agreement		90,892	173,706
Interest-bearing bank borrowings		1,371,825	1,489,227
Notes issued		1,066,201	-
Bond issued		-	1,559,400
Lease liabilities		45,300	48,464
Tax payable		<u>4,976</u>	<u>62,919</u>
Total current liabilities		<u>12,686,407</u>	<u>13,480,141</u>
NET CURRENT ASSETS		<u>2,537,220</u>	<u>2,410,613</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,969,715</u>	<u>3,036,542</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
<u>NON-CURRENT LIABILITIES</u>		
Deferred tax liabilities	171	662
Lease liabilities	<u>58,135</u>	<u>75,997</u>
Total non-current liabilities	<u>58,306</u>	<u>76,659</u>
NET ASSETS	<u>2,911,409</u>	<u>2,959,883</u>
<u>EQUITY</u>		
Equity attributable to ordinary equity holders of the Company		
Share capital	2,782,477	2,782,477
Other reserves	<u>128,932</u>	<u>177,406</u>
TOTAL EQUITY	<u>2,911,409</u>	<u>2,959,883</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 2022 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 2022 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 2022. 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 2022.

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 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 17	<i>Insurance contracts¹</i>

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 2023

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 2023 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 HKFRS 16	<i>Lease Liabilities in a Sale and Leaseback¹</i>
Amendments to HK Interpretation 5	<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause¹</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 2024*

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	Institutional	Asset	Others	Total
	Corporate	Principal	management	services and	management		
	finance	investment		trading			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30 June 2023							
Segment revenue and other losses from external customers	34,038	109,177	164,124	38,349	15,322	(45,594)	315,416
Segment results and (loss) /profit before taxation	(6,966)	76,514	40,631	(122,647)	(12,832)	(45,594)	(70,894)
	Enterprise finance		Wealth	Institutional	Asset	Others	Total
	Corporate	Principal	management	services and	management		
	finance	investment		trading			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30 June 2022 (Restated)							
Segment revenue and other gains from external customers	34,417	2,563	124,289	104,491	15,578	(35,166)	246,172
Segment results and profit/(loss) before taxation	(13,743)	1,555	5,496	(80,121)	(5,547)	(35,166)	(127,526)

3. REVENUE AND OTHER LOSSES, NET

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

	For the six months ended 30 June	
	2023	2022
	(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	35,239	51,074
– Other than Hong Kong securities	13,704	15,393
Commission on futures and options contracts dealing	6,926	9,632
Initial public offering, placing, underwriting and sub-underwriting commission	30,926	17,264
Financial advisory, compliance advisory, sponsorship fee income and others	3,714	17,486
Management fee, investment advisory fee income and performance fee income	15,322	15,579
Handling fee income	3,659	2,331
Research fee income and other service fee income	11,778	8,055
	121,268	136,814
<i>Income from interest bearing transactions:</i>		
<u>Interest income calculated using the effective interest method:</u>		
Interest income from banks and others	93,112	14,255
Interest income from initial public offering loans	159	5
<u>Revenue from other sources:</u>		
Interest income from loans to cash clients and margin clients	51,064	79,591
	144,335	93,851
<i>Income from investment business:</i>		
<u>Interest income calculated using the effective interest method:</u>		
Interest income:		
– Debt securities	18,566	41,037
<u>Revenue from other sources:</u>		
Net realised and unrealised gains/(losses) on financial instruments:		
– Equities and futures	109,252	66,760
– Debt securities and derivatives	386,381	(54,753)
– Structured products	(418,792)	(2,371)
	95,407	50,673
	361,010	281,338
<i>Other losses, net:</i>		
Exchange gains/(losses), net	7,130	(47,835)
Change in net assets value attributable to other holders of a consolidated investment fund	(52,724)	12,669
	(45,594)	(35,166)

4. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in other jurisdictions have been calculated at the appropriate current rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	-	124,870
Under-/ (over-)provision in respect of prior period	491	(38)
Current tax – Other jurisdictions	-	164
Deferred tax	<u>(41)</u>	<u>(129,092)</u>
Total tax charge / (credit) for the period	<u>450</u>	<u>(4,096)</u>

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

Basic loss per share is calculated by dividing the loss 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 2023, the total number of the issued ordinary shares was 1,561,138,689 shares.

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Earnings		
Loss for the period attributable to ordinary equity holders of the Company (HK\$'000)	<u>(71,344)</u>	<u>(123,430)</u>
Number of shares		
Weighted average number of ordinary shares in issue (in thousands)	<u>1,561,139</u>	<u>1,561,139</u>
Loss per share, basic and diluted (HK cents per share)	<u>(4.57)</u>	<u>(7.91)</u>

6. DIVIDEND

	For the six months ended 30 June	
	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interim – Nil (2022: Nil) per ordinary share	<u>-</u>	<u>-</u>

7. ACCOUNTS RECEIVABLE

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
(i) Measured at amortised cost:		
Accounts receivable arising from securities dealing:		
- Cash Clients	999,934	1,136,930
- Brokers and dealers	1,743,800	1,206,653
- Clearing houses	401,243	256,037
	3,144,977	2,599,620
Accounts receivable arising from corporate finance, advisory and other services:		
- Corporate Clients	520,687	649,404
	3,665,664	3,249,024
Less: Expected credit losses (Stage 1)	(1,405)	(1,399)
Less: Expected credit losses (Stage 3)	(497,840)	(451,777)
	3,166,419	2,795,848
(ii) Measured at FVPL:		
Accounts receivable arising from securities dealing:		
- Advances to cash clients	27,486	39,491
	3,193,905	2,835,339

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. Advances to cash clients of HK\$27,486,000 (31 December 2022: HK\$39,491,000) bear interest at interest rates mainly with reference to Hong Kong dollar prime rate (31 December 2022: with reference to the Hong Kong dollar prime rate).

7. ACCOUNTS RECEIVABLE (Continued)

An ageing analysis of accounts receivable from cash clients and advances to cash clients based on the trade date is as follows:

	As at 30 June 2023 (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
Within 1 month	1,010,860	1,154,444
1 to 2 months	1,467	520
2 to 3 months	931	127
Over 3 months	<u>14,162</u>	<u>21,330</u>
	<u><u>1,027,420</u></u>	<u><u>1,176,421</u></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 2023 (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
Accounts payable		
- Clients	5,079,887	6,334,669
- Brokers and dealers	1,129,628	110,699
- Clearing houses	<u>139,889</u>	<u>78,357</u>
	<u><u>6,349,404</u></u>	<u><u>6,523,725</u></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 2023.

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 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

First Half of 2023 Market Review

In the first half of 2023, despite fluctuations in overseas economies, generally, Europe and the United States remained stable economies, and the emerging markets made a recovery. In the United States, the inflation rate declined slowly and market expectation at the beginning of the year that the US Federal Reserve’s policy might turn accommodative has not been realized. In order to avoid an economic hard landing, the US Federal Reserve raised interest rates by a cumulative 75 basis points in the first half of the year. In Europe, as the Russia-Ukraine conflict slowed down in stages, inflation declined significantly, the economies of the Eurozone countries entered into a state of recovery, but due to factors such as a weaker recovery in consumption, the momentum of economic development was weaker than that of the United States. In the emerging markets, as commodity prices began to fall significantly during the year, Middle Eastern countries, which are highly dependent on energy exports, and Latin American countries, which are dependent on mineral, energy and food exports, have experienced a significant slowdown in economic growth. The major economies in Southeast Asia have achieved rapid economic recovery, benefiting from the reshaping of global trade chains and the liberalization of anti-pandemic policy in China.

In the Chinese Mainland, the economy achieved a better-than-expected performance in the first quarter driven by the deferred demand, however entered into a period of endogenous pressure in the second quarter due to weakening of consumption, investment and exports. Total retail sales of consumer goods increased by 8.2% year-on-year from January to June. Fixed asset investment increased by 3.8% year-on-year from January to June. The enthusiasm for investment in infrastructure and manufacturing industries was gradually fading, but under the impetus of the policy of “guaranteeing the delivery of properties”, the overall growth rate of fixed investment still maintained a reasonable level. In terms of foreign trade, the cumulative year-on-year imports and exports (in US dollars) from January to June were -6.7% and -3.2% respectively. The shares of high value-added commodities such as automobiles and the “new three things” and the shares of exports from the “Belt and Road” countries were all on a rise, which together constituted the “three resilience” that support exports. In terms of the price, the cumulative year-on-year CPI from January to June was 0.7%, while the cumulative year-on-year PPI was -3.1%. “Structural overcapacity - PPI deflation deepens - CPI low hovering” has become the main line of inflation, rather than pure demand impact.

The capital market of the Chinese Mainland experienced an upward and then downward trend in the first half of 2023. In the first half of the year, the Shanghai Composite Index and Shenzhen Composite Index rose by 3.65% and 0.10% respectively, while the GEM Index fell by 5.61%. The A-share IPO market remained relatively active in the first half of 2023, according to Wind Data, a total of 173 new shares were listed on the market, almost the same number of newly listed companies as compared to the same period of 2022, with initial public offering (IPO) proceeds of HK\$209.738 billion, a significant decline compared to the same period of last year.

The Hong Kong economy improved remarkably in the first quarter of 2023, driven by a strong recovery in inbound tourism and local demand. However, in terms of the capital market, the Hang Seng Index fell by 4.37% in the first half of 2023, fully offset all the increases been made since the end of last year. In terms of IPOs, there were a total of 33 new listings in the first half of 2023 (including the number of listings transferred from GEM to the Main Board), raising a total of HK\$17.8 billion, compared with 27 new listings in the first half of 2022, the number of IPOs increased by 22% but the amount of financing fell by 10%.

In the first half of 2023, the overall financing environment remained tense, with the mainland real estate sector yet to see a material recovery. The US Federal Reserve continued to raise interest rates, the issuance scale of Chinese offshore bonds further contracted, while the issuance scale of RMB-denominated bonds in the free trade zones increased. In the secondary market, investment-grade bonds remained relatively stable, while yields on high-yield bonds were volatile due to a combination of factors, such as the relaxation of domestic real estate policies, increased expectations of interest rate hikes by the US Federal Reserve, and credit events of domestic real estate enterprises.

Review of Operations

In the first half of 2023, at the strategic level, the Group continued to serve the overall national strategy, actively integrated into the international business integration, created an agile and co-creative empowering organization with an offshore integration mindset, and focused on building an integrated international business platform with integration and coherence. At the operational level, in face of the complicated environment of the domestic and overseas markets, the Group has responded calmly, deeply implemented risks management, actively resolved the reserve of risky projects. The Group insisted on focusing on capital-light business, deepened business synergies, expanded product platforms, developed new businesses and promoted business transformation and development. In terms of management, the Company further improved its corporate governance by strengthening organizational establishment, system construction, process optimization and other refining management efforts.

In the first half of 2023, the revenue of the Group increased to HK\$361 million from HK\$281 million in the first half of 2022, representing an increase of 28% as compared to that of the corresponding period of last year. In the first half of 2023, the Group recorded a loss before tax of HK\$70.89 million, compared with a loss before tax of HK\$128 million in the first half of 2022; and a loss attributable to shareholders of HK\$71.34 million, compared with a loss attributable to shareholders of HK\$123 million in the first half of 2022. The loss recorded during the period under review was mainly due to the lower fee and commission income as a result of the ongoing market turbulence, higher cost of funds during the interest rate hike cycle, and the provision for expected credit losses on bond products in the institutional services and trading business. The expected credit loss provision is not a realized loss. The impact of the accounting adjustment on the Company's financial position was minimal and the Company's operations were normal.

	For the six months ended 30 June			
	2023		2022	
	HK\$'000	Ratio	HK\$'000	Ratio
Fee and commission income	121,268	34%	136,814	49%
Interest income	144,335	40%	93,851	33%
Income from investment business	95,407	26%	50,673	18%
	361,010	100%	281,338	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 11% to HK\$121 million. Interest income has increased in the high interest rate environment, representing a year-on-year increase of 54% to HK\$144 million. The fixed income trading business was contributed by the Group's principal investment, increasing the revenue of the investment business by 88% to HK\$95.41 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		
	2023	2022	Change
	HK\$'000	HK\$'000	
Fee and commission income	37,242	55,202	(33%)
Interest income	126,910	69,107	84%
-Loan to clients	46,804	58,779	(20%)
-Others	80,106	10,328	676%
Loss from investment business	(28)	(20)	(40%)
	164,124	124,289	32%

During the period under review, income from the Group's wealth management business increased by 32%, with fee and commission income from wealth management business amounting to HK\$37.24 million, a decrease of 33% compared to HK\$55.2 million in the first half of 2022. As for interest income, interest income from customer loans amounted to HK\$46.8 million in the first half of the year, representing a decrease of 20% from HK\$58.78 million in the first half of 2022. The decrease in fee and commission income was mainly due to market uncertainties. During the period under review, the Hang Seng Index showed a trend of first rising and then falling, which fell to the level of 18,200 points in early June, a decrease of approximately 20% from the high point. Meanwhile, investors' willingness to invest was affected by market turbulence, resulting in a year-on-year decline in market turnover. During the period under review, the average daily turnover of Hong Kong stocks was HK\$115.5 billion, a decrease of 16.5% from HK\$138.3 billion in the same period last year.

In the second half of the year, the Group will closely monitor the complex and severe market environment and competitive situation, and continue to deepen the process of wealth management transformation and upgrading by taking into account both external business expansion and internal management upgrading. The wealth management business will adhere to the customer-centric business philosophy, expand diversified product platforms, improve financial technology platforms, and build wealth management brands "Wynner" and "Wynner League", so as to persistently provide customers with comprehensive and one-stop high-quality wealth management services.

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.

	For the six months ended 30 June		
	2023	(Restated) 2022	
	HK\$'000	HK\$'000	Change
Fee and commission income	34,038	34,417	(1%)
Income from investment business	109,177	2,563	4160%
	143,215	36,980	287%

During the first half of 2023, 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 1% year-on-year to HK\$34.04 million during the period under review. In addition, the Group utilized its own funds to make investments and recorded an investment income of HK\$109 million.

—*Sponsorship and underwriting and financial advisory*

During the period under review, the issuance of Hong Kong stock primary market continued the downturn since 2022. However, the Group is steadfast in its strategies of internationalization and domestic/overseas integration, which has resulted in an increase in the number of sponsorship and underwriting project reserves compared to the past. The Group also continued the development and follow-up on a wide range of financial advisory projects, and the revenue from relevant sponsorship and underwriting projects and financial advisory projects is expected to be realized gradually. 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*

During the period under review, the equity capital market team participated in 3 IPO underwriting projects and 2 GDR 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

In face of significant volatility in the offshore debt capital markets, during the period under review, the Group completed a total of 50 offshore bond issuance projects (including 49 underwriting projects and 1 financial advisory projects), among which 46 are state-owned enterprises and local government financing vehicles (LGFVs) projects and 4 financial institutional-related projects which raised US\$4,099 million and US\$1,893 million for clients, respectively. In face of the challenges and opportunities arising from the ever-changing offshore debt capital market and regulatory policies, 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 improve the business capacity of the team, in an effort to adapt to market and regulatory changes and 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.

	For the six months ended 30 June								Change
	Fee and commission income (Restated)		Interest income		Income/(loss) from investment business		Total (Restated)		
	2023	2022	2023	2022	2023	2022	2023	2022	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Fixed income, currencies and commodities	-	-	-	-	(18,030)	50,501	(18,030)	50,501	(136%)
Structured products	-	-	-	-	4,288	(2,371)	4,288	(2,371)	281%
Stock business	34,666	31,617	17,425	24,744	-	-	52,091	56,361	(8%)
	34,666	31,617	17,425	24,744	(13,742)	48,130	38,349	104,491	(63%)

In 2023, affected by factors such as high global inflation, hikes in the federal funds rate, the banking crisis in the US and slow economic recovery in China, the US dollar bonds have been in a volatile trend overall this year. In the environment of high US dollar benchmark interest rates, the issuance and trading of US dollar bonds in the primary and secondary markets are relatively quiet compared to the same period last year. The issuance of RMB bonds in the free trade zone has gradually increased since the beginning of the year, which has become a new highlight in the market. Due to high financing costs, business transformation and other factors, the Group actively disposed of existing bonds, and further compressed the overall bond size. The income from fixed income businesses during the period under review was HK\$-18.03 million, a year-on-year decrease of 136%. To promote business transformation and development, the fixed income team actively expands the market making and trading business in the secondary market, and develops structural products and transactions in foreign exchange and interest rates. During the period under review, the team realized the trading volume on behalf of clients of US\$770 million, a year-on-year increase of 2.2 times. The cumulative scale of foreign exchange transactions on behalf of clients exceeded US\$55 million, and completed the largest sales and issuance of RMB free trade bond flat notes in the market this year.

Institutional Services and Trading Business (Cont'd)

In 2023, the financial products team has vigorously promoted business collaboration, developed new products and business models to further transform to low-risk and capital-light business. During the period under review, the team launched the cross-border income exchange channel of northbound treasury bonds and futures, the overall income exchange scale increased steadily, and the back-to-back repurchase and reverse repurchase business to clients also entered into formal operation. In addition, the OTC options business has been active since its launch in 2022 and growing steadily in scale; in terms of notes, the team has completed several private equity linkage funds and structured notes projects of discretionary account subjects, and continued to fund the Group at costs lower than the market rates by utilizing the issuance of financing notes.

During the period under review, due to severe market volatility, the institutional services and trading business recorded a revenue of HK\$-13.74 million from investment business, representing a decrease of 129% year-on-year.

In respect of equity trading, based on the current market condition, teams of institutional sales, trading and corporate relations reorganized the product lines and strengthened the coverage of key institutional clients. On the premise of stabilizing the fundamental of spot bond business, the Group has cultivated a cross product sales team, and further enhanced the business competitiveness through upgrading the trading system and organizing corporate connectivity activities. Overseas regional teams have fully utilized domestic resources, fully exerted the complementary advantages at home and abroad, realized cross-border integration of the institutional business, and provided more diversified and comprehensive research resources, investment products, securities margin financing and trading experience to existing and new clients. During the period under review, fee and commission income from institutional services and trading business amounted to HK\$34.67 million, an increase of 10% year-on-year, while interest income amounted to HK\$17.42 million, a decrease of 30% 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		
	2023	2022	
	HK\$'000	HK\$'000	Change
Fee and commission income	15,322	15,578	(2%)

In the first half of 2023, the Group continued to develop private equity investment and FOF business, build the core competitiveness of alternative asset management, and expand its brand influence. Meanwhile, the asset management team continued to pay attention to regulatory policies and client needs of cross-border asset management, adhered to business innovation, and the volume and scale of cross-border asset management products grew steadily and gained good market response.

During the period under review, the scale and fee ratio of asset management has remained stable. The fee and commission income from asset management business amounted to HK\$15.32 million, representing a year-on-year decrease of 2%.

The Group will continue to seize the policy opportunities, take 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 constantly develop private equity business and other alternative asset management businesses, enrich product matrix 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 and the trustworthy global asset allocation management institution.

Prospects

Looking ahead to global financial market environment in the second half of the year, the US Federal Reserve is likely to implement tightening monetary policy at the end of the year, which will affect the economic growth. In addition, with the outflow of deposits of commercial bank in the United States, loan pressure on commercial real estates will arise, and the overall credit contraction may cause the United States to enter a recession cycle at the end of the year. The tightening labor market and monetary policies in the European market will shock European companies that rely on bank credit, and energy risks will also further drag down industrial production in Europe. In overall, the global economic recession pressure in the second half of the year will gradually spread from European and American markets to emerging market economies, together with the conflict between Russia and Ukraine that has not seen a decisive end, challenges will be presented to the global economy.

In Chinese Mainland, the gradual recovery of domestic production, and the increase of exports of high value-added commodities and to the countries (regions) along the “Belt and Road” will continue to guarantee the export within the year; the moderate investment in infrastructure and manufacturing industries will have a positive effect on steady growth, and the real estate industry will gradually stabilize under the supporting policies of “delivery guarantee”; and the recovery of labor participation rate and the deferred transmission of strong real estate completion are expected to stimulate consumption growth.

In Hong Kong, the market trend in the second half of the year is uncertain due to several challenges such as the weak economy recovery of Chinese Mainland and the pending rate hike by the US Federal Reserve. However, provided that the economic stimulus policy at the end of the year would come into force, overseas liquidity easing route would be gradually clear, the stock market in Hong Kong would be expected to pick up.

In the second half of 2023, the global macro economy is still uncertain, 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 as follows: firstly, we will stabilize the business fundamentals, continue to actively resolve the existing risks, and adhere to effective risk management and compliance operation as the bottom line; secondly, we will vigorously promote the development of capital-light business, optimize business structure, procure the construction of coordinated system guided by investment banking business, advance the transformation of wealth management business and develop the cross-border asset management platform with internet business and brand building as the breakthrough points; thirdly, we will deepen the application of financial technology, enhance system building, improve automatic level of operation and management and improve the clients’ experience; fourthly, we will accelerate the integration progress of international business, expand new products and new businesses with lower risks, commit to create new growth points of income, and dedicate to become a comprehensive financial service 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 2023, 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\$2,911 million (31 December 2022: HK\$2,960 million).

Debentures Issued

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

The unsecured and unguaranteed bonds were redeemed and cancelled on 26 January 2023 in accordance with the terms and conditions of the unsecured and unguaranteed bonds.

Treasury Policies

The Group generally finances its business operations with internally generated cash flow and bank borrowings. The majority of Group's banking facilities is renewable on a yearly basis and is 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 2023, the Group had cash and bank balances of HK\$1,303 million (31 December 2022: HK\$1,238 million) and investments at fair value through profit or loss of HK\$4,702 million (31 December 2022: HK\$3,739 million). As at 30 June 2023, the Group's total unutilized banking facilities amounted to HK\$9,391 million (31 December 2022: HK\$9,381 million), of which HK\$9,391 million (31 December 2022: HK\$9,381 million) could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2023, the Group had outstanding short-term bank borrowings and notes issued amounting to HK\$1,372 million (31 December 2022: HK\$1,489 million) and HK\$1,066 million (31 December 2022: HK\$nil) respectively. The liquidity ratio (current assets to current liabilities) and gearing ratio (bank borrowings to net asset value) were 120% (31 December 2022: 118%) and 47% (31 December 2022: 50%) 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 2023.

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 2023, the advances to customers were overdue accounts receivable from cash clients, margin financing and structured products.

As at 30 June 2023, the balance of accounts receivable from cash clients measured at fair value through profit or loss and margin financing amounted to HK\$27 million (31 December 2022: HK\$39 million) and HK\$1,195 million (31 December 2022: HK\$1,309 million) respectively.

41% (31 December 2022: 35%) 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 principal operations are transacted and recorded in Hong Kong dollar and US dollar. The Group is not exposed to material foreign exchange risk because Hong Kong dollar is pegged with United States dollar. Other foreign currency exposure is relatively minimal to its total assets and liabilities. 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 2023.

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 2023.

Changes since 30 June 2023

There were no important events affecting the Group since 30 June 2023.

Employees

As at 30 June 2023, the total number of full-time employees was 303 (2022: 315). The total staff costs for the period under review amounted to approximately HK\$134 million (2022: HK\$134 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 2023, 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 2023.

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 2023 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 9 directors, of which Ms. Wu Meng, Mr. Zhang Jian, Mr. Tan Weijun, 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, 18 August 2023