



Shenyin Wanguo (H.K.) Limited
申銀萬國(香港)有限公司

(Stock Code : 218)



BEIJING



SOUTH
KOREA



JAPAN



SHANGHAI



SHENZHEN

HONG KONG



SINGAPORE

Interim Report 2012

RESULTS

The Directors of Shenyin Wanguo (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 2012 together with comparative figures for the corresponding period of last year.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
	Notes	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
REVENUE	3	138,583	189,314
Commission expenses		(24,493)	(44,444)
Employee benefit expenses		(54,822)	(53,769)
Depreciation expenses		(4,681)	(3,566)
Interest expenses for financial services operations		(10)	(1,282)
Other gains	3	525	659
Other expenses, net		(47,014)	(57,863)
PROFIT BEFORE TAX	4	8,088	29,049
Income tax expense	5	(2,200)	(2,301)
PROFIT FOR THE PERIOD		5,888	26,748
Attributable to:			
Owners of the Company		5,882	26,748
Non-controlling interests		6	–
		5,888	26,748
INTERIM DIVIDEND	6	–	5,308
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted		1.11 cents	5.04 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	5,888	26,748
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Changes in fair value	(1,261)	940
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(1,261)	940
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,627	27,688
Attributable to:		
Owners of the Company	4,621	27,688
Non-controlling interests	6	–
	4,627	27,688

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		18,986	17,812
Stock and Futures Exchange trading rights		4,212	4,212
Other assets		14,928	16,989
Available-for-sale investments	8	11,326	12,595
Deferred tax assets		1,163	1,438
Total non-current assets		50,615	53,046
CURRENT ASSETS			
Investments at fair value through profit or loss	8	116,994	136,490
Accounts receivable	9	545,413	228,110
Loans and advances	10	602,060	560,273
Prepayments, deposits and other receivables		15,095	12,928
Tax recoverable		7,041	7,580
Bank balances held on behalf of customers		1,986,133	1,981,941
Cash and cash equivalents		334,081	392,692
Total current assets		3,606,817	3,320,014
CURRENT LIABILITIES			
Accounts payable	11	2,407,567	2,107,840
Other payables and accruals		69,299	75,725
Tax payable		3,786	2,400
Total current liabilities		2,480,652	2,185,965
NET CURRENT ASSETS		1,126,165	1,134,049
TOTAL ASSETS LESS CURRENT LIABILITIES		1,176,780	1,187,095
NON-CURRENT LIABILITY			
Deferred tax liability		288	369
Net assets		1,176,492	1,186,726
EQUITY			
Equity attributable to owners of the Company			
Issued capital		265,380	265,380
Reserves		908,482	903,861
Proposed/declared dividends		-	14,861
		1,173,862	1,184,102
Non-controlling interests		2,630	2,624
Total equity		1,176,492	1,186,726

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Issued capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Available- for-sale investment revaluation reserve HK\$'000	General reserve HK\$'000	Retained profits HK\$'000	Proposed/ declared dividends HK\$'000	Total equity HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2011 (audited)	265,380	314,740	15	1,844	138	537,457	47,768	1,167,342	2,619	1,169,961
Profit for the period	-	-	-	-	-	26,748	-	26,748	-	26,748
Other comprehensive income for the period:										
Change in fair value of available-for-sale investments, net of tax	-	-	-	940	-	-	-	940	-	940
Total comprehensive income for the period	-	-	-	940	-	26,748	-	27,688	-	27,688
Final and special 2010 dividend declared	-	-	-	-	-	-	(47,768)	(47,768)	-	(47,768)
Interim 2011 dividend declared	6	-	-	-	-	(5,308)	5,308	-	-	-
At 30 June 2011 (unaudited)	265,380	314,740	15	2,784	138	558,897	5,308	1,147,262	2,619	1,149,881

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

		Attributable to owners of the Company									
	Note	Issued capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Available- for-sale investment revaluation reserve HK\$'000	General reserve HK\$'000	Retained profits HK\$'000	Proposed/ declared dividends HK\$'000	Total equity HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2012 (audited)		285,380	314,740	15	(2,323)	138	591,291	14,861	1,184,102	2,624	1,186,726
Profit for the period		-	-	-	-	-	5,882	-	5,882	6	5,888
Other comprehensive loss for the period:											
Change in fair value of available-for-sale investments, net of tax		-	-	-	(1,261)	-	-	-	(1,261)	-	(1,261)
Total comprehensive income for the period		-	-	-	(1,261)	-	5,882	-	4,621	6	4,627
Final 2011 dividend declared		-	-	-	-	-	-	(14,861)	(14,861)	-	(14,861)
At 30 June 2012 (unaudited)		285,380	314,740	15	(3,584)	138	597,173	-	1,173,862	2,630	1,176,492

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2012 (Unaudited) <i>HK\$'000</i>	2011 (Unaudited) <i>HK\$'000</i>
Net cash flows from/(used in) operating activities	(38,203)	79,830
Net cash flows used in investing activities	(5,547)	(14,714)
Net cash flows used in financing activities	(14,861)	(37,768)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(58,611)	27,348
Cash and cash equivalents at beginning of period	392,692	86,507
CASH AND CASH EQUIVALENTS AT END OF PERIOD	334,081	113,855
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	150,011	80,709
Time deposits with original maturity of less than three months when acquired	184,070	52,970
Bank overdrafts	–	(19,824)
	334,081	113,855

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim 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 (“HKICPA”).

The accounting policies and methods of computation adopted in the preparation of these unaudited condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2011, except that in the current period, the Group has adopted certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) as detailed in note (a) below.

(a) Changes in accounting policy and disclosures

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

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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

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

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-Time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i> ²
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> ²
HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 10	<i>Consolidated Financial Statements</i> ²
HKFRS 11	<i>Joint Arrangements</i> ²
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ²
HKFRS 13	<i>Fair Value Measurement</i> ²
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> ¹
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ³
HKAS 19 (2011)	<i>Employee Benefits</i> ²
HKAS 27 (2011)	<i>Separate Financial Statements</i> ²
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ²
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> ²
<i>Annual Improvements Project</i>	Annual Improvements to HKFRSs 2009 – 2011 Cycle ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

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

2. OPERATING SEGMENT INFORMATION

	Securities trading and investment holding HK\$'000	Securities broking and dealing HK\$'000	Securities financing and direct loans HK\$'000	Corporate finance and assets management HK\$'000	Total HK\$'000
Six months ended					
30 June 2012 (Unaudited)					
Segment revenue from external customers	(2,193)	95,554	25,869	19,353	138,583
Segment results and profit before tax	(1,399)	(8,810)	19,890	(1,593)	8,088
Segment assets	148,382	2,843,490	606,222	48,664	3,646,758
<i>Reconciliation:</i>					
Deferred tax assets					1,163
Tax recoverable					7,041
Unlisted club debentures included in available-for-sale investments					2,470
Total assets					3,657,432
	Securities trading and investment holding HK\$'000	Securities broking and dealing HK\$'000	Securities financing and direct loans HK\$'000	Corporate finance and assets management HK\$'000	Total HK\$'000
Six months ended					
30 June 2011 (Unaudited)					
Segment revenue from external customers	(8,822)	137,844	41,165	19,127	189,314
Segment results and profit before tax	(9,736)	4,353	32,356	2,076	29,049
Segment assets	202,538	2,500,368	862,766	32,856	3,598,528
<i>Reconciliation:</i>					
Deferred tax assets					1,696
Unlisted club debentures included in available-for-sale investments					2,470
Total assets					3,602,694

3. REVENUE AND OTHER GAINS

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

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue		
Financial services:		
Commission and brokerage income	86,525	142,318
Interest income from securities financing and direct loans	25,869	41,159
Net fair value losses on securities and futures contracts trading	(2,870)	(9,339)
Income from rendering of services	15,970	10,569
	125,494	184,707
Others:		
Bank interest income	12,488	4,212
Dividend income from:		
Listed equity investments at fair value through profit or loss	550	344
Others	51	51
	13,089	4,607
	138,583	189,314
Other gains		
Exchange gains, net	525	659

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Charitable donations	40	40
Minimum lease payments under operating leases in respect of land and buildings	15,151	16,114
Net realised gains on trading of listed equity investments and futures contracts	(35)	(314)

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the jurisdiction in which the Group operates.

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	2,032	5,724
Overprovision in prior years	(72)	(3,794)
Current – Overseas	46	106
Deferred	194	265
Total tax charge for the period	2,200	2,301

6. DIVIDEND

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interim – Nil (2011: HK1 cent) per ordinary share	–	5,308

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

The calculation of basic earnings per share amount is based on the unaudited profit for the period attributable to ordinary equity holders of the Company of HK\$5,881,990 (2011: HK\$26,747,742) and the 530,759,126 (2011: 530,759,126) ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during those periods.

8. INVESTMENTS

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Available-for-sale investments, at fair value		
Listed equity investments in Hong Kong	3,273	2,922
Unlisted equity investment	5,583	7,203
Unlisted club debentures	2,470	2,470
	11,326	12,595
Investments at fair value through profit or loss		
Listed equity investments in Hong Kong, at fair value	20,640	23,030
Unlisted investment funds, at fair value	96,354	113,460
	116,994	136,490

9. ACCOUNTS RECEIVABLE

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Accounts receivable	567,183	249,880
Less: Impairment	(21,770)	(21,770)
	545,413	228,110

Save for credit period allowed by the Group, the accounts receivable shall be due on the settlement day of the respective securities and futures contracts transactions.

An aged analysis of accounts receivable as at the end of the reporting period, based on the trade day, is as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within 1 month	469,359	157,896
1 to 2 months	15,074	52,779
2 to 3 months	10,011	1,035
Over 3 months	72,739	38,170
	567,183	249,880

Included in the accounts receivable balance as at 30 June 2012 was a broker receivable amount due from the ultimate holding company of the Company of HK\$14,844,302 (31 December 2011: HK\$2,399,663) which arose from securities dealing transactions. This balance is unsecured, interest-free and repayable on the settlement day of the relevant transactions.

10. LOANS AND ADVANCES

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Loans and advances to customers:		
Secured	613,021	571,234
Unsecured	2,212	2,212
	615,233	573,446
Less: Impairment	(13,173)	(13,173)
	602,060	560,273

The maturity profile of the loans and advances to customers at the end of the reporting period is analysed as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Repayable on demand	601,906	560,119
Undated	13,327	13,327
	615,233	573,446

11. ACCOUNTS PAYABLE

An aged analysis of accounts payable, based on the trade day, as at the end of the reporting period is as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within 1 month	2,407,567	2,107,840

11. ACCOUNTS PAYABLE (Cont'd)

Included in the accounts payable balance as at 30 June 2012 was a broker payable amount due to the ultimate holding company of the Company of HK\$6,934,183 (31 December 2011: HK\$544,126) which arose from securities dealing transactions. This balance is unsecured, interest-free and payable on the settlement day of the relevant transactions.

Included in the accounts payable balance as at 30 June 2012 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK\$345,937 (31 December 2011: HK\$288,930) which arose from securities dealing transactions. This balance is unsecured, bears interest at bank deposit savings rate and is payable on demand.

12. COMMITMENTS

(a) Capital commitments

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Contracted, but not provided for the purchases of furniture, fixtures and equipment	378	3,372

(b) Operating lease commitments as a lessee

At 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within one year	24,947	29,102
In the second to fifth years, inclusive	14,362	25,308
	39,309	54,410

13. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the six-month period:

(a) Substantial beneficial shareholders

The Group paid brokerage commissions totaling HK\$724,039 (six months ended 30 June 2011: HK\$973,982) to the ultimate holding company of the Company which were based on mutually agreed terms with reference to the commission rate and conditions similar to those offered to other customers by the ultimate holding company.

Details of the Group's accounts receivable and accounts payable with the ultimate holding company and an intermediate holding company of the Company are included in notes 9 and 11 to the condensed financial statements, respectively.

(b) Subsidiary of a substantial beneficial shareholder

The Group accrued research fees totaling HK\$3,100,000 (six months ended 30 June 2011: Paid HK\$7,300,000) to a subsidiary of the ultimate holding company of the Company which were charged in accordance with mutually agreed terms with reference to the actual cost incurred.

(c) Key management personnel compensation

	Six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short term employee benefits	10,392	7,788
Post-employment benefits	660	610
	11,052	8,398

14. REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012.

INTERIM DIVIDEND

The Board of Directors (the “Board”) recommends no payment of interim dividend for the six months ended 30 June 2012 (2011: HK1 cent).

MANAGEMENT DISCUSSION AND ANALYSIS OF PERFORMANCE

Review of Market

The Hong Kong market was volatile in the first half of 2012. From the peripheral market perspective, the new development of the European debt crisis and the difficulties encountered in the United States economic recovery had exerted pressure to the global stock market. In the domestic market, it was generally expected that the economy of Chinese Mainland was gradually entering into a downward cycle. The industries like banking and real estate were under pressure. China’s Gross Domestic Product (GDP) growth saw an increase of 7.6% year-on-year in the second quarter of this year, the lowest in the past three years. In general, both the current domestic and external environment remained complicated and precipitous with more uncertainties and instabilities in the economic development. As affected by the peripheral economic environment, the Hong Kong stock market remained volatile.

Since the beginning of the year, the Hang Seng Index reached its high of 21,760 on 20 February 2012 but plunged into its trough of 18,056 on 4 June 2012. In the first half of this year, the Hang Seng Index was mainly fluctuating in the range of 19,000 and 21,000. The average daily turnover of the Hong Kong Stock Exchange from January to June this year was HK\$56.7 billion, representing a decrease of 23% as compared with the average daily turnover of HK\$73.6 billion in the corresponding period of last year.

Review of Operations

In the first half year of 2012, the investment banking business of the Group maintained its growth as compared with the corresponding period of last year, the scope and size of the Group's asset management business continued to expand with income roughly maintained at par with the corresponding period of last year. Seed monies invested by the Group recorded a loss due to market adjustments and income from the securities broking business saw a significant decline from last year. In general, the operations of the Group performed normally. However, owing to fierce market competition and the downward trend of the Hong Kong stock market, the market turnover and operating results recorded a significant decrease from the corresponding period of last year. In the first half of this year, the Group obtained the RQFII business qualifications and quota approved by China Securities Regulatory Commission and the State Administration of Foreign Exchange and had successfully launched "Shenyin Wanguo RMB Mainland Investment Fund", expanding itself into a new business sector. As shown in the financial statements, the Group recorded unaudited profit before tax of HK\$8.09 million for the first half of the year (2011: HK\$29.05 million), representing a decrease of 72.2% when compared with the corresponding period of 2011. The turnover of the Group was down by HK\$50.73 million which was mainly attributable to the decrease of market turnover in the first half of the year resulting in the reduction of commission and brokerage income by HK\$55.79 million over the same period of last year.

The securities broking business of the Group focuses on the stock and futures markets in Hong Kong as well as the B-share market in Chinese Mainland. In 2012, the market turnover dropped significantly as compared with the corresponding period of last year amid volatile downward market indices. The Group strived to achieve a stable commission income from the Group's securities broking business through endeavoring the development of institutional trading, increase in trading categories and improvement of service quality. Despite the year-on-year decrease in turnover, the turnover of institutional clients remained relatively stable, but the turnover volume of retail clients recorded a significant drop from that of last year. In the first half of 2012, the Group's securities broking business recorded an income of HK\$86.53 million, representing a decrease of 39% from HK\$142.32 million when compared with the corresponding period of last year. In terms of business expansion, the Group restructured its institutional clients sales team in 2012, optimized its business process and set up branch in Singapore, thereby achieving progresses in promoting the sales of overseas institutional clients and laid a foundation for the development of its business in future.

Shenyin Wanguo Capital (H.K.) Limited (“Shenyin Wanguo Capital”), a wholly-owned subsidiary of the Company, is mainly engaged in financial consultancy and securities underwriting. Shenyin Wanguo Capital acted as the sponsor to ASR Holdings Limited, the shares of which were successfully listed on the Main Board of the Hong Kong Stock Exchange in January 2012. During the first half of 2012, Shenyin Wanguo Capital acted as underwriter for five new issues and ten new financial advisory projects were signed.

The first half of 2012, marked a very important chapter for Shenyin Wanguo Asset Management (Asia) Limited (“SWAM”) to the whole SWS group. SWAM achieved and completed the significant corporate milestones of launching two Hong Kong SFC Authorised Public Funds in March: “Shenyin Wanguo RMB Mainland Investment Fund” (RQFII Fund) and “Shenyin Wanguo China Policy Focus Fund” (CPF Fund). SWAM now have a more complete product offering comprising: authorised Hong Kong public funds, privately managed funds, equity funds, bond funds, absolute return funds, relative benchmark funds etc. We capitalised on our strong oversea offices network, broadened our investor base, now spreading across Greater China, Korea, Japan and Asia etc. During the first half of the year, SWAM has also improved the workflow procedure of the asset management business in all aspects. SWAM achieved all three key performance indicators (KPIs): increase in assets under management (AUM), improved profitability and better investment performance. In terms of performance, most of our Funds have beaten our respective benchmark. Of notable mention is the sterling performance of our RQFII Fund (Hong Kong public fund) and SKIT Fund (Taiwan public fund). Our RQFII Fund performance consistently ranked between the fifth and seventh among its peers. RQFII Fund also paid its first maiden dividend in the second quarter of 2012. We also have one of the more progressive dividend policy in terms of frequency (quarterly payment) and also our generous payout policy. In the first half of 2012, the SKIT Fund is ranked number one fund amongst its 30 peer funds. We will continue to ride on the media goodwill to increase our marketing effort to bring in more AUM and improve profitability for our own department and greater profit contribution to overall SWS group. We are also co-operating with our SWS Group to explore possibilities of launching a QDII Fund. Global markets remains challenging, though Asia appears brighter, more promising vis-à-vis our US and European peers. We believe with our focused discipline, capitalising on our core expertise and management commitment; we should be able to ride through the stormy investment climate victorious.

Our securities trading and broking businesses are supported by a securities research team of the Group. With the support of our parent company, which is one of the leading securities companies in Chinese Mainland, the Group has become a specialist in Chinese Mainland securities and produces regular reports on Chinese Mainland securities, also covering macroeconomics, market strategy as well as comments on key Chinese Mainland companies listed on the Hong Kong, Shanghai and Shenzhen stock exchanges. The research team of the Group also produces detailed company analyses, which are circulated to our clients. In the first half of 2012, a total of 36 investment analysts from our parent company joined our annual investment conference in Hangzhou, China, as well as performed international roadshows to meet with clients in Asia, the US and UK. We believe that such visits are beneficial to the collaboration between our parent company and us on the research and investment banking fronts.

Prospects

It is generally anticipated that the sovereign debt crisis in several European countries will persist in the second half of 2012, the global economy will be affected by various uncertainties and the recovery outlook will be far from optimistic. From the latest economic information for the first half of 2012 published by Chinese Mainland, its consumer price index has fallen back, with the trends in investment, consumption and export slightly better than market expectations. With the gradual emerging of certain macro policies effects like the reduction in interest rate and deposit reserve rate by the Chinese Mainland government and the promotion of investment in a reasonable growth, it can be expected that the Chinese Mainland economy for the year will continue to maintain a stable development trend. Given that there are still a lot of uncertainties in both the current global and Chinese Mainland economies, the impact of the fluctuation of the peripheral market surrounding Hong Kong will be complicated and volatile. It is expected that the securities market in Hong Kong may remain volatile in the second half of 2012.

Given that all the above factors are influential to the market, by closely entwining to its operating principle of “intensifying transformation, strengthening foundation, creative innovation and enhancing quality”, the Group intends to promote the Group’s transformation of its primary engagement in retail business into increasing the proportion of institutional business, transformation of its primary engagement in broking business into the well balancing of broking, asset management and investment banking businesses, and transformation of focusing on local business in Hong Kong into the coverage of cross-border business, thereby increasing substantially the revenue proportion of the business interaction among the Group’s three main platforms. In the second half year, the Group intends to continue the vigorous development of institutional sales business, accelerate its overseas layout, maintain its innovative advantages and increase its service quality, in particular to strive to achieve a new breakthrough in the financial innovative sector like the RQFII products and cross-border ETF products, thereby driving its various businesses to a higher platform. Riding on the operating results achieved in the first half of the year, the Group intends to continue its active and pragmatic operation strategies to promote its retail broking business, increase its product categories, which include bonds and various overseas stocks, actively promote the international bulk commodity futures trading business, and introduce a wider variety of trading products and more convenient trading channels to local and Chinese Mainland retail investors, and strive to make up the decrease of brokerage income in the first half of the year. The Group has planned to speed up its development in the asset management business and continue to devote to the management of RQFII products with a view of maintaining the Group’s competitive strength in the asset management sector. In terms of the investment banking business, apart from focusing on its investment in placing activities, the Group will also be committed to develop the IPO sponsoring operation, and actively promote its direct investment business with a view to diversifying the income structure of this business as well as improving its profitability while increasing its business activities. While aggressively expanding all of its businesses, the Group will also persistently strengthen its risk management and improve its corporate governance mechanism so as to secure a healthy, sustainable and stable growth across the Group’s businesses.

Capital Structure

During the period, there was no change to the share capital of the Company. As at 30 June 2012, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK\$1,174 million.

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2012, the Group had a cash holding of HK\$334 million and short-term marketable securities of HK\$117 million. As at 30 June 2012, the Group's total unutilised banking facilities amounted to HK\$861 million, of which HK\$388 million could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2012, the Group had no outstanding short-term bank borrowings and liquidity ratio (current assets to current liabilities) was 1.45.

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

Significant Investment Held, Material Acquisition and Disposal

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

Charges on the Group's Asset

No asset of the Group was subject to any charge as at 30 June 2012.

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 eliminate any risk that the Group may encounter. As at 30 June 2012, the advances to customers included direct loans and margin financing amounted to HK\$7 million (31 December 2011: Nil) and HK\$608 million (31 December 2011: HK\$573 million) respectively, of which, 9% (31 December 2011: 9%) was attributable to corporate customers with the rest attributable to individual customers.

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

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

Contingent Liabilities

There were no material contingent liabilities as at 30 June 2012.

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 2012.

Employees and Training

As at 30 June 2012, the total number of full-time employees was 235 (2011: 228). The total staff costs for the period (excluding directors' fees) amounted to approximately HK\$54.6 million.

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities and Futures Commission, the Group will organise a Continuous Professional Training seminar in October 2012 for all licensed staff members.

OTHER INFORMATION

Director's Interests in Shares

As at 30 June 2012, the interest of a director in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), was as follows:

Long position in the ordinary shares of the Company

Name of director	Number of ordinary shares directly beneficially owned	Percentage of the Company's issued share capital
Lee Man Chun Tony	1,300,000	0.24

Save as disclosed above, as at 30 June 2012, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders' Interests in Shares

As at 30 June 2012, the interests of substantial shareholders, other than directors or chief executive of the Company, in the share capital of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the ordinary shares of the Company

Name	Capacity and nature of interests	Number of ordinary shares held	Percentage of the Company's issued share capital
Shenyin Wanguo Holdings (B.V.I.) Limited ("SWHBVI")	Directly beneficially owned	268,334,875*	50.56
Venture-Some Investments Limited ("VSI")	Through controlled corporation	268,334,875*	50.56
Shenyin Wanguo (H.K.) Holdings Limited ("SWHKH")	Through controlled corporation	268,334,875*	50.56
	Directly beneficially owned	2,045,000*	0.38
Shenyin & Wanguo Securities Co., Ltd. ("SWSC")	Through controlled corporation	270,379,875*	50.94

* *SWHBVI was held directly as to 50.51% by VSI. VSI was wholly-owned by SWHKH. SWHKH was wholly-owned by SWSC. Hence, VSI, SWHKH and SWSC were deemed to be interested in the same parcel of 268,334,875 shares held by SWHBVI under the SFO. SWHKH also held directly 2,045,000 shares of the Company. Hence, SWSC was also deemed to be interested in the same parcel of 2,045,000 shares held by SWHKH.*

Save as disclosed above, as at 30 June 2012, the Company had not been notified of any person who had interests or short positions in the shares or underlying shares of the Company, which were required to be recorded in the register required to be kept under Section 336 of the SFO.

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.

CODE ON CORPORATE GOVERNANCE PRACTICES

To better the Company's transparency and accountability to the shareholders, the Company is, so far as practicable, committed to maintaining high standard of corporate governance. Save for the deviations from the Code Provisions A.4.1 and A.6.7 which are explained as below, the Company has met all the code provisions stipulated in Appendix 14, Code on Corporate Governance Practices (the "Code"), which has been renamed as Corporate Governance Code and Corporate Governance Report with effect from 1 April 2012, of the Listing Rules during the six months ended 30 June 2012.

Code Provision A.4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election. In the first four months of 2012, the non-executive directors (including independent non-executive directors) of the Company were not appointed for specific terms, but each director is subject to retirement by rotation at least once every three years. In May 2012, the Company issued formal letter of appointment to each director (including non-executive director and independent non-executive director) pursuant to which each of them is appointed for a specific term, subject to retirement by rotation at least once every three years.

Code Provision A.6.7 specifies that independent non-executive directors and other non-executive directors should attend general meetings of the company. Due to other business engagements, a non-executive director and an independent non-executive director were unable to attend the Annual General Meeting of the Company held on 11 May 2012.

Nomination Committee

The Nomination Committee was established by the Board in March 2012. The functions of the Nomination Committee are mainly to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to assess the independence of independent non-executive directors as well as to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive. Details of terms of reference of the Nomination Committee are published in the websites of Hong Kong Exchanges and Clearing Limited and the Company.

The Nomination Committee comprises one executive director, Mr. Chu Xiaoming, and three independent non-executive directors, namely Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Zhuo Fumin. Mr. Chu Xiaoming acts as the chairman of the Nomination Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on replies from the Company's directors on specific enquiry, all the directors complied with required standard set out in the Model Code throughout the period.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The audit committee has reviewed the interim results announcement and interim report of the Company for the six months ended 30 June 2012.

DIRECTORS

As at the date of this interim report, the Board of the Company comprises 9 directors, of which Mr. Chu Xiaoming, Mr. Lu Wenqing, Mr. Guo Chun and Mr. Lee Man Chun Tony are the executive directors, Mr. Chang Pen Tsao and Mr. Huang Gang are the non-executive directors, Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Zhuo Fumin are the independent non-executive directors.

By Order of the Board
Chu Xiaoming
Chairman

Hong Kong, 24 August 2012