



Shenyin Wanguo (H.K.) Limited
 申銀萬國(香港)有限公司
 (Stock Code : 218)

2013

INTERIM REPORT



Sustain a healthy & steady growth

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 2013 together with comparative figures for the corresponding period of last year.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 June	
		2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
REVENUE	3	170,710	138,583
Commission expenses		(34,132)	(24,493)
Employee benefit expenses		(55,356)	(54,822)
Depreciation expenses		(4,671)	(4,681)
Interest expenses for financial services operations		(5,100)	(10)
Impairment loss of an available-for-sale investment		(2,623)	–
Other gains	3	1,239	525
Other expenses, net		(45,034)	(47,014)
PROFIT BEFORE TAX	4	25,033	8,088
Income tax expense	5	(3,070)	(2,200)
PROFIT FOR THE PERIOD		21,963	5,888
Attributable to:			
Owners of the Company		21,961	5,882
Non-controlling interests		2	6
		21,963	5,888
INTERIM DIVIDEND	6	–	–
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted		4.14 cents	1.11 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	21,963	5,888
OTHER COMPREHENSIVE INCOME		
Available-for-sale investments:		
Changes in fair value	(2,112)	(1,261)
Reclassification adjustments for loss/(gain) included in the consolidated income statement		
– gain on disposal	(920)	–
– impairment loss	2,623	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(409)	(1,261)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	21,554	4,627
Attributable to:		
Owners of the Company	21,552	4,621
Non-controlling interests	2	6
	21,554	4,627

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		14,356	17,048
Stock and Futures Exchange trading rights		4,212	4,212
Other assets		21,801	16,282
Available-for-sale investments	8	7,443	12,624
Deferred tax assets		479	878
Total non-current assets		48,291	51,044
CURRENT ASSETS			
Investments at fair value through profit or loss	8	149,444	360,021
Accounts receivable	9	453,142	478,247
Loans and advances	10	1,197,072	1,138,487
Prepayments, deposits and other receivables		19,399	15,887
Tax recoverable		2,971	5,225
Bank balances held on behalf of customers		2,129,476	2,335,223
Cash and cash equivalents		194,112	193,914
Total current assets		4,145,616	4,527,004
CURRENT LIABILITIES			
Accounts payable	11	2,464,163	2,692,541
Other payables and accruals		52,878	63,648
Interest-bearing bank borrowings		455,818	614,698
Tax payable		2,089	1,819
Total current liabilities		2,974,948	3,372,706
NET CURRENT ASSETS		1,170,668	1,154,298
TOTAL ASSETS LESS CURRENT LIABILITIES		1,218,959	1,205,342
NON-CURRENT LIABILITY			
Deferred tax liability		607	583
Net assets		1,218,352	1,204,759
EQUITY			
Equity attributable to owners of the Company			
Issued capital		265,380	265,380
Reserves		950,336	928,784
Proposed/declared dividends		-	7,961
Non-controlling interests		1,215,716	1,202,125
		2,636	2,634
Total equity		1,218,352	1,204,759

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 2012 (audited)	265,380	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 income for the period	-	-	-	(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)	265,380	314,740	15	(3,584)	138	597,173	-	1,173,862	2,630	1,176,492

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

	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 HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2013 (audited)	265,380	314,740	15	409	138	613,482	7,961	1,202,125	2,634	1,204,759
Profit for the period	-	-	-	-	-	21,961	-	21,961	2	21,963
Other comprehensive income for the period	-	-	-	(409)	-	-	-	(409)	-	(409)
Total comprehensive income for the period	-	-	-	(409)	-	21,961	-	21,552	2	21,554
Final 2012 dividend declared	-	-	-	-	-	-	(7,961)	(7,961)	-	(7,961)
At 30 June 2013 (unaudited)	265,380	314,740	15	-	138	635,443	-	1,215,716	2,636	1,218,352

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Net cash flows from/(used in) operating activities	165,889	(38,203)
Net cash flows from/(used in) investing activities	1,150	(5,547)
Net cash flows used in financing activities	(138,961)	(14,861)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	28,078	(58,611)
Cash and cash equivalents at beginning of period	132,217	392,692
CASH AND CASH EQUIVALENTS AT END OF PERIOD	160,295	334,081
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	101,532	150,011
Time deposits with original maturity of less than three months when acquired	92,580	184,070
Bank overdrafts	(33,817)	–
	160,295	334,081

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation adopted in the preparation of these unaudited interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2012, 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	<i>Amendments to HKFRS 1 First Time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	<i>Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	<i>Amendments to HKFRS 10, HKFRS 11 and HKFRS12 – Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	<i>Amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009-2011 Cycle</i>	<i>Amendments to a number of HKFRSs issued in June 2012</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 9	<i>Financial Instruments</i> ²
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> ¹
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 36 Amendments HK(IFRIC)-Int 21	<i>Impairment of Assets</i> ¹ <i>Levies</i> ¹

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

² 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 <i>HK\$'000</i>	Securities broking and dealing <i>HK\$'000</i>	Securities financing and direct loans <i>HK\$'000</i>	Corporate finance and asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended					
30 June 2013 (Unaudited)					
Segment revenue from external customers	11,997	105,352	44,890	8,471	170,710
Segment results and profit before tax	(22,924)	18,911	37,768	(8,722)	25,033

	Securities trading and investment holding <i>HK\$'000</i>	Securities broking and dealing <i>HK\$'000</i>	Securities financing and direct loans <i>HK\$'000</i>	Corporate finance and asset management <i>HK\$'000</i>	Total <i>HK\$'000</i>
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

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	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue		
Financial services:		
Commission and brokerage income	102,588	86,525
Interest income from securities financing and direct loans	36,072	25,869
Net realised and unrealised gains/(losses) on securities and futures contracts trading	5,721	(2,870)
Income from rendering of services	9,071	15,970
	153,452	125,494
Others:		
Bank interest income	8,818	12,488
Dividend income from:		
Unlisted available-for-sale equity investments	5,820	–
Listed equity investments at fair value through profit or loss	398	550
Others	2,222	51
	17,258	13,089
	170,710	138,583
Other gains		
Exchange gains, net	1,239	525

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Charitable donations	–	40
Minimum lease payments under operating leases in respect of land and buildings	15,115	15,151
Net realised gains on trading of listed equity investments and futures contracts	(3,575)	(35)

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	2,575	2,032
Overprovision in prior years	(13)	(72)
Current – Overseas	88	46
Deferred	420	194
Total tax charge for the period	3,070	2,200

6. DIVIDEND

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interim – Nil (2012: Nil)	–	–

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\$21,961,736 (2012: HK\$5,881,990) and the 530,759,126 (2012: 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 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Available-for-sale investments, at fair value		
Listed equity investments in Hong Kong	–	2,558
Unlisted equity investment	4,973	7,596
Unlisted club debentures	2,470	2,470
	7,443	12,624
Investments at fair value through profit or loss		
Listed equity investments in Hong Kong, at fair value	3,798	39,208
Unlisted investment funds, at fair value	145,646	320,813
	149,444	360,021

8. INVESTMENTS (Cont'd)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

For financial instruments measured at fair value on recurring basis, the Group determines whether transfer has occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
As at 30 June 2013			
– (Unaudited)			
Available-for-sale investments, at fair value			
Unlisted equity investment	–	4,973	4,973
Unlisted club debentures	–	2,470	2,470
Investments at fair value through profit or loss			
Listed equity investments in Hong Kong, at fair value	3,798	–	3,798
Unlisted investment funds, at fair value	–	145,646	145,646
	3,798	153,089	156,887

8. INVESTMENTS (Cont'd)

Fair value hierarchy (Cont'd)

	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
As at 31 December 2012			
– (Audited)			
Available-for-sale investments, at fair value			
Listed equity investments			
in Hong Kong	2,558	–	2,558
Unlisted equity investment	–	7,596	7,596
Unlisted club debentures	–	2,470	2,470
Investments at fair value through profit or loss			
Listed equity investments			
in Hong Kong, at fair value	39,208	–	39,208
Unlisted investment funds, at fair value	–	320,813	320,813
	<hr/>	<hr/>	<hr/>
	41,766	330,879	372,645

During the period ended 30 June 2013, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The fair value of unlisted equity investment is determined with reference to market value of underlying assets, which mainly include an equity investment listed in Hong Kong held by the investee company.

The fair value of unlisted investment funds is determined based on public information of quoted net asset value of the relevant fund investments.

9. ACCOUNTS RECEIVABLE

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Accounts receivable	474,912	500,017
Less: Provision for impairment	(21,770)	(21,770)
	453,142	478,247

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

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within 1 month	407,162	421,492
1 to 2 months	10,165	4,085
2 to 3 months	4,972	1,603
Over 3 months	52,613	72,837
	474,912	500,017

Included in the accounts receivable balance as at 30 June 2013 was a broker receivable amount due from the ultimate holding company of the Company of HK\$6,998,974 (31 December 2012: HK\$12,887,538) 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 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Loans and advances to customers:		
Secured	1,208,033	1,149,448
Unsecured	2,212	2,212
	1,210,245	1,151,660
Less: Provision for impairment	(13,173)	(13,173)
	1,197,072	1,138,487

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

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Repayable on demand	1,196,918	1,138,333
Undated	13,327	13,327
	1,210,245	1,151,660

11. ACCOUNTS PAYABLE

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

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within 1 month	2,464,163	2,692,541

11. ACCOUNTS PAYABLE (Cont'd)

Included in the accounts payable balance as at 30 June 2013 was a broker payable amount due to the ultimate holding company of the Company of HK\$8,228,444 (31 December 2012: HK\$12,213,668) 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 2013 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK\$25,470,443 (31 December 2012: HK\$164,183) which arose from securities dealing transactions. This balance is unsecured, bears interest at bank deposit rate and is payable on demand.

12. COMMITMENTS

(a) Capital commitments

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Contracted, but not provided for the purchases of furniture, fixtures and equipment	438	345

(b) Operating lease commitments as a lessee

At 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	22,646	29,891
In the second to fifth years, inclusive	3,640	11,062
	26,286	40,953

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\$1,896,875 (six months ended 30 June 2012: HK\$724,039) 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\$3,575,000 (six months ended 30 June 2012: HK\$3,100,000) 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 and included in other payables and accruals balance as at 30 June 2013 (31 December 2012: Nil).

(c) Key management personnel compensation

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Short term employee benefits	11,668	10,392
Post-employment benefits	898	660
	12,566	11,052

14. REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2013.

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 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF PERFORMANCE

Review of Market

In the first half of 2013, the performance of the world’s major economies was seriously fragmented. The U.S. continued its recovery trend from 2012 with property prices and consumer confidence index rising up strongly, and its employment market continued to improve. For Japan, both its export and domestic consumption began to activate after many years of stagnancy. In addition, its GDP growth in the first quarter was 4.1%, showing the silver lining of ending the deflation that last for two decades. Meanwhile, Europe was still shrouded in the shadow of debt crisis and high unemployment rate, and its economic growth was weak. As compared with Europe, the emerging countries were facing more serious difficulties. Demand was sluggish and inflation was intensifying, with increasing decline in stock market while domestic currency continued to depreciate. Certain economies like Turkey, Egypt and Brazil suffered political unrest one after another.

The economy of Chinese Mainland was also deeply affected. The already difficult economic recovery was even more complicated under its economic transformation, with both its investment and consumption going down, and the strong RMB had also led to a negative growth in exports in June. Although inflation was basically under control, the prices of industrial products suffered a drop for a consecutive 16 months, and the profitability of mid-stream and upstream enterprises was pessimistic. As affected by the overall downturn of emerging markets and the economic growth slowdown in Chinese Mainland, the trend of Hong Kong stock market was lack lustre. After experiencing a slight increase in January, Hang Seng Index was trembling down from its high of 23,944 on 4 February, dropping to 21,512 on 18 April, a decrease of over 10%. Thereafter, the market expected that the Chinese Mainland economy should improve in the second quarter, contributing some recovering sentiment on Hong Kong stock market, with Hang Seng Index rebounded to 23,493 on 20 May. However, the economic data had revealed that the expected improvement might not occur, and Hang Seng Index once again dipped downwards to even below the previous low, closed at 20,803 by the end of June. From January to June this year, the average daily turnover of the Hong Kong Stock Exchange amounted to HK\$68.5 billion which was substantially higher than the average daily turnover of HK\$56.5 billion in the first half of last year.

Review of Operations

In the first half of 2013, the overall operation of the Group achieved a satisfactory growth with a turnover of HK\$171 million (2012: HK\$139 million), representing an increase of 23% as compared with the same period last year. The unaudited profit before tax increased by 209% to HK\$25.03 million (2012: HK\$8.09 million). Revenue from broking business and asset management business achieved a higher growth. For broking business, as driven by the increase in market trading volume, the commission and brokerage income increased by HK\$16.06 million as compared with the same period last year. For asset management business, with the successful launching of two public mutual funds last year, i.e. the “Shenyin Wanguo RMB Mainland Investment Fund” (RQFII Fund) and “Shenyin Wanguo China Policy Focus Fund” (CPF Fund), the size of our fund expanded substantially than before, which in turn led to the increase in management fee income, representing an increase of 62% as compared with the same period last year. In late June, an additional quota of RMB1.0 billion for RQFII special account was also being granted, therefore, the business can be developed further. For investment banking business, given the volatile market conditions, a number of projects were suspended. Income from such business decreased by 79% as compared with the same period of 2012. In order to increase revenue source, the Group developed its wealth management business in 2013, and it began to contribute revenue in the first half of 2013.

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 2013, the markets in both Hong Kong and Chinese Mainland soared initially and then dropped, with its average daily turnover increased from HK\$56.5 billion to HK\$68.5 billion. The net brokerage income of the Group recorded an increase of 50%, following the increase in transaction volume. The Group also actively expanded from its already existing markets in Hong Kong and the B-share market in Chinese Mainland to other major stock markets like U.S., United Kingdom, Australia and Japan through the active promotion of retail business transformation, exploration of revenues from non-Hong Kong stocks and online trading platform. For its product categories, besides stocks, the Group also introduced global commodity futures, funds and bonds, and provides a comprehensive trading service platform for clients, enhanced its competitiveness and improved the income structure. For the institutional broking business, besides launching new products continuously, the Group even integrated its overseas offices and sales teams further to unify its management and joint marketing, and strived to increase the proportion of institutional transactions.

Shenyin Wanguo Capital (H.K.) Limited (“Shenyin Wanguo Capital”), a wholly-owned subsidiary of the Group, is mainly engaged in financial advisory and securities underwriting. Shenyin Wanguo Capital acted as the sponsor of China Aluminum Cans Holdings Limited, the shares of which were successfully listed on the Main Board of the Hong Kong Stock Exchange in July 2013. During the first half of 2013, Shenyin Wanguo Capital acted as underwriter for various new issues and actively participated in a number of share placements as well as a number of financial advisory projects.

The “Shenyin Wanguo RMB Mainland Investment Fund” (RQFII Fund), managed by Shenyin Wanguo Asset Management (Asia) Limited (“SWAM”), a wholly-owned subsidiary of the Group, continued to perform well. It outperformed the comparable funds and had distributed dividends in five consecutive quarters since its launching in the first quarter of 2012 and dividends were came from the stable profits it earned. The fund planned to apply for additional RQFII quota in the second half of 2013. We have been granted an RQFII special management quota of RMB1.0 billion by end of June this year and will commence its operation in the second half year to increase the scale of our asset management and improve the profitability of our asset management. “Shenyin Wanguo China Policy Focus Fund” (CPF Fund), the other Hong Kong SFC authorised public mutual fund investing in equities, is applying for the qualifications of Capital Investment Entrant Scheme, which by then will be benefited more to our marketing. We scheduled to apply for the QFII business qualifications and quota in the second half of this year in which it will expand the scope and profitability of the investment business of SWAM.

A securities research team of the Group provides professional support for our securities trading and broking businesses. With the support of our parent company, which is one of the leading securities companies in Chinese Mainland, the Group has become a research specialist in Chinese Mainland securities and publishes regular reports on Chinese Mainland securities. The reports also cover macroeconomics, market strategy as well as analyses on the key Chinese Mainland companies listed on the Hong Kong, Shanghai and Shenzhen stock exchanges. The securities research team of the Group also prepares detailed company analytical reports for circulation to our clients. During the first half of 2013, the securities research team of the Group published a total of nearly 1,000 research reports, of which, the research on new energy, oil and gas and military industries have exerted market impact to some extent. Nearly 20 analysts from our parent company have personally

met or invited Hong Kong listed companies to meet with our clients in Hong Kong and Asia and conducted international roadshows. We believe that such excursion trips were beneficial to the collaboration between our parent company and us and had exerted positive impact on the research and investment banking business of the Group.

Prospects

Investors generally expect that the U.S. economy will continue to recover and that the Federal Reserve Board may begin tapering its asset purchase in the second half of this year. Meanwhile, the economic improvement in Japan and the European countries remains to be observed. The recently published Chinese Mainland economic data have revealed that its growth has slowed down, however, we are still cautiously optimistic about its economic growth for the year. In terms of fiscal expenditure, enterprise tax cuts and real estate market, the Chinese government still has sufficient room for policy adjustments. In addition, with the imminent Third Plenary Session of The Eighteenth Communist Party of China Central Committee, which is going to be held in October this year, the policies regarding urbanization, environmental administration and financial system reform will be promulgated one after another. In general, although the nominal economic growth of Chinese Mainland may slow down, the quality of future growth will be obviously enhanced due to reform's beneficial impact and structural opportunities in which the Chinese assets will remain very attractive. Under the current valuation standard, it is expected that the performance of Hong Kong stock market in the second half year will perform better than its first half year and trading will be more active.

Capital Structure

During the period, there was no change to the share capital of the Company. As at 30 June 2013, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was HK\$1,216 million.

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2013, the Group had a cash holding of HK\$194 million and short-term marketable securities of HK\$149 million. As at 30 June 2013, the Group's total unutilised banking facilities amounted to HK\$735 million, of which HK\$268 million could be drawn down without the need of notice nor completion of condition precedent.

As at 30 June 2013, the Group had outstanding short-term bank borrowings amounting to HK\$456 million. The liquidity ratio (current assets to current liabilities) and gearing ratio (bank borrowings to net asset value) were 1.39 and 0.37 respectively.

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

Significant Investment Held, Material Acquisition and Disposal

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

Charges on the Group's Asset

No asset of the Group was subject to any charge as at 30 June 2013.

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 2013, all advances to customers were margin financing and amounted to HK\$1,210 million (31 December 2012: HK\$1,152 million), of which, 12% (31 December 2012: 6%) 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 2013.

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 2013.

Employees and Training

As at 30 June 2013, the total number of full-time employees was 210 (2012: 235). The total staff costs for the period (excluding directors' fees) amounted to approximately HK\$55 million.

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities and Futures Commission, the Group has organised a total of 4 Continuous Professional Training seminars for all licensed staff members during the six months ended 30 June 2013.

OTHER INFORMATION

Director's Interests in Shares

As at 30 June 2013, none of the directors and the chief executive of the Company was taken to be interested or deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of 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").

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 2013, the interests of substantial shareholders, other than directors or chief executive of the Company, in the issued 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 2013, 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 by the Company pursuant to 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.

CORPORATE GOVERNANCE CODE

To better the Company's transparency and accountability to the shareholders, the Company is, so far as practicable, committed to maintaining high standard of corporate governance. Save for the deviation from the Code Provision A.6.7 which is explained as below, the Company has met all the code provisions stipulated in Appendix 14, Corporate Governance Code and Corporate Governance Report (the "Code"), of the Listing Rules during the six months ended 30 June 2013.

Code Provision A.6.7 specifies that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagements, a non-executive director and an independent non-executive director were unable to attend the annual general meeting and extraordinary general meeting of the Company both held on 10 May 2013. However, the non-executive director has appointed his authorised representative to attend the annual general meeting and extraordinary general meeting.

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 2013.

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. Zhang Lei 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, 16 August 2013