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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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

RESULTS

The board of directors (the “Board”) of Shenwan Hongyuan (H.K.) Limited (the “Company”) are pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015 together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
REVENUE	4	696,649	473,291
Other gains/(losses), net	4	988	(246)
Commission expenses		(156,237)	(103,838)
Employee benefit expenses		(193,907)	(150,214)
Depreciation expenses		(5,248)	(5,884)
Interest expenses for financial services operations		(17,396)	(14,273)
Other expenses, net		(122,164)	(97,342)
PROFIT BEFORE TAX	5	202,685	101,494
Income tax expense	6	(18,372)	(7,567)
PROFIT FOR THE YEAR		184,313	93,927
Attributable to:			
Ordinary equity holders of the Company		184,314	93,934
Non-controlling interests		(1)	(7)
		184,313	93,927
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (BASIC AND DILUTED)	7	HK23.21 cents	(Restated) HK13.24 cents
DIVIDEND PER SHARE	8	HK9 cents	HK5 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2015 HK\$'000	2014 HK\$'000
PROFIT FOR THE YEAR	<u>184,313</u>	<u>93,927</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be reclassified to the consolidated statement of profit or loss in subsequent periods		
Available-for-sale investments:		
Changes in fair value - gain/(loss)	-	(2,314)
Reclassification adjustments for loss/(gain) included in the consolidated statement of profit or loss - gain on disposal	<u>(167)</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>(167)</u>	<u>(2,314)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>184,146</u>	<u>91,613</u>
Attributable to:		
Ordinary equity holders of the Company	184,147	91,620
Non-controlling interests	<u>(1)</u>	<u>(7)</u>
	<u>184,146</u>	<u>91,613</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December 2015 HK\$'000	As at 31 December 2014 HK\$'000
	<i>Notes</i>		
<u>NON-CURRENT ASSETS</u>			
Property, plant and equipment		12,221	13,259
Stock and Futures Exchange trading rights		4,212	4,212
Other assets		26,006	43,983
Available-for-sale investments	9	2,470	7,610
Deferred tax assets		7,304	236
Total non-current assets		52,213	69,300
<u>CURRENT ASSETS</u>			
Investments at fair value through profit or loss		42,980	199,879
Accounts receivable	10	879,937	1,140,380
Loans and advances		2,053,818	1,717,634
Prepayments, deposits and other receivables		21,253	24,442
Tax recoverable		1,172	148
Bank balances held on behalf of clients		3,862,085	2,664,938
Cash and bank balances		511,804	272,413
Total current assets		7,373,049	6,019,834
<u>CURRENT LIABILITIES</u>			
Accounts payable	11	4,448,656	3,653,108
Other payables and accruals		127,599	105,370
Interest-bearing bank borrowings		749,680	1,009,097
Tax payable		17,889	4,793
Total current liabilities		5,343,824	4,772,368
NET CURRENT ASSETS		2,029,225	1,247,466
<i>TOTAL ASSETS LESS CURRENT LIABILITIES</i>		2,081,438	1,316,766
<u>NON-CURRENT LIABILITY</u>			
Deferred tax liability		266	270
NET ASSETS		2,081,172	1,316,496
<u>EQUITY</u>			
Equity attributable to ordinary equity holders of the Company			
Share capital		1,200,457	580,120
Other reserves		878,085	733,745
		2,078,542	1,313,865
Non-controlling interests		2,630	2,631
TOTAL EQUITY		2,081,172	1,316,496

NOTES:

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong. The registered office of the Company is situated at Level 19, 28 Hennessy Road, Hong Kong.

The Group was involved in brokerage business, corporate finance business, asset management business, financing and loans business, and investment and other business.

The Company is a subsidiary of Shenwan Hongyuan Holdings (B.V.I.) Limited (formerly known as Shenyin Wanguo Holdings (B.V.I.) Limited), a company incorporated in the British Virgin Islands with limited liability. In the opinion of the directors, the ultimate holding company of the Company is Shenwan Hongyuan Group Co., Ltd., which was established in the People's Republic of China (the "PRC") and listed in Shenzhen Stock Exchange (stock code: 000166).

The unaudited financial information relating to the year ended 31 December 2015 and the financial information relating to the year ended 2014 included in this preliminary announcement of annual results 2015 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 2014, is derived from those 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 financial statements for the year ended 31 December 2015 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course.

The Company has delivered the financial statements for the year ended 31 December 2014 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 these financial statements for the year ended 31 December 2014. 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.

2. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements to HKFRSs 2010-2012 Cycle</i>	<i>Amendments to a number of HKFRSs</i>
<i>Annual Improvements to HKFRSs 2011-2013 Cycle</i>	<i>Amendments to a number of HKFRSs</i>

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. OPERATING SEGMENT INFORMATION

An analysis of the Group's reportable segment results before tax for the year is as follows:

	Brokerage business HK\$'000	Corporate finance business HK\$'000	Asset management business HK\$'000	Financing and loans business HK\$'000	Investment business HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 December 2015							
Segment revenue and other gains/(losses) from external customers	<u>389,880</u>	<u>114,206</u>	<u>9,519</u>	<u>170,566</u>	<u>12,478</u>	<u>988</u>	<u>697,637</u>
Segment results and profit/(loss) before tax	<u>82,504</u>	<u>28,663</u>	<u>(621)</u>	<u>82,449</u>	<u>8,702</u>	<u>988</u>	<u>202,685</u>
Year ended 31 December 2014							
Segment revenue and other gains/(losses) from external customers	<u>262,899</u>	<u>59,281</u>	<u>11,475</u>	<u>123,961</u>	<u>15,675</u>	<u>(246)</u>	<u>473,045</u>
Segment results and profit/(loss) before tax	<u>32,123</u>	<u>9,912</u>	<u>1,039</u>	<u>45,792</u>	<u>12,874</u>	<u>(246)</u>	<u>101,494</u>

Certain comparative amounts have been restated to conform with the current year's presentation.

Geographical information

The Group's operations are substantially located in Hong Kong and substantially all non-current assets of the Group are located in Hong Kong. Therefore, no further analysis of geographical information is presented.

4. REVENUE AND OTHER GAINS/(LOSSES)

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

	2015 HK\$'000	2014 HK\$'000
Revenue:		
<u>Brokerage business:</u>		
Commission on securities dealing		
- Hong Kong securities	282,219	196,560
- Other than Hong Kong securities	51,798	24,184
Commission on futures and options contracts dealing	34,529	31,790
Handling fee income	4,971	4,875
Research fee income and others	16,363	5,490
	<u>389,880</u>	<u>262,899</u>
<u>Corporate finance business:</u>		
Initial public offering, placing, underwriting and sub-underwriting commission	90,572	37,787
Financial advisory, compliance advisory, sponsorship fee income and others	23,634	21,494
	<u>114,206</u>	<u>59,281</u>
<u>Asset management business:</u>		
Management fee and investment advisory fee income	9,519	11,331
Performance fee income	-	144
	<u>9,519</u>	<u>11,475</u>
<u>Financing and loans business:</u>		
Interest income from loans to cash clients and margin clients	142,190	95,021
Interest income from initial public offering loans	4,966	4,940
Interest income from banks and others	23,410	24,000
	<u>170,566</u>	<u>123,961</u>
<u>Investment business:</u>		
Net realised and unrealised gains on financial assets:		
- Listed investments	389	1,417
- Unlisted investments	7,262	7,682
Dividend income and interest income:		
- Listed investments	115	866
- Unlisted investments	4,712	5,710
	<u>12,478</u>	<u>15,675</u>
	<u>696,649</u>	<u>473,291</u>
<u>Other gains/(losses):</u>		
Gain on disposal of an unlisted available-for-sale investment	167	-
Exchange gains/(losses), net	821	(246)
	<u>988</u>	<u>(246)</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2015 HK\$'000	2014 HK\$'000
Interest expenses on loans and overdrafts wholly repayable within five years	17,396	14,273
Minimum lease payments under operating leases in respect of land and buildings	<u>26,406</u>	<u>29,104</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates.

	2015 HK\$'000	2014 HK\$'000
Current – Hong Kong		
Charge for the year	25,710	8,388
Overprovision in prior years	(494)	(960)
Current – Elsewhere	228	388
Deferred	<u>(7,072)</u>	<u>(249)</u>
Total tax charge for the year	<u>18,372</u>	<u>7,567</u>

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

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The Group had no potentially dilutive ordinary shares in issue during those years. As at 31 December 2015, the total number of the issued ordinary shares was 796,138,689 shares (2014: 530,759,126 shares).

	2015	2014
Earnings		
Profit for the year attributable to ordinary equity holders of the Company (HK\$'000)	<u>184,314</u>	<u>93,934</u>
Number of shares		
Weighted average number of ordinary shares in issue (in thousands) (<i>note (a)</i>)	<u>794,242</u>	(Restated) <u>709,584</u>
Earnings per share, basic and diluted (HK cents per share)	<u>23.21</u>	(Restated) <u>13.24</u>

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

Note:

- (a) During the year, the Group issued 265,379,563 new shares and raised approximately HK\$621.5 million by way of rights issue on the basis of one rights share for every two existing shares held by shareholders of the Company at the price of HK\$2.342, which represent a discount to the prevailing fair value at the date of rights issue of the existing shares. After deducting the expense in connection with this rights issue amounting to HK\$1.2 million, the net proceeds of HK\$620.3 million were credited to the Company's share capital account.

The effect of the bonus element resulting from the rights issue has been included in the calculation of basic and diluted earnings per share and prior year basic and diluted earnings per share is adjusted in order to provide a comparable basis for the rights issue in the current year.

8. DIVIDEND

	2015 HK\$'000	2014 HK\$'000
Proposed final – HK9 cents (2014: HK5 cents) per ordinary share	<u><u>71,652</u></u>	<u><u>39,807</u></u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December 2015 HK\$'000	As at 31 December 2014 HK\$'000
Available-for-sale investments, at fair value:		
Unlisted equity investment	-	5,140
Unlisted club debentures	<u>2,470</u>	<u>2,470</u>
	<u><u>2,470</u></u>	<u><u>7,610</u></u>

10. ACCOUNTS RECEIVABLE

	As at 31 December 2015 HK\$'000	As at 31 December 2014 HK\$'000
Accounts receivable before provision for impairment	879,937	1,140,380
Less: Provision for impairment	<u>-</u>	<u>-</u>
Accounts receivable	<u><u>879,937</u></u>	<u><u>1,140,380</u></u>

The movements in provision for impairment of accounts receivable are as follows:

	2015 HK\$'000	2014 HK\$'000
As at 1 January	-	21,770
Amount written off as uncollectible	<u>-</u>	<u>(21,770)</u>
As at 31 December	<u><u>-</u></u>	<u><u>-</u></u>

10. ACCOUNTS RECEIVABLE (continued)

Save for the credit period allowed by the Group, the accounts receivable shall be due on the settlement date of the respective securities and futures contract transactions. In view of the fact that the Group's accounts receivable relates 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 balances, the Group is allowed to dispose of the securities deposited by the customers with the Group to settle any overdue amounts. Overdue accounts receivable from cash clients of HK\$69,039,000 (2014: HK\$76,936,000) bear interest at interest rates mainly with reference to Hong Kong dollar prime rate (2014: with reference to the Hong Kong dollar prime rate).

An aged analysis of accounts receivable before provision for impairment based on the trade date is as follows:

	As at 31 December 2015 HK\$'000	As at 31 December 2014 HK\$'000
Within 1 month	828,936	1,111,263
1 to 2 months	6,687	12,002
2 to 3 months	3,165	3,116
Over 3 months	41,149	13,999
	<u>879,937</u>	<u>1,140,380</u>

Included in the accounts receivable balance as at 31 December 2015 was a receivable due from a wholly-owned subsidiary of the ultimate holding company (2014: the ultimate holding company) of HK\$65,870,000 (2014: HK\$14,247,000) arising from brokerage services relating to the PRC capital markets and consultancy fee receivable due from a wholly-owned subsidiary of the ultimate holding company of HK\$4,323,000 (2014: Nil) arising from supporting services relating to Hong Kong and overseas markets. This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.

11. ACCOUNTS PAYABLE

An aged analysis of accounts payable based on the trade date is as follows:

	As at 31 December 2015 HK\$'000	As at 31 December 2014 HK\$'000
Within 1 month	<u>4,448,656</u>	<u>3,653,108</u>

Included in the accounts payable balance as at 31 December 2015 was a payable to a wholly-owned subsidiary of the ultimate holding company (2014: the ultimate holding company) of the Company of HK\$14,357,000 (2014: HK\$22,525,000) arising from brokerage services relating to the PRC capital markets. This balance is unsecured, interest-free and payable on the settlement date of the relevant transactions.

Included in the accounts payable balance as at 31 December 2015 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK\$163,182,000 (2014: HK\$29,352,000). This balance is unsecured, bears interest at the bank deposit rate and is payable on demand.

Accounts payable are non-interest-bearing except for the accounts payable to clients of HK\$3,605,214,000 (2014: HK\$2,337,075,000).

DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK9 cents per ordinary share in respect of 2015, to shareholders whose names appear on the register of members of the Company on 20 May 2016. The proposed dividend will be paid on or about 1 June 2016 subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

- a. from Monday, 9 May 2016 to Friday, 13 May 2016, both days inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for attending and voting at the 2016 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Friday, 6 May 2016; and
- b. from Thursday, 19 May 2016 to Friday, 20 May 2016, both days inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Wednesday, 18 May 2016.

MANAGEMENT DISCUSSION & ANALYSIS OF PERFORMANCE

2015 MARKET REVIEW

In 2015, despite the world economy maintained a modest recovery pattern overall, the deflationary pressure triggered by the huge drop in bulk commodity price still sustained. With the drop of 45% in 2014, the crude oil price plunged again significantly by 30% in 2015. After a short period of seasonal slowdown of the U.S. economy in the first quarter, as driven by the real estate market and enterprise investments, the U.S. economy maintained a stable growth with the employment market continued to show substantial improvements. Towards the end of the year, the U.S. Federal Reserve Board began to increase interest rate. The European economy was also under a slow recovery. The Eurozone economy showed a year-on-year growth with its growth rate higher than that of 2014. The labour market in Europe also continued to improve, and the overall unemployment rate in European Union decreased significantly as compared to last year. However, there was no substantial increase in consumer price index of European Union year-on-year depicting a significant deflationary risk. The exports of European Union also decreased significantly. In 2015, the Japanese government continued to implement other economic reforms, whereby its economic growth finally turned back into track. However, there was no obvious improvement or deterioration of its labour market. When compared to developed countries and regions, the economic growth and employment conditions of emerging markets and developing economies were far from optimistic in 2015. Only India was able to maintain an economic growth momentum with Russia and Brazil dipped into recession, while Latin America and the Caribbean region witnessed an overall negative growth. The unemployment rates in Brazil, Russia and South Africa met at a high level. Accordingly, the exchange rates of each of the major currencies of the emerging markets decreased collectively in 2015, with Brazilian Real recorded an accumulated devaluation of over 30%, being the top of the list among the currency devaluation in the emerging markets.

The economy of the Chinese Mainland in 2015 continued to slowdown, but the Chinese Government continued to increase strength on areas like structural reform and cultivating new points of economic growth. The central bank in China made continuous interest rate reduction and reserve requirement ratio cuts in 2015, and issued the medium and long term policy instructions to encourage real estate sales, and housing mortgage loans under the middle and long term bank loans category began to increase in the latter part of the year. Financial reform, state-owned enterprise reform, land reform, resource factors price reform were all progressing steadily, of which, financial reform was mostly praised. After launching the Shanghai-Hong Kong Stock Connect, the recognition of Hong Kong and Chinese Mainland mutual funds was formally implemented, thus injected vitality to the stock markets. The Hang Seng Index fluctuated within a narrow range from 23,500 to 25,000 in the beginning of the year. On 27 April, it increased to 28,588, up by approximately 17%. Thereafter, along with the debt crisis in Greece and a wave of A-share medium level adjustment, investors took profits and Hang Seng Index trembled down 5 months in a row to 20,846 by the end of September. After experiencing a technical rebound of over 8% in October, the index continued to adjust for 2 months and finally closed at 21,914, thus concluding the significant fluctuation situation for the whole year. In 2015, Hong Kong Stock Exchange recorded an average daily turnover of HK\$105.6 billion, representing an increase of 52% as compared with the average daily turnover of HK\$69.5 billion in the corresponding period of 2014.

REVIEW OF OPERATIONS

In 2015, the overall operation of the Group achieved a strong growth with a turnover of HK\$697 million (2014: HK\$473 million), representing a year-on-year increase of 47%. Profit before tax exceeded HK\$200 million, representing a year-on-year increase of 100% to HK\$203 million in 2015 from HK\$101 million in 2014. Profit attributable to shareholders increased by 96% to HK\$184 million from HK\$94 million in 2014. Revenue from brokerage business, corporate finance business, financing and loans business recorded a significant year-on-year growth.

For brokerage business, due to the robust secondary market sentiment in the second quarter of 2015, with the significant year-on-year increase in stock market's average daily turnover and an increase of the Group's market share, revenue from brokerage business increased by 48% year-on-year to HK\$390 million in 2015 from HK\$263 million in 2014. For corporate finance business, apart from considerable revenue generated from outstanding performance of placement projects, we also successfully completed the sponsoring/lead placing agent of 3 IPO projects, including Niraku GC Holdings, Inc.(1245), Pak Wing Group (Holdings) Limited (8316) and Great Water Holdings Limited (8196). In 2015, revenue from corporate finance business increased by 93% year-on-year to HK\$114 million in 2015 from HK\$59 million in 2014. The numbers of sponsoring/lead placing agent, underwriting participation/placement and financial advisory projects are 3, 14 and 23 respectively. Revenue from asset management business decreased by 17% year-on-year to HK\$9.5 million in 2015 from HK\$11.5 million in 2014. For financing and loans business, benefiting from the robust market sentiment in the second quarter and under the premise of controllable risks, we promptly expanded the loan size, with revenue increasing by 38% year-on-year to HK\$171 million in 2015 from HK\$124 million in 2014. The average margin loan balance in 2015 reached approximately HK\$2.2 billion.

Brokerage business

The brokerage 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 the second quarter of 2015, the robust market sentiment in both Hong Kong and Chinese Mainland drove the surge of annual transaction volume, with the average daily turnover in Hong Kong stock market increased from HK\$69.5 billion in 2014 to HK\$105.6 billion in 2015. The Group leveraged on the market opportunities, like the active new economic concept stocks and introduction of Shanghai- Hong Kong Stock Connect policy, to pro-actively introduce customers to participate in trading Hong Kong stocks and obtained satisfactory results. While expanding the Hong Kong stocks transaction business, the Group seized the favorable knock-in opportunities of Hong Kong Stock Information to actively expanding into the Chinese Mainland market to increase the number of new account opened for Hong Kong stocks. In 2015, the number of new accounts opened for Hong Kong stocks increased by 57% year-on-year. In 2015, the Group had closely cooperated with the International Business Division of the parent company to vigorously explore cross-border products, invested in overseas markets using QDII channels, satisfying domestic customers' demands to invest overseas. In 2015, the total size of fund was approximately US\$400 million, including domestic institutions and individual customers invested in overseas markets such as Hong Kong, U.S., by using QDII channel. The absolute amount of commission income from Hong Kong securities under the brokerage business increased from HK\$197 million in 2014 to HK\$282 million in 2015, with its percentage to total income from brokerage business decreased from 75% in 2014 to 72% in 2015. The percentage of brokerage income other than commission income from Hong Kong securities to total income from brokerage business increased from 25% in 2014 to 28% in 2015.

For the institutional brokerage business, the Group even integrated its overseas offices and sales teams further to unify its management and joint marketing, and actively expanded the comprehensive institutional business, which included share placement and RQFII products marketing. At the same time, for business development, the Group's wholly-owned Singapore incorporated subsidiary officially commenced its operation, and the Group introduced the equity capital markets team to actively develop large transactions from institutional clients and placement business and generated good performance. The percentage of trading volume in Hong Kong securities of our institutional sales team to the Group was 28% in 2015.

Financing and loans business

In 2015, in supporting its business development, the Group conducted a comprehensive appraisal on various sources of fund and leverage applications on debt issues, syndicated loans and commercial credits. By fully taking advantage on the opportunities brought by the intensive issue of new shares in the Hong Kong stock market and the active performance of individual stock in the first half of 2015, the Group expanded the loan size on time with risk under control to complement the development of retail brokerage business of Hong Kong securities. In 2015, the average margin balance reached approximately HK\$2.2 billion, with revenue increase year-on-year by 38% to HK\$171 million in 2015 from HK\$124 million in 2014.

Corporate finance business

Shenwan Hongyuan Capital (H.K.) Limited (“Shenwan Hongyuan Capital”), a wholly-owned subsidiary of the Group, is mainly engaged in the sponsor, financial advisory and securities underwriting businesses. In 2015, the numbers of sponsoring/lead placing agent, underwriting participation/placement and financial advisory projects which the Group completed in total are 3, 14 and 23 respectively. Apart from the aforementioned 3 IPO sponsoring/lead placing agent projects, the Group successfully participated in 14 underwriting/placement projects, including the rights issue of Century Sunshine Group Holdings Limited (509); IPO listing of Red Star Macalline Group Corporation Ltd. (1528), FSE Engineering Holdings Limited (331), China Animation Characters Company Limited (1566); and placement of China NT Pharma Group Company Limited (1011), Technovator International Limited (1206), Huiyin Smart Community Co., Ltd. (1280). Shenwan Hongyuan Capital also provided various financial advisory services for numerous listed companies, including financial advisor / independent financial advisor clients CSSC Offshore & Marine Engineering (Group) Company Limited (317), China Electronics Corporation Holdings Company Limited (85) , KEE Holdings Company Limited (2011), etc.; compliance advisors clients BAIC Motor Corporation Limited (1958), D&G Technology Holding Company Limited (1301), Niraku GC Holdings, Inc.(1245), Pak Wing Group (Holdings) Limited (8316), Great Water Holdings Limited (8196), etc.

Securities research business

Our securities trading and brokerage businesses are professionally 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 the Chinese Mainland, the Group has become a specialist in the research of the Chinese Mainland securities and prepares detailed company analytical reports for circulation to our clients. In 2015, the securities research team of the Group had issued a total of over 2,000 research reports, covering macroeconomics, market strategy and different industries, providing thorough and incisive analysis of Hong Kong stock and A Shares in China for clients. After developing Shanghai-Hong Kong Stock Connect, the research service needs offered by the Group for clients are further improved.

In 2015, a total of 32 analysts either in person or invited Hong Kong listed companies to meet with our clients from Hong Kong and Asia and had completed the holding of 71 international roadshows for the whole year. We believe that such excursions were beneficial to the collaboration between our parent company and us and posed positive impact on the research and investment banking fronts.

Asset management business

Shenwan Hongyuan Asset Management (Asia) Limited (“Shenwan Hongyuan Asset Management”), a subsidiary of the Group, is engaged in asset management business. Shenwan Hongyuan Asset Management fully elaborated on RQFII innovative policy to vigorously conduct cross-border asset management business. However, the asset management business was affected by Renminbi exchange reform commenced in August 2015 followed with many customers reduced the proportion of Renminbi assets. The total asset management size decreased from approximately HK\$5.5 billion in 2014 to approximately HK\$4.2 billion in 2015; revenue from asset management business decreased by 17% year-on-year from HK\$11.5 million in 2014 to HK\$9.5 million in 2015.

CAPITAL STRUCTURE

On 19 January 2015, the Company completed the rights issue on the basis of one rights issue for every two existing shares by issuing 265,379,563 new shares. Please refer to the Company's related announcements and listing documents for details. As at 31 December 2015, the total number of the issued ordinary shares was 796,138,689 shares (2014: 530,759,126) and total equity attributable to shareholders was approximately HK\$2,078.5 million (2014: HK\$1,313.9 million).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2015, the Group had a cash holding of HK\$511.8 million (2014: HK\$272.4 million) and investments at fair value through profit or loss of HK\$43.0 million (2014: HK\$199.9 million). As at 31 December 2015, the Group's total unutilised banking facilities amounted to HK\$2,911.3 million (2014: HK\$836.9 million), of which HK\$1,346.3 million (2014: HK\$245.8 million) could be drawn down without the need of notice period nor completion of condition precedent.

As at 31 December 2015, the Group had outstanding short-term bank borrowings amounting to HK\$749.7 million (2014: HK\$1,009.1 million). The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 31 December 2015 were 138% (2014: 126%) and 36% (2014: 77%) 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 year, 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 31 December 2015.

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 31 December 2015, the advances to customers were overdue accounts receivable from cash clients and margin financing. The balance of overdue accounts receivable from cash client amounted to HK\$69.0 million (2014: HK\$76.9 million). The balance of margin financing amounted to HK\$2,053.8 million (2014: HK\$1,717.6 million), of which 19% (2014: 14%) was attributable to corporate customers with the rest attributable to individual customers.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 December 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Except the future plans as disclosed in the paragraph of "Future Prospects & Plan", the Group had no other future plans for material investments or capital assets as at 31 December 2015.

EMPLOYEES

As at 31 December 2015, the total number of full-time employees was 253 (2014: 248). The total staff costs for the year amounted to approximately HK\$193.9 million (2014: HK\$150.2 million).

FUTURE PROSPECTS & PLAN

Looking from an international perspective, global economic growth is lacked luster, showing signs of "low growth, low inflation, low interest rate". Major economic zones have diversified monetary policies, which brings impact on global financial asset price revaluation and asset reallocation adjustment. Alongside with massive capital outlay, currencies' significant devaluation and high debt level, the economies of the economic zones in global emerging markets are going to face fairly high challenges. Complicated global economic financial situation will sure bring significant challenges and new factors of uncertainty to the financial economy of the Chinese Mainland and Hong Kong.

Looking in the Chinese Mainland, economic development is at the critical moment of phrase shifting, structural change, model reconstruction and release of risk. On one hand, economic growth lack momentum, there is still fairly high pressure on economic downside and corporate profits decline. On the other hand, the risk of default in debt of the society as a whole is increasing and the hidden danger of financial risk continued to accumulate. At the same time, it could be predicted that the cross influence of the risk factors among the stock market, the currency exchange market, debt market and currency market will bring challenges to the development of capital market.

Looking at the reform in the Chinese Mainland, we are highly concerned about the supply-side reform and all kind of modes of new financial needs emerging from new economy. 2016 is going to be a critical year of "comprehensive deepening reform" and new normal economic transformation. New financial needs will continue to emerge and show features of diversity, differentiation and complication. To support the new economies, there are needs to develop multi-layer financial market, develop vigorously the equity and debt capital market, mergers and acquisitions, adjust the structure of traditional industry, IPO measures, capital raising and debts issuance. These economic transformation developments are breeding historic opportunities for the development of the securities industry.

FUTURE PROSPECTS & PLAN (continued)

Looking at the development of the securities industry, based on the milestones of the global financial mega reform and the development status of the Chinese Mainland, the conditions for pushing forward mixed industry model is becoming more and more matured, the fast development of financial innovation and pan-asset management business has made a fruitful trial on the mixed industry model. On the other hand, the no-boundary and high-efficiency internet finance, and the mixed financial industry bringing boundary breakthrough is going to change the competitive environment of the future financial industry from its root. On this new backdrop, it is very important for the financial industry enterprise to provide no-boundary service, asset allocation and a basket of financial service as core competitive strengths.

In 2016, with the implementation of the national strategy of “One Belt, One Road”, the market expects the enterprises representing transportation, infrastructures, etc. will speed up the pace of “going overseas”. The cross-border financing needs derived therefrom will surge. Under the business development plan, the Group will also keep a close eye on the opportunities brought by Renminbi exchange rate marketization, accelerate the establishment of cross-border business platform, carry out the overseas network layout steadily step by step and implement the regional strategies that are relevant to the development of overseas market and products, thereby building a good foundation for achieving the internationalization strategy of the Group.

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 year.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 13 May 2016. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting, which will be published and issued to the shareholders in due course.

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 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the year ended 31 December 2015.

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 engagements, a non-executive director and two independent non-executive directors were unable to attend the annual general meeting of the Company held on 15 May 2015.

REVIEW BY AUDIT COMMITTEE

The final results for the year ended 31 December 2015 of the Group have been reviewed by the audit committee.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (“HKEx”) at <http://www.hkexnews.hk> and the Company’s website at <http://www.swwhyhk.com>. The 2015 annual report will be dispatched to the shareholders and will be published on the websites of HKEx and the Company in due course.

On behalf of the Board
Chu Xiaoming
Chairman

Hong Kong, 4 March 2016

As at the date of this announcement, the Board of the Company comprises 8 directors, of which Mr. Chu Xiaoming, Mr. Lu Wenqing, Mr. Guo Chun and Mr. Lee Man Chun Tony are the executive directors, Mr. Zhang Lei is the non-executive director, Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Zhuo Fumin are the independent non-executive directors.