

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2016

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 2016 together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	For the year ended 31 December	
		2016	2015
		HK\$'000	HK\$'000
REVENUE	4	416,455	696,649
Other gains, net	4	1,267	988
Commission expenses		(68,790)	(156,237)
Employee benefit expenses		(139,382)	(193,907)
Depreciation expenses		(5,040)	(5,248)
Interest expenses for financial services operations		(5,883)	(17,396)
Other expenses, net		(107,721)	(122,164)
PROFIT BEFORE TAX	5	90,906	202,685
Income tax expense	6	(8,632)	(18,372)
PROFIT		82,274	184,313
Attributable to:			
Ordinary equity holders of the Company		82,275	184,314
Non-controlling interests		(1)	(1)
		82,274	184,313
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (BASIC AND DILUTED)	7	HK10.33 cents	HK23.21 cents
DIVIDEND PER SHARE	8	HK4 cents	HK9 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
PROFIT	<u>82,274</u>	<u>184,313</u>
OTHER COMPREHENSIVE INCOME:		
Items that may be reclassified to the consolidated statement of profit or loss in subsequent periods		
Exchange differences on translation of accounts of a subsidiary	(522)	-
Available-for-sale investments:		
Reclassification adjustments for gain included in the consolidated statement of profit or loss		
- gain on disposal	<u>-</u>	<u>(167)</u>
OTHER COMPREHENSIVE INCOME, NET OF TAX	<u>(522)</u>	<u>(167)</u>
TOTAL COMPREHENSIVE INCOME	<u>81,752</u>	<u>184,146</u>
Attributable to:		
Ordinary equity holders of the Company	81,753	184,147
Non-controlling interests	<u>(1)</u>	<u>(1)</u>
	<u>81,752</u>	<u>184,146</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December 2016 HK\$'000	As at 31 December 2015 HK\$'000
<u>NON-CURRENT ASSETS</u>			
Property, plant and equipment		9,531	12,221
Stock and Futures Exchange trading rights		4,212	4,212
Other assets		32,430	28,476
Deferred tax assets		6,479	7,304
Total non-current assets		52,652	52,213
<u>CURRENT ASSETS</u>			
Investments at fair value through profit or loss		110,326	42,980
Account receivables	9	488,560	879,937
Loans and advances		1,792,161	2,053,818
Prepayments, deposits and other receivables		26,504	21,253
Tax recoverable		16,162	1,172
Bank balances held on behalf of clients		4,576,893	3,862,085
Cash and bank balances		387,713	511,804
Total current assets		7,398,319	7,373,049
<u>CURRENT LIABILITIES</u>			
Account payables	10	5,031,376	4,448,656
Other payables and accruals		48,509	127,599
Interest-bearing bank borrowings		278,590	749,680
Tax payable		542	17,889
Total current liabilities		5,359,017	5,343,824
NET CURRENT ASSETS		2,039,302	2,029,225
<i>TOTAL ASSETS LESS CURRENT LIABILITIES</i>		2,091,954	2,081,438
<u>NON-CURRENT LIABILITY</u>			
Deferred tax liability		197	266
NET ASSETS		2,091,757	2,081,172
<u>EQUITY</u>			
Equity attributable to ordinary equity holders of the Company			
Share capital		1,200,457	1,200,457
Other reserves		888,186	878,085
		2,088,643	2,078,542
Non-controlling interests		3,114	2,630
TOTAL EQUITY		2,091,757	2,081,172

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, 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 2016 and the financial information relating to the year ended 31 December 2015 included in this preliminary announcement of annual results 2016 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 2015, 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 2016 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 2015 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 2015. 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 all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which collective term includes all applicable individual 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 requirements of Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions 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

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
<i>Annual Improvements to HKFRSs 2012-2014 Cycle</i>	<i>Amendments to a number of HKFRSs</i>

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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
For the year ended 31 December 2016							
Segment revenue and other gains/(losses) from external customers	<u>217,429</u>	<u>46,834</u>	<u>3,238</u>	<u>148,975</u>	<u>(21)</u>	<u>1,267</u>	<u>417,722</u>
Segment results and Profit/(loss) before tax	<u>23,148</u>	<u>5,752</u>	<u>(9,463)</u>	<u>73,985</u>	<u>(3,783)</u>	<u>1,267</u>	<u>90,906</u>
For the 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>

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, NET

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

	For the year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Revenue:		
<u>Brokerage business:</u>		
Commission on securities dealing		
- Hong Kong securities	123,535	282,219
- Other than Hong Kong securities	25,412	51,798
Commission on futures and options contracts dealing	30,770	34,529
Handling fee and facilitating fee income	21,389	4,971
Research fee income and others	16,323	16,363
	217,429	389,880
<u>Corporate finance business:</u>		
Initial public offering, placing, underwriting and sub-underwriting commission	20,068	90,572
Financial advisory, compliance advisory, sponsorship fee income and others	26,766	23,634
	46,834	114,206
<u>Asset management business:</u>		
Management fee and investment advisory fee income	3,238	9,519
<u>Financing and loans business:</u>		
Interest income from loans to cash clients and margin clients	117,563	142,190
Interest income from initial public offering loans	186	4,966
Interest income from banks and others	31,226	23,410
	148,975	170,566
<u>Investment business:</u>		
Net realised and unrealised (losses)/gains on financial assets:		
- Listed investments	(4,113)	389
- Unlisted investments	(384)	7,262
Dividend income and interest income:		
- Listed investments	306	115
- Unlisted investments	4,170	4,712
	(21)	12,478
	416,455	696,649
<u>Other gains, net:</u>		
Exchange gains, net	1,252	821
Gain on disposal of property, plant and equipment	15	-
Gain on disposal of an unlisted available-for-sale investment	-	167
	1,267	988

5. PROFIT BEFORE TAX

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

	For the year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Interest expenses on loans and overdrafts wholly repayable within five years	5,883	17,396
Minimum lease payments under operating leases in respect of land and buildings	<u>28,309</u>	<u>26,406</u>

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

	For the year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	9,728	25,710
Overprovision in prior years	(1,915)	(494)
Current – Elsewhere	63	228
Deferred tax	<u>756</u>	<u>(7,072)</u>
Total tax charge	<u>8,632</u>	<u>18,372</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 2016, the total number of the issued ordinary shares was 796,138,689 shares (2015: 796,138,689 shares).

	For the year ended 31 December	
	2016	2015
Profit attributable to ordinary equity holders of the Company (HK\$'000)	<u>82,275</u>	<u>184,314</u>
Weighted average number of ordinary shares in issue (in thousands) (note (a))	<u>796,139</u>	<u>794,242</u>
Earnings per share, basic and diluted (HK cents per share)	<u>10.33</u>	<u>23.21</u>

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

Note:

- (a) For the year ended 31 December 2015, 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 for previous financial year.

8. DIVIDEND

	For the year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Proposed final – HK4 cents (2015: HK9 cents) per ordinary share	<u>31,846</u>	<u>71,652</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. ACCOUNT RECEIVABLES

	As at 31 December 2016 HK\$'000	As at 31 December 2015 HK\$'000
Account receivables arising from securities dealing:		
- Cash Clients	199,658	527,507
- Brokers and dealers	110,321	215,042
- Clearing houses	<u>166,204</u>	<u>131,318</u>
	476,183	873,867
Account receivables arising from corporate finance, advisory and other services:		
- Corporate Clients	<u>12,377</u>	<u>6,070</u>
	<u>488,560</u>	<u>879,937</u>

There was no provision for impairment of account receivables at 31 December 2016 (2015: Nil).

9. ACCOUNT RECEIVABLES (continued)

Save for the credit period allowed by the Group, the account receivables from cash clients shall be due on the settlement dates of the respective securities and futures contract transactions. In view of the fact that the Group's account receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Although the Group does not hold any collateral or other credit enhancements over its account receivables from cash clients, the Group is allowed to dispose of the securities deposited by the customers with the Group to settle any overdue amounts. Overdue account receivables from cash clients of HK\$32,615,000 (2015: HK\$69,039,000) bear interest at interest rates mainly with reference to Hong Kong dollar prime rate (2015: with reference to the Hong Kong dollar prime rate).

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

	As at 31 December 2016 HK\$'000	As at 31 December 2015 HK\$'000
Within 1 month	178,457	476,506
1 to 2 months	4,975	6,687
2 to 3 months	3,547	3,165
Over 3 months	12,679	41,149
	<u>199,658</u>	<u>527,507</u>

The ageing of account receivables from clearing houses, brokers and dealers are within one month. They represent (1) pending trades arising from business of dealing in securities, which are normally due within a few days after the trade date, (2) deposits at clearing house arising from the business of dealing in securities, futures and options contracts and (3) cash and deposits balances at brokers and dealers. The ageing of account receivables from corporate clients arising from corporate finance, advisory and other services are mostly within one month.

Included in the account receivables balance as at 31 December 2016 were (1) a receivable due from a wholly-owned subsidiary of the ultimate holding company of HK\$7,645,000 (2015: HK\$65,870,000) arising from brokerage services relating to the PRC capital markets, (2) a consultancy fee receivable due from a wholly-owned subsidiary of the ultimate holding company of HK\$5,423,000 (2015: HK\$4,323,000) arising from supporting services relating to Hong Kong and overseas markets, which balances are unsecured, interest-free and repayable on the settlement date of the relevant transactions, and (3) a consultancy fee receivable due from a wholly-owned subsidiary of the ultimate holding company of HK\$1,135,000 (2015: Nil) arising from supporting services in connection with corporate finance business, which balance is unsecured, interest-free and repayable on demand.

10. ACCOUNT PAYABLES

	As at 31 December 2016 HK\$'000	As at 31 December 2015 HK\$'000
Account payables		
- Clients	4,816,857	4,137,417
- Brokers and dealers	31,461	53,517
- Clearing houses	183,058	257,722
	<u>5,031,376</u>	<u>4,448,656</u>

Included in the account payables balance as at 31 December 2016 was a payable to a wholly-owned subsidiary of the ultimate holding company of the Company of HK\$2,260,000 (2015: HK\$14,357,000) 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 account payables balance as at 31 December 2016 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK\$166,174,000 (2015: HK\$163,182,000). This balance is unsecured, bears interest at the bank deposit rate and is payable on demand.

Account payables are non-interest-bearing except for the account payables to clients of HK\$4,352,897,000 (2015: HK\$3,605,214,000).

All of the account payables are aged and due within one month or on demand.

DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK4 cents per ordinary share in respect of 2016, to shareholders whose names appear on the register of members of the Company on 19 May 2017. The proposed dividend will be paid on or about 1 June 2017 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, 8 May 2017 to Friday, 12 May 2017, 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 2017 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, 5 May 2017; and
- b. from Thursday, 18 May 2017 to Friday, 19 May 2017, 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, 17 May 2017.

MANAGEMENT DISCUSSION & ANALYSIS OF PERFORMANCE

2016 MARKET REVIEW

From the macroeconomics perspective in the Chinese Mainland, as driven by the upward momentum in both sales volumes and prices of the real estate market in the first half year of 2016, a certain extent of increases were seen in the new construction area and the price of some commodities. The recovery of CPI and PPI also drove up the market gradually and mitigated the worries on deflation. The bond yields still showed a downward trend which was attributable to continuous asset shortage and market pessimistic economic outlook. In the second half of 2016, with the supply-side reform progressing and the strengthening of environmental protection policies implementation, there was apparent contraction in the supply of certain raw materials and manufacturing industry, and bulk commodity price showed a significant recovery.

From the global market environment perspective, more risk events were seen in the first half of 2016, which included capital flight to safe-haven assets such as gold and bonds due to the risk events like Brexit. On the other hand, cross-border capital returned to emerging markets in the first half year due to the weak U.S. economic recovery and oil price rebound. The global bonds markets experienced diverted retracements due to the strong US dollars recovery in the second half year, and expected increase in interest rates after the December FOMC meeting. Also, the election of the new president in the U.S. also gave the market an expectation of gradual stronger fiscal policies, and the stock markets showed signs of capital funds moving back to the U.S.

The Chinese Mainland market witnessed significant fluctuations in early 2016. The RMB exchange rate fluctuation had affected the market risk preference. Following the settling down of market sentiments, the index showed some rise and transaction volume also went up gradually. The market in Chinese Mainland in 2016 went up steadily but its style showed an obvious change when compared with 2015. The blue chips outperformed the growth stocks in 2016 mainly due to lower valuation, state-owned enterprise reform expectation, cyclical commodity price recovery and the placement of off-line subscription of new issue shares.

The Hong Kong market continued its recovery after significant fluctuations in early 2016. The risk events affecting the market in Hong Kong were assimilated quickly. The Shenzhen-Hong Kong Stock Connect was the biggest change in Hong Kong market in 2016, and at the same time, its announcement in mid-August also abolished the aggregate quota and opened the channels for placing the Hong Kong market for large-scale investment institutions in Chinese Mainland. Meanwhile, the launch of Shenzhen-Hong Kong Stock Connect also brought increasing liquidity for small and medium size stocks.

REVIEW OF OPERATIONS

For 2016, the overall business development of the Group was steady with a turnover of HK\$416 million (2015: HK\$697 million), representing a year-on-year decrease of 40%. Profit before tax reached HK\$91 million, representing a year-on-year decrease of 55% from HK\$203 million for 2015. Profit attributable to shareholders decreased by 55% from HK\$184 million for 2015 to HK\$82 million for 2016. Revenue from each business segment dropped year-on-year.

For brokerage business, due to the significant year-on-year decrease in stock market's average daily turnover, revenue from brokerage business decreased by 44% year on-year to HK\$217 million for 2016 from HK\$390 million for 2015. 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 4 IPO projects, including the listing of ISDN Holdings Limited (1656) on the Main Board, Miricor Enterprises Holdings Limited (8358) on the GEM Board, Huajin International Holdings Limited (2738) on the Main Board and Future Data Group Limited (8229), a Korean enterprise, on the GEM Board. Among which, ISDN Holdings Limited and Miricor Enterprises Holdings Limited passed the listing hearing at the end of 2016, and listed in early January 2017. For 2016, revenue from corporate finance business decreased by 59% year-on-year to HK\$47 million for 2016 from HK\$114 million for 2015. The numbers of sponsoring/ lead placing agent, underwriting participation/ placement and financial advisory projects are 4, 13 and 19 respectively. Revenue from asset management business decreased by 66% year-on-year to HK\$3.24 million for 2016 from HK\$9.52 million for 2015. Revenue from financing and loans business decreased by 13% year-on-year to HK\$149 million for 2016 from HK\$171 million for 2015. The average margin loan balance for 2016 reached approximately HK\$1.86 billion.

Brokerage business

The brokerage business of the Group focuses on the stock and futures markets in Hong Kong as well as overseas non-Hong Kong stock markets. The global financial market of 2016 is plagued by a series of uncertainties including the economic slowdown in Chinese Mainland is worse than expected; the possibility of RMB depreciation still exists; the continued decline in the oil price triggers financial problems for oil companies and financial institutions holding crude oil related products; the possible interest rate raising in the U.S. may trigger again the capital outflow in the emerging market; the local property market may be affected by the hike of dollar interests; and Brexit may give rise to the global economic recession, etc. Global investors are all very cautious about entering the market, which is clearly evidenced by the fact that the proportion of cash on hand in fund has hit a new record. Throughout the year, an average daily turnover of Hong Kong Stock Exchange decreased from HK\$105.6 billion for 2015 to HK\$66.9 billion for 2016. To weaken the impact of the decrease in the turnover of the Hong Kong stock market, the Group proactively introduces clients to participate in overseas stock markets and global futures markets, thus to reduce our reliance on a single market. In addition to expanding overseas stock markets and global futures markets, the Group continues to actively expand the domestic market to increase the number of new account opened for Hong Kong stocks. For 2016, the Group had closely cooperated with the International Business Division of the parent company to vigorously explore cross-border products, invested in overseas markets through QDII, satisfying domestic clients' demands to invest overseas. For 2016, 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 decreased from HK\$282 million for 2015 to HK\$124 million for 2016 representing a year-on-year decrease of 56%, with its percentage to total income from brokerage business decreased from 72% for 2015 to 57% for 2016. The percentage of brokerage income other than commission income from Hong Kong securities to total income from brokerage business increased from 28% for 2015 to 43% for 2016.

For the institutional brokerage business, the Group further integrated its overseas offices and sales teams for centralising its management and joint marketing, and actively expanded the comprehensive institutional business, which included share placement and RQFII products marketing. The Group has introduced the equity capital markets team to actively develop block trades from institutional clients and placement business since 2015. While in 2016, the Group further introduced the bonds market team to actively develop the bond placement business and generated contributions. The percentage of trading volume in Hong Kong securities of our institutional sales team to the Group was 32% for 2016.

Financing and loans business

Due to the continuous low Hang Seng Index and Hang Seng China Enterprises Index, and the extended downturn of average daily turnover for 2016, clients' appetite to borrow is affected accordingly. Under this circumstance, the Group has taken timely measures to meet clients' demand for borrowings, and actively developed project loans that are linked with investment banks and institutional customers for the purpose of reducing the decline in interest income of general customers. In addition, the Group succeeded in negotiating with a number of banks on reducing the interest rate of borrowed funds so as to reduce the interest expense. The average margin balance was approximately HK\$1.855 billion for 2016, while income decreased from HK\$171 million for 2015 to HK\$149 million for 2016, representing a year-on-year drop of 13%.

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. For 2016, the numbers of sponsoring and lead placing agent, underwriting participation placement and financial advisory projects which the Group completed in total are 4, 13 and 19 respectively. The Group successively participated in 13 underwriting placement projects, including IPO of DFZQ (3958) and Vincent Medical Holdings Limited (1612), placement of China Digital Culture (Group) Limited (8175), Silk Road Energy Services Group Limited (8250), Asia Allied Infrastructure Holdings Limited (711) and Tonking New Energy Group Holdings Limited (8326), bonds placement of Dongxing Securities (Hong Kong) Company Limited, China Guochu Energy Chemical Group Co., Limited and Zhenjiang Transportation Industry Group Co., Ltd and the placements of 4 sponsoring and lead placing agent projects mentioned above.

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 2016, the securities research team of the Group had issued a total of over 9,000 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 and Shenzhen-Hong Kong Stock Connect, the research service needs offered by the Group for clients are further improved.

In 2016, a total of 40 analysts either in person or invited Hong Kong listed companies to meet with our clients from Hong Kong, Asia and Europe and America and had completed the holding of 70 international road shows 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. The total asset management size decreased from approximately HK\$4.220 billion at the end of 2015 to approximately HK\$4.116 billion at the end of 2016; revenue from asset management business decreased by 66% year-on-year from HK\$9.52 million for 2015 to HK\$3.24 million for 2016.

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31 December 2016, the total number of the issued ordinary shares was 796,138,689 shares (2015: 796,138,689) and total equity attributable to shareholders was approximately HK\$2.09 billion (2015: HK\$2.08 billion).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2016, the Group had a cash holding of HK\$388 million (2015: HK\$512 million) and investments at fair value through profit or loss of HK\$110 million (2015: HK\$43 million). As at 31 December 2016, the Group's total unutilised banking facilities amounted to HK\$4,117 million (2015: HK\$2,911 million), of which HK\$2,771 million (2015: HK\$1,346 million) could be drawn down without the need of notice period or completion of condition precedent.

As at 31 December 2016, the Group had outstanding short-term bank borrowings amounting to HK\$279 million (2015: HK\$750 million). The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 31 December 2016 were 138% (2015: 138%) and 13% (2015: 36%) 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 2016.

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 2016, the advances to customers were overdue account receivables from cash clients and margin financing. The balance of overdue account receivables from cash client amounted to HK\$33 million (2015: HK\$69 million). The balance of margin financing amounted to HK\$1,792 million as at 31 December 2016 (2015: HK\$2,054 million), of which 27% (2015: 19%) 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 2016.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Except the future plans as disclosed in the paragraph of "Future Plan & Prospects", the Group had no other future plans for material investments or capital assets as at 31 December 2016.

EMPLOYEES

As at 31 December 2016, the total number of full-time employees was 275 (2015: 253). The total staff costs for the year amounted to approximately HK\$139 million (2015: HK\$194 million).

FUTURE PLAN & PROSPECTS

Looking from an international perspective, the current global political and macroeconomic policies are highly uncertain, the financial set-up is undergoing structural change, the U.S. dollars is entering the interest rate hike cycle and a series of policy adjustments may come under the new U.S. president, which may lead to the possible transfer of financial risk to emerging markets.

Looking from the Chinese Mainland perspective, although certain leading indicators had improved in the fourth quarter of 2016, the weak foundation for economic growth, debt deleverage, real estate industry de-bubbling, pressure of Renminbi depreciation, bonds default had affected the operation of capital markets. Effective prevention and solution of financial risks would become a major focus of the financial policy of Chinese Mainland in 2017, which is also a big challenge for the capital markets and securities industry.

We remain optimistic about the Chinese Mainland market, and considered the main catalyst in moving upwards in 2017 was state-owned enterprise reform, albeit pressure still exists in the first half year for the SME Board and GEM Board indexes that were represented by growth stocks. This was partly due to IPO acceleration, and partly due to lifting up of non-tradable shares restrictions. However, with the IPO rhythm being accepted by the market in the second half year, the pressure to lift up the non-tradable shares restrictions had mitigated, and we believe the growth stocks could usher in opportunities thereafter. Looking forward the Hong Kong market in 2017, we expect it will become a trend for banks and insurance institutions in the Chinese Mainland coming southbound to invest in large-scale financial capital stocks through Southbound Trading Link. The diminishing supply, machinery equipment replacement and improved distressed assets margins in banks will become the main force of Chinese stocks increase in Hong Kong. On the other hand, the settling down Chinese Mainland economy and the undervalued Chinese stocks may attract increasing placements for Hong Kong stocks by international funds and we believe the index in 2017 will continue to maintain a sound growing trend.

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, 12 May 2017. 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 2016.

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 at that relevant time, two independent non-executive directors of the Company were unable to attend the annual general meeting and extraordinary general meeting of the Company both held on 13 May 2016, and a non-executive director and an independent non-executive director of the Company were unable to attend the extraordinary general meeting of the Company held on 4 November 2016.

REVIEW BY AUDIT COMMITTEE

The final results for the year ended 31 December 2016 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.swhyhk.com>. The 2016 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
Zhu Minjie
Chairman

Hong Kong, 10 March 2017

As at the date of this announcement, the Board of the Company comprises 8 directors, of which Mr. Zhu Minjie, Mr. Chen Xiaosheng, 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.