申萬宏源香港
SHENWAN HONGYUAN

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 2019

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 2019 together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 December	
		2019	2018
	Notes	**HK$'000**	HK$'000
REVENUE	*4*	**675,584**	519,619
- Interest income calculated using the effective interest method		**195,109**	67,275
- Revenue from contracts with customers within the scope of HKFRS 15		**359,111**	342,748
- Revenue from other sources		**121,364**	109,596
Other (losses)/gains, net	*4*	**(13,646)**	2,173
Commission expenses		**(65,063)**	(89,909)
Employee benefit expenses		**(249,944)**	(193,710)
Depreciation		**(24,450)**	(8,677)
Interest expenses		**(30,734)**	(11,433)
Other expenses, net		**(133,826)**	(116,431)
PROFIT BEFORE TAX	*5*	**157,921**	101,632
Income tax	*6*	**(21,258)**	(5,406)
PROFIT FOR THE YEAR		**136,663**	96,226
Attributable to:			
Ordinary equity holders of the Company		**136,664**	96,228
Non-controlling interests		**(1)**	(2)
		136,663	96,226
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (BASIC AND DILUTED)	*7*	**HK9.37 cents**	HK12.09 cents
DIVIDEND PER SHARE	*8*	**HK3 cents**	HK2 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**136,663**	96,226
OTHER COMPREHENSIVE INCOME FOR THE YEAR:		
Items that may be reclassified to the consolidated statement of profit or loss in subsequent periods		
Financial assets at fair value through other comprehensive income		
- net movement in fair value reserve (recycling)	**23,747**	-
OTHER COMPREHENSIVE INCOME, NET OF TAX	**23,747**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**160,410**	96,226
Attributable to:		
Ordinary equity holders of the Company	**160,411**	96,228
Non-controlling interests	**(1)**	(2)
	160,410	96,226

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**9,774**	13,150
Stock and Futures Exchange trading rights		**4,212**	4,212
Other assets		**37,125**	22,922
Other financial assets		**1,135,298**	-
Right-of-use assets		**68,631**	-
Deferred tax assets		**5,390**	4,624
Total non-current assets		**1,260,430**	44,908
CURRENT ASSETS			
Investments at fair value through profit or loss		**2,189,495**	602,272
Accounts receivable	*9*	**1,691,210**	457,414
Other contract costs		**-**	5,000
Loans and advances		**872,588**	1,208,091
Prepayments, deposits and other receivables		**79,635**	37,277
Tax recoverable		**7,404**	8,674
Bank balances held on behalf of clients		**3,193,340**	4,879,449
Cash and bank balances		**937,597**	620,571
Total current assets		**8,971,269**	7,818,748
CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss		**329,371**	-
Accounts payable	*10*	**5,000,203**	5,082,122
Contract liabilities		**1,558**	13,144
Other payables and accruals		**107,210**	82,185
Interest-bearing bank borrowings		**778,900**	469,920
Lease liabilities		**32,473**	-
Tax payable		**25,190**	7,232
Total current liabilities		**6,274,905**	5,654,603
NET CURRENT ASSETS		**2,696,364**	2,164,145
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,956,794**	2,209,053

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	As at 31 December 2019	As at 31 December 2018
	HK$'000	HK$'000
NON-CURRENT LIABILITIES		
Deferred tax liability	**1,013**	943
Lease liabilities	**36,464**	-
Total non-current liabilities	**37,477**	943
NET ASSETS	**3,919,317**	2,208,110
EQUITY		
Equity attributable to ordinary equity holders of the Company		
Share capital	**2,782,477**	1,200,457
Other reserves	**1,134,214**	1,005,026
	3,916,691	2,205,483
Non-controlling interests	**2,626**	2,627
TOTAL EQUITY	**3,919,317**	2,208,110

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 personal finance and wealth management, enterprise finance, institutional services and trading, investment management and other business.

The Company is a subsidiary of Shenwan Hongyuan (International) Holdings Limited, a company incorporated in Hong Kong 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 Hong Kong Stock Exchange (stock code: 6806) and Shenzhen Stock Exchange (stock code: 000166).

The unaudited financial information relating to the year ended 31 December 2019 and the financial information relating to the year ended 31 December 2018 included in this preliminary announcement of annual results 2019 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 2018, 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 2019 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 2018 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 2018. 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. CHANGES IN 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. CHANGES IN ACCOUNTING POLICIES (Continued)

The HKICPA has issued a new HKFRS and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(a) *HKFRS 16, Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 16, Leases (Continued)

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected to separate non-lease components and accounts for each lease component.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right of-use asset has been reduced to zero.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 16, Leases (Continued)

Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 16, Leases (Continued)

Transitional impact (Continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	As at 31 December 2018 HK$'000	*Remeasurement HK$'000*	***As at 1 January 2019** HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	13,150	**-**	**13,150**
Stock and Futures Exchange trading rights	4,212	**-**	**4,212**
Other assets	22,922	**-**	**22,922**
Right-of-use assets	-	**19,083**	**19,083**
Deferred tax assets	4,624	**-**	**4,624**
Total non-current assets	44,908	**19,083**	**63,991**
CURRENT ASSETS			
Investments at fair value through profit or loss	602,272	**-**	**602,272**
Accounts receivable	457,414	**-**	**457,414**
Other contract costs	5,000	**-**	**5,000**
Loans and advances	1,208,091	**-**	**1,208,091**
Prepayments, deposits and other receivables	37,277	**(24)**	**37,253**
Tax recoverable	8,674	**-**	**8,674**
Bank balances held on behalf of clients	4,879,449	**-**	**4,879,449**
Cash and bank balances	620,571	**-**	**620,571**
Total current assets	7,818,748	**(24)**	**7,818,724**
CURRENT LIABILITIES			
Accounts payable	5,082,122	**-**	**5,082,122**
Other payables and accruals	82,185	**-**	**82,185**
Interest-bearing bank borrowings	469,920	**-**	**469,920**
Contract liabilities	13,144	**-**	**13,144**
Lease liabilities	-	**8,564**	**8,564**
Tax payable	7,232	**-**	**7,232**
Total current liabilities	5,654,603	**8,564**	**5,663,167**
NET CURRENT ASSETS	2,164,145	**(8,588)**	**2,155,557**
TOTAL ASSETS LESS CURRENT LIABILITIES	2,209,053	**10,495**	**2,219,548**

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 16, Leases (Continued)

Transitional impact (Continued)

(ii) (Continued)

	As at 31 December 2018 HK$'000	*Remeasurement HK$'000*	***As at 1 January 2019*** *HK$'000*
NON-CURRENT LIABILITIES			
Deferred tax liability	943	**-**	**943**
Lease liabilities	-	**10,495**	**10,495**
Total non-current liabilities	943	**10,495**	**11,438**
NET ASSETS	2,208,110	**-**	**2,208,110**
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Share capital	1,200,457	**-**	**1,200,457**
Other reserves	1,005,026	**-**	**1,005,026**
	2,205,483	**-**	**2,205,483**
Non-controlling interests	2,627	**-**	**2,627**
TOTAL EQUITY	2,208,110	**-**	**2,208,110**

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	As at 31 December 2019 ***HK$'000***	As at 1 January 2019 *HK$'000*
Other properties leased for own use, carried at depreciated cost	**68,350**	18,592
Machinery and equipment leased for own use, carried at depreciated cost	**281**	491
	68,631	19,083

2. CHANGES IN ACCOUNTING POLICIES (Continued)

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

HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

(c) HKFRSs that have been issued but are not yet effective

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its associate or Joint Venture*[1]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKFRS 3	*Definition of a Business*[2]

[1] *No mandatory effective date yet determined but available for adoption*

[2] *Effective for annual periods beginning on or after 1 January 2020*

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 financial statements.

3. OPERATING SEGMENT INFORMATION

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

	Enterprise finance		Personal finance and wealth management	Institutional services and trading	Investment management	Others	Segment total
	Corporate finance	**Principal investment**					
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
For the year ended 31 December 2019							
Segment revenue and other losses from external customers	**152,252**	**5,812**	**213,857**	**282,266**	**21,397**	**(13,646)**	**661,938**
Segment results and profit/(loss) before tax	**26,809**	**2,818**	**37,040**	**103,627**	**1,273**	**(13,646)**	**157,921**

	Enterprise finance		Personal finance and wealth management	Institutional services and trading	Investment management	Others	Segment total
	Corporate finance	Principal investment					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2018 (Restated)							
Segment revenue and other gains from external customers	76,146	(6,812)	287,245	122,195	40,845	2,173	521,792
Segment results and profit/(loss) before tax	10,078	(8,217)	71,103	23,109	3,386	2,173	101,632

<u>Geographical information</u>

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	
	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Fee and commission income:		
<u>Revenue from contracts with customers within the scope of HKFRS 15</u>:		
Commission on securities dealing		
– Hong Kong securities	**91,513**	151,024
– Other than Hong Kong securities	**26,900**	32,755
Commission on futures and options contracts dealing	**13,968**	18,581
Initial public offering, placing, underwriting and sub-underwriting commission	**163,665**	54,399
Financial advisory, compliance advisory, sponsorship fee income and others	**28,135**	21,747
Management fee, investment advisory fee income and performance fee income	**21,397**	40,845
Handling fee income	**5,311**	10,613
Research fee income and other service fee income	**8,222**	12,784
	359,111	342,748
Income from interest bearing transactions:		
<u>Interest income calculated using the effective interest method</u>:		
Interest income from banks and others	**73,558**	67,275
<u>Revenue from other sources</u>:		
Interest income from loans to cash clients and margin clients	**76,439**	114,374
Interest income from initial public offering loans	**6,223**	4,979
Interest income from structured products	**2,674**	-
Unrealised fair value losses on margin loans	**(7,775)**	-
	151,119	186,628
Investment gains, net		
<u>Interest income calculated using the effective interest method</u>:		
Interest income:		
– Unlisted investments	**121,551**	-
<u>Revenue from other sources</u>:		
Net realised and unrealised gains/(losses) on financial instruments:		
– Listed investments	**2,475**	(1,541)
– Unlisted investments	**2,403**	(14,067)
Dividend income and interest income:		
– Listed investments	**-**	235
– Unlisted investments	**38,925**	5,616
	165,354	(9,757)
	675,584	**519,619**
Other (losses)/gains, net:		
Exchange (losses)/gains, net	**(13,646)**	2,217
Loss on disposal of property, plant and equipment	**-**	(44)
	(13,646)	2,173

5. PROFIT BEFORE TAXATION

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

	For the year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Interest expenses on loans and overdrafts wholly repayable within five years	**22,398**	11,433
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**-**	29,297

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the appropriate current rates of tax prevailing in the jurisdiction in which the Group operates.

	For the year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Provision for the period	**20,969**	5,415
(Over-)/under-provision in respect of prior years	**(19)**	110
Current tax – Elsewhere	**1,004**	82
Deferred tax	**(696)**	(201)
	21,258	5,406

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 2019, the total number of the issued ordinary shares was 1,561,138,689 shares (2018: 796,138,689 shares).

	For the year ended 31 December	
	2019	2018
Profit for the year attributable to ordinary equity holders of the Company (HK$'000)	**136,664**	96,228
Weighted average number of ordinary shares in issue (in thousands) (Note (a))	**1,458,440**	796,139
Earnings per share, basic and diluted (HK cents per share)	**9.37**	12.09

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

Note:

(a) On 14 December 2018, the Company and Shenwan Hongyuan (International) Holdings Limited (the "Subscriber") entered into the subscription agreement (the "Subscription Agreement"), pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 765,000,000 new shares at the subscription price of HK$2.068 per subscription share. The subscription was completed on 18 February 2019 in accordance with the Subscription Agreement in which an aggregate of 765,000,000 new shares had been allotted and issued by the Company to the Subscriber at the subscription price of HK$2.068 per subscription share. The net proceeds from the subscription after deducting the related expenses were approximately HK$1.58 billion. The net proceeds were then applied for reinforcing and developing existing businesses as well as strategic expansion.

8. DIVIDEND

	For the year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Proposed final – HK3 cents (2018: HK2 cents) per ordinary share	**46,834**	31,223

9. ACCOUNTS RECEIVABLE

	As at 31 December 2019	As at 31 December 2018
	HK$'000	*HK$'000*
(i) Measured at amortised cost:		
Accounts receivable arising from securities dealing:		
- Cash clients	**936,891**	121,726
- Brokers and dealers	**276,150**	103,199
- Clearing houses	**403,500**	174,036
	1,616,541	398,961
Accounts receivable arising from corporate finance, advisory and other services:		
- Corporate Clients	**45,554**	25,496
	1,662,095	424,457
Less: Expected credit losses (Stage 1)	**(1,473)**	(1,095)
Less: Expected credit losses (Stage 3)	**(1,096)**	(1,000)
	1,659,526	422,362
(ii) Measured at FVPL:		
Accounts receivable arising from securities dealing:		
- Advances to cash clients	**31,684**	35,052
	1,691,210	457,414

9. ACCOUNTS RECEIVABLE (Continued)

Save for the credit period allowed by the Group, the accounts receivable from cash clients shall be due on the settlement dates of the respective securities and futures contract transactions. In view of the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Although the Group does not hold any collaterals or other credit enhancements over its accounts receivable from cash clients, the Group is allowed to dispose of the securities deposited by the customers with the Group to settle any overdue amounts. Advances to cash clients of HK$31,684,000 (2018: HK$35,052,000) bear interest at interest rates mainly with reference to Hong Kong dollar prime rate (2018: with reference to the Hong Kong dollar prime rate).

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

	As at 31 December 2019	As at 31 December 2018
	HK$'000	*HK$'000*
Within 1 month	**950,578**	132,243
1 to 2 months	**8,929**	3,601
2 to 3 months	**2,238**	3,174
Over 3 months	**6,830**	17,760
	968,575	156,778

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

Included in the accounts receivable balance as at 31 December 2019 were (1) a receivable due from a wholly-owned subsidiary of the ultimate holding company of HK$5,139,000 (2018: HK$3,933,000) 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$6,224,000 (2018: HK$6,002,000) 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 the ultimate holding company arising from supporting services in connection with corporate finance business of HK$108,000 (2018: HK$274,000), which balance is unsecured, interest-free and repayable on demand.

10. ACCOUNTS PAYABLE

	As at 31 December 2019	As at 31 December 2018
	HK$'000	*HK$'000*
Accounts payable		
- Clients	**4,449,773**	5,012,850
- Brokers and dealers	**550,041**	15,969
- Clearing houses	**389**	53,303
	5,000,203	5,082,122

Included in the accounts payable balance as at 31 December 2019 was a payable to a wholly-owned subsidiary of the ultimate holding company of the Company of HK$3,539,000 (2018: HK$1,177,000) 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 2019 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK$10,667,000 (2018: HK$209,163,000). This balance is unsecured, bears interest at the bank deposit rate and is payable on demand.

All of the accounts payable are aged and due within one month or on demand.

11. EVENT AFTER THE REPORTING PERIOD

In 2020, the outbreak of COVID-19 raised the uncertainty towards the business environment and operations of the Group. The Group will closely monitor the impacts and devise the contingency measures accordingly.

If necessary, the Group will promptly carry out measures to mitigate the potential impacts. The Group will continue to review the contingency measures and evaluate risk management effectiveness. In view of the rapid spread of COVID-19, it is not appropriate to estimate the potential impacts on the Group's financial performance at present stage due to the possible significant fluctuations.

DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK3 cents per ordinary share in respect of 2019, to shareholders whose names appear on the register of members of the Company on 29 May 2020. The proposed dividend will be paid on or about 12 June 2020 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, 18 May 2020 to Friday, 22 May 2020, 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 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Friday, 15 May 2020; and

b. from Thursday, 28 May 2020 to Friday, 29 May 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Wednesday, 27 May 2020.

MANAGEMENT DISCUSSION & ANALYSIS OF PERFORMANCE

2019 MARKET REVIEW

From the perspective of global environment, the uncertainties of the global geopolitics and trade environment in 2019 both increased significantly and showed signs of improvement at the end of the year. On the one hand, the progress of the phase one of US-China trade negotiation was beneficial to the stability of the global macroeconomic and trade environment; on the other hand, geopolitical risks such as Brexit have been alleviated at the end of the year. The US economy maintained steady growth, while non-US economies also improved in the fourth quarter, and the global economy showed a pattern from down to up in general.

From the perspective of macro economy of mainland China, the growth rate in 2019 slowed down but still remained stable within a reasonable range. Real estate investment and consumption were still the important factors which support the economy's resilience, but were relatively weak in terms of the net exports under high uncertainty of global trade environment and the infrastructure investment under high leverage of local governments. Driven by rising pork prices, inflation level rose but did not spread to most of other foods and industrial products, and no obvious constraint on monetary policy was constituted. The counter-cyclical fiscal policy continued to work, while the stabilizing effect of reducing tax and lowering fee to economy gradually emerged.

Mainland China's capital market performed well in 2019, with the Shanghai Composite Index rising over 20% throughout the year. The process of opening the mainland capital market to foreign countries has also accelerated significantly in 2019. Under the circumstances that major global index companies increased the weights of A shares holding, foreign capital realised continuous net inflows into the mainland market through investment channels such as Mainland China — Hong Kong Stock Connect and QFII/RQFII. By the end of 2019, the market value of Chinese A shares held by foreign institutions exceeded RMB2 trillion.

After experiencing a sharp rise in the first quarter of 2019, the Hong Kong market entered into the adjustment range under the pressure from back-and-forth US-China trade friction and local movement. In the context of the simultaneous improvement of the internal and external environment at the end of the year, the market picked up and the Hang Seng Index closed with an increase of more than 9% throughout the year, but the average daily turnover of the Hong Kong stock market dropped by 18.9% year-on-year.

REVIEW OF OPERATIONS

In 2019, the Group readjusted its structure to form four business lines: personal finance and wealth management, enterprise finance, institutional services and trading, and investment management. The Group focused on promoting business transformation and development, effectively enhanced professional execution capabilities, increased the diversity of services and products, and gained distinctive and differentiated competitive edges. While steadily developing traditional businesses, the Group was actively exploring new businesses and new models. The transformation and development have achieved initial results with the income structure gradually becoming balanced and profitability steadily improving.

In 2019, the Group strengthened its basic infrastructure construction, engaged in financial technology in an orderly manner, introduced new trading systems, and improved its trading service capabilities, to meet the trading needs of its customers in all aspects and enhance professional competitive advantages. In the meantime, the Group also strengthened the construction of basic systems, by further optimizing the operating system, formulating a management structure and a hierarchical authorization system with focus on risk management, and promoting the professional committee system, so as to improve the professional level and efficiency of management decision-making, and to accelerate the transformation and development of the Company.

REVIEW OF PERFORMANCE

In 2019, the total revenue of the Group increased by 30% year-on-year to HK$676 million from HK$520 million in 2018, which was mainly due to the substantial increase in the revenue generated from enterprise finance and institutional services and trading. Profit before tax increased by 55% from HK$102 million in 2018 to HK$158 million. Profit attributable to shareholders increased by 42% from HK$96 million in 2018 to HK$137 million.

	2019 HK$'000	%	**2018 HK$'000**	%
Fee and commission income	359,111	53%	342,748	66%
Interest income	151,119	22%	186,628	36%
Net investment gains/(losses)	165,354	25%	(9,757)	(2%)
	675,584	**100%**	**519,619**	**100%**

Fee and commission income are the most important source of income for the Group. Although the general Hong Kong market environment affected brokerage commission income in 2019, the underwriting and placing commission of corporate finance business increased significantly, driving the fee and commission income of the Group to increase by 5% year-on-year to HK$359 million. As the margin business was affected by the new policy, the interest income of the Group decreased by 19% year-on-year to HK$151 million. Benefiting from the outstanding performance of the fixed income trading business, the Group recorded net investment gains of HK$165 million, while net investment losses of HK$9.757 million were recorded in the same period in 2018.

Personal Finance and Wealth Management

The personal finance and wealth management business line mainly provides a series of comprehensive financial services including securities, futures and options brokerage, the sale of financial products such as wealth management, OTC, as well as securities margin financing to individual customers and non-professional institutional investors through a combination of online and offline methods.

	2019 HK$'000	**2018 HK$'000**	**%**
Fee and commission income	86,128	117,732	(27%)
Interest income	127,503	168,462	(24%)
Net investment gains	226	1,051	(78%)
	213,857	**287,245**	**(26%)**

Under the uncertain factors of continued US-China trade friction, uncertain prospects of Brexit, and social unrest in Hong Kong, the turnover of the Hong Kong stock market decreased significantly. The average daily turnover of the Hong Kong stock market in 2019 was HK$87.2 billion, down 18.9% from the same period in 2018. In addition, as more and more mainland securities firms have entered the Hong Kong securities industry, especially Internet brokers, the market competition is further intensified, and the overall commission rate is decreasing. New competitors have used the Internet as a means of marketing, which has an impact on the profit model of traditional personal finance business. Affected by the shrinking trading value of the securities market and the increasingly fierce competition in the industry, the commission income from securities trading decreased during the year, resulting in the fee and commission income of the personal finance and wealth management business line reducing by 27% year-on-year, to HK$86.13 million.

In addition, since the new policy of The Securities and Futures Commission of Hong Kong, the Guidelines for Securities Margin Financing Activities was implemented during the year, the scope of margin loan business was restricted. During the year under review, interest income from the personal finance and wealth management business line decreased by 24% year-on-year to HK$128 million.

The Group actively responded to the changes in the market and gradually shifted its focus from traditional fee-based brokerage business to comprehensive wealth management business during the year, focusing on improving the construction of wealth management platform, increasing product types and quantities, establishing investment advisory service system, and optimizing product introduction procedure and sales channels, to attract more quality customers while diversifying revenue. In terms of customer base, the Group actively explored high-net-worth customers, and the number of high-net-worth customers increased significantly during the year.

The Group will further accelerate the construction of a one-stop platform for integrated wealth management business, along with the optimization of Internet technology to strengthen service categories, expand product lines, and provide customized professional financial services for high-net- worth customers. The Group will also gradually expand the scope of margin financing to other wealth management products to meet the needs of retail and high-net-worth customers, establish a customer demand-oriented service system, and improve the quality of investment advisory services to form core competitiveness.

Enterprise Finance

The enterprise finance business line consists of corporate finance business and investment business. Corporate finance business provides corporate clients with stock underwriting sponsor, bond underwriting and financial advisory services, while investment business mainly includes external equity investment, debt investment, other investments, and providing structured financing solutions for clients.

	2019 **HK$'000**	**2018** **HK$'000**	%
Fee and commission income	136,547	76,146	79%
Net investment gains/(losses)	21,517	(6,812)	N/A
	158,064	**69,334**	**128%**

In 2019, benefiting from the accumulation of project resources and the development of bond underwriting business, the fee and commission income of the enterprise finance business line increased significantly by 79% to HK$137 million. In addition, the Group used its own funds to invest and in the meantime provided customized structured financing services to corporate customers. In 2019, net investment gains amounted to HK$21.52 million.

Sponsorship and underwriting and financial advisory

During the year under review, the Group completed a total of 4 IPO sponsorship projects, including the completion of the H-share IPO of Shenwan Hongyuan Group Co., Ltd., the largest IPO in Hong Kong in the first half of 2019, in which the Group acted as the joint sponsor, joint global coordinator, joint bookrunner and joint lead manager, demonstrating the continuous improvement of the capital market project execution capabilities of the corporate finance team and the Group's unwavering internationalization strategy with the support of the parent company. In the meantime, the Group also completed an asset restructuring project for a large state-owned enterprise during the year. The Group will actively increase reserves of sponsorship and underwriting projects and participate in more acquisition-and-merger-related financial advisory projects. The Group will also strengthen collaboration with the domestic team of the parent company in order to increase the potential customer coverage of corporate financing business.

Equity capital market

During the year under review, the Group re-planned and completed building the equity capital market team, connecting the link between sponsorship and underwriting to provide customers with comprehensive services. The Group also actively deployed in selective key industries with the quality and number of participating underwriting projects increasing significantly compared to 2018. The equity capital market team completed a total of 9 IPO underwriting projects during the year, which was a significant increase from 3 underwriting projects for the same period in 2018, and the underwriting amounts were at historically good levels. According to the Dealogic, the Group ranked 21th in the market in terms of the number of IPO underwriting deals, and ranked 26th in the market in terms of the amount of IPO underwriting with market share of approximately 6.35% (in total). The Group will further strengthen the construction of the equity capital market team and the underwriting placement network, and enhance the connection of customer resources with domestic and overseas and internal business teams.

Debt capital market

2019 was a year in which the Group has made significant progress in developing its debt capital market business. During the year, a complete fixed income business chain was established, from project origination and distribution. By focusing on the two offshore bond market sectors, real estate and LGFVs, the Group leveraged its abundant resources accumulation and strong client base of the parent company to complete 16 fixed income financing deals as sole or joint global coordinator, assisting clients in raising over US$2.475 billion, among which the Group raised US$1.07 billion for 5 LGFVs and US$950 million for 5 real estate companies. The Group will continue to make use of its outstanding project execution capabilities, leveraging its strong shareholder background and customer resources to expand its coverage of state-owned enterprise customers and gradually increase its revenue contribution from this business.

Structured finance

In order to enrich the scope of customer services and expand business income, the Group continued to improve its structured finance services in 2019, by providing corporate customers with financial services that are different from traditional financing channels, helping customers implement funding arrangements through customized financing solutions and structured product designs, providing customers with flexible and rich capital intermediary services. The Group has strengthened strategic customer service and consolidated the company's risk management and control measures to increase business income through diversified products.

Institutional Services and Trading

The institutional services and trading business line mainly provides one-stop integrated financial services for institutional clients, such as global stock brokerage and trading, sales and trading of fixed income bonds, currencies and commodities, research advisory, and investment and financing solutions. It also uses its own funds or acts as a counterparty to institutional clients to engage in the trading of fixed income bonds, currencies and commodities, equity and equity-linked securities, and provides sales, trading, hedging and over-the-counter derivative services to institutional clients.

	Fee and commission income		**Interest income**		**Net investment gains/(losses)**		**Total**		%
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	
Fixed income, currencies and commodities	-	-	2,674	-	143,611	(3,996)	146,285	(3,996)	N/A
Stock business	115,039	108,025	20,942	18,166	-	-	135,981	126,191	8%
	115,039	**108,025**	**23,616**	**18,166**	**143,611**	**(3,996)**	**282,266**	**122,195**	**131%**

During the year under review, although the Hong Kong financial market sentiment was stagnant and the total market turnover declined, the Group has actively adjusted its business strategy in sales, resulting in the revenue from the stock business in institutional services and trading business line increasing by 8% year-on-year, to HK$136 million. On the other hand, benefiting from the active expansion of fixed income products and trading businesses, fixed income, currencies and commodities businesses recorded net investment gains of HK$144 million, compared with net investment losses of HK$4 million in the same period last year.

In terms of stock business, the Group actively carried out integrated business during the year, invested resources in business development in various aspects such as capital market business, diversified business in Mainland China and Hong Kong, and financing business. The Group completed the adjustment of the sales team of overseas institutions, and introduced advanced high-end trading systems to comprehensively improve the service quality for institutional customers from transaction stability, algorithmic transactions and electronic transactions. The Group will continue to optimize and expand the international targeted customer base, take advantage of diversified products of Shenwan Hongyuan to seize the opportunity of international investors' capital inflows under the opening up of the A-share market, step up efforts to develop integrated businesses, introduce new structured and derivatives teams, focus on giving play to their own advantages, develop cross-border products, and work closely with the parent company and domestic subsidiaries to provide institutional clients with more diversified and richer equity trading services.

In terms of fixed income, currencies and commodities businesses, the Group effectively expanded its fixed income trading portfolio during the year while avoiding large profit swing. Via professional credit analysis, the Group focused on investing in high-quality bond issuers and controlling the duration to minimize the impact of short-term market volatility. The Group will further strengthen the fixed income trading business and explore more trading opportunities of fixed income products, such as derivatives and structured products.

Investment Management

The investment management business line mainly provides (discretionary accounts) asset management, investment advisory, public fund management and private fund management services.

Since Mainland China restricted channel business and established a new regulatory system for domestic asset management in 2018, the channel-related asset management business has been gradually restricted, causing domestic and overseas Chinese investment management companies to start to face with business transformation. Under the guidance of financial supervision in Hong Kong, the Group concentrated on cleaning up existing projects during the year and laying a solid foundation for the transition to active asset management business. Revenue from the investment management business line decreased by 48% year-on-year to HK$21.40 million.

Facing the new landscape of asset management, the Group has actively transformed into active management, started with team reconstruction, and introduced professional teams to remedy the shortcomings in terms of operations, products and management capabilities, etc. The Group will further improve the team building, plan to set up multiple active management funds for the active investment business, coordinate with each business line to develop distinctive and differentiated products to meet the needs of different markets.

FUTURE PLAN & PROSPECTS

In 2020, economic and financial activities in Mainland China, Hong Kong and many countries or regions around the world suffered from significant shocks under the impact of COVID-19. Affected by the pandemic, the corporate-finance-related business of the Group may be deferred, while the Group's income such as transaction fee and commission will also be affected to certain extent under the circumstances of large fluctuations in Mainland China, Hong Kong and global capital markets. The Company will pay close attention to the development trend of the pandemic situation and timely adjust its business strategy and focus.

From the perspective of the global financial market environment, the global monetary policy in 2020 is expected to show a loose pattern in order to cope with the short-term impact of the pandemic on the economy. The signing of the phase one of US-China trade agreement is conducive to improving the global trade environment as well as the environment for macroeconomic development, the risk of Brexit without an agreement is effectively mitigated, the situation in the Middle East is still under control, so the short-term political risks to the global market are reducing gradually. However, considering the high uncertainty of external environment, asset price volatility in 2020 may be significantly higher than that in 2019. From the perspective of expected returns, China's stock and bond assets may be relatively dominant against the backdrop of China's effective control of the outbreak and continuous deepening reforms.

In the Mainland, in order to mitigate the short-term impact of the COVID-19 outbreak on the economy, the Chinese government has adopted strong stimulus policies and introduced a series of measures of deepening reform while calming the short-term economic downturn. The endogenous resilience of the Chinese economy is expected to be further verified in 2020 and more proactive monetary policy and fiscal policy are expected to be implemented in 2020. Fiscal policies will continue to strengthen in terms of stable growth. Investment in new infrastructure, such as 5G telecommunication, new energy, big data and artificial intelligence will be further strengthened. In 2020, the A-share market volatility may further increase, and the structural differences between different industry sectors will be further presented.

In Hong Kong, in the context of external financial markets facing with relatively strong impact, the Hong Kong market will also face with greater volatility. With the implementation of various relief measures introduced by the SAR government in 2020 and the characteristics of overall high dividend yield of Hong Kong stocks, the Hong Kong stock market as a whole has certain revaluation opportunities against the background of under valuation. Regarding the structure of Hong Kong stock investors, the proportion of mainland investors has gradually increased, the trend of which we believe is expected to further enhance this year.

Under the circumstances of Mainland China further opening up its financial market and vigorously advancing the strategic layout of the Guangdong-Hong Kong-Macao Greater Bay Area, the Group, as the main platform for Shenwan Hongyuan Group's overseas and cross-border business, will further enrich its capital size and vigorously explore sales and trading business towards institutional clients, optimize personal finance business, strengthen product platform for asset management, leverage the resource advantages of domestic parent company, consolidate the competitive strategy of the "investment + investment bank", provide customers with integrated domestic and overseas corporate financial services, and strive to become an integrated financial services provider with international competitiveness.

CAPITAL STRUCTURE

On 14 December 2018, the Company and Shenwan Hongyuan (International) Holdings Limited (the "Subscriber") entered into the subscription agreement (the "Subscription Agreement"), pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 765,000,000 new shares at the subscription price of HK$2.068 per subscription share. The subscription was completed on 18 February 2019 in accordance with the Subscription Agreement in which an aggregate of 765,000,000 new shares had been allotted and issued by the Company to the Subscriber at the subscription price of HK$2.068 per subscription share. Please refer to the Company's related announcements and circular for details.

The net proceeds from the subscription after deducting the related expenses were approximately HK$1.58 billion. The net proceeds were then applied for reinforcing and developing existing businesses as well as strategic expansion.

As at 31 December 2019, the total number of the issued ordinary shares was 1,561,138,689 shares and total equity attributable to ordinary equity holders was approximately HK$3.92 billion (31 December 2018: HK$2.21 billion).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2019, the Group had a cash holding of HK$938 million (2018: HK$621 million) and investments at fair value through profit or loss of HK$2,189 million (2018: HK$602 million). As at 31 December 2019, the Group's total unutilised banking facilities amounted to HK$3,523 million (2018: HK$3,186 million), of which HK$1,523 million (2018: HK$1,814 million) could be drawn down without the need of notice period or completion of condition precedent.

As at 31 December 2019, the Group had outstanding short-term bank borrowings amounting to HK$779 million (2018: HK$470 million). The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 31 December 2019 were 143% (2018: 138%) and 20% (2018: 21%) 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 2019.

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 2019, the advances to customers were overdue accounts receivable from cash clients, margin financing and structured products.

As at 31 December 2019, the balance of overdue accounts receivable from cash clients, margin financing and structured products amounted to HK$32 million (2018: HK$35 million), HK$873 million (2018: HK$1,208 million) and HK$312 million (2018: nil), respectively.

25% (2018: 38%) of margin financing was attributable to corporate customers with the rest attributable to individual customers.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group's 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 measures when necessary.

CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 December 2019.

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 2019.

EMPLOYEES

As at 31 December 2019, the total number of full-time employees was 274 (2018: 258). The total staff costs for the year amounted to approximately HK$250 million (2018: HK$194 million).

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, 22 May 2020. 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 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 2019.

Code Provision A.6.7 specifies that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to other business engagements at that relevant time, an independent non-executive director of the Company was unable to attend the annual general meeting of the Company held on 10 May 2019, and a non-executive director of the Company was unable to attend the extraordinary general meetings held on 31 January 2019 and 17 May 2019 respectively.

REVIEW BY AUDIT COMMITTEE

The final results for the year ended 31 December 2019 of the Group have been reviewed by the audit committee.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by KPMG on this announcement.

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 2019 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
Chen Xiaosheng
Chairman

Hong Kong, 23 March 2020

As at the date of this announcement, the Board of the Company comprises 9 directors, of which Mr. Chen Xiaosheng, Mr. Zhang Jian, Mr. Guo Chun, Ms. Wu Meng and Mr. Qiu Yizhou are the executive directors, Mr. Zhang Lei is the non-executive director, Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Chen Liqiang are the independent non-executive directors.