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SHENWAN HONGYUAN (H.K.) LIMITED

申萬宏源(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 218)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 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	
		2020 HK\$'000	2019 HK\$'000
REVENUE	4	835,317	675,584
- Interest income calculated using the effective interest method		293,416	201,332
- Revenue from contracts with customers within the scope of HKFRS 15		304,444	359,111
- Revenue from other sources		237,457	115,141
Other gains/(losses), net	4	18,585	(13,646)
Commission expenses		(96,864)	(65,063)
Employee benefit expenses		(280,047)	(249,944)
Depreciation		(44,188)	(24,450)
Interest expenses		(98,103)	(30,734)
Other expenses, net		(125,740)	(133,826)
PROFIT BEFORE TAXATION	5	208,960	157,921
Income tax	6	(33,334)	(21,258)
PROFIT FOR THE YEAR		175,626	136,663
Attributable to:			
Ordinary equity holders of the Company		175,626	136,664
Non-controlling interests		-	(1)
		175,626	136,663
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (BASIC AND DILUTED)	7	HK11.25 cents	HK9.37 cents
DIVIDEND PER SHARE	8	HK4 cents	HK3 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>175,626</u>	<u>136,663</u>
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)	(13,635)	23,747
Exchange gain on translation of financial statements of foreign operations	<u>4,192</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME, NET OF TAX	<u>(9,443)</u>	<u>23,747</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>166,183</u></u>	<u><u>160,410</u></u>
Attributable to:		
Ordinary equity holders of the Company	166,183	160,411
Non-controlling interests	<u>-</u>	<u>(1)</u>
	<u><u>166,183</u></u>	<u><u>160,410</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000 (Restated)
<u>NON-CURRENT ASSETS</u>		
Property, plant and equipment	13,534	9,774
Stock and Futures Exchange trading rights	4,212	4,212
Other assets	30,587	37,125
Other financial assets	844,844	527,361
Right-of-use assets	38,119	68,631
Deferred tax assets	3,954	5,390
	935,250	652,493
<u>CURRENT ASSETS</u>		
Financial assets at fair value through profit or loss	3,618,331	2,189,495
Other financial assets	987,844	607,937
Accounts receivable	2,014,818	1,691,210
Loans and advances	2,893,038	872,588
Prepayments, deposits and other receivables	545,290	79,635
Obligation under repurchase agreement	89,025	-
Tax recoverable	33,236	7,404
Bank balances held on behalf of clients	4,756,813	3,193,340
Cash and bank balances	414,929	937,597
	15,353,324	9,579,206
<u>CURRENT LIABILITIES</u>		
Financial liabilities at fair value through profit or loss	1,391,695	329,371
Accounts payable	6,259,616	5,000,203
Contract liabilities	3,050	1,558
Other payables and accruals	248,386	107,210
Interest-bearing bank borrowings	4,271,923	778,900
Lease liabilities	25,786	32,473
Tax payable	35,799	25,190
	12,236,255	6,274,905
NET CURRENT ASSETS	3,117,069	3,304,301
TOTAL ASSETS LESS CURRENT LIABILITIES	4,052,319	3,956,794

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 HK\$'000 (Restated)
<u>NON-CURRENT LIABILITIES</u>		
Deferred tax liabilities	576	1,013
Lease liabilities	<u>13,077</u>	<u>36,464</u>
Total non-current liabilities	<u>13,653</u>	<u>37,477</u>
NET ASSETS	<u>4,038,666</u>	<u>3,919,317</u>
 <u>EQUITY</u>		
Equity attributable to ordinary equity shareholders of the Company		
Share capital	2,782,477	2,782,477
Other reserves	<u>1,253,563</u>	<u>1,134,214</u>
	4,036,040	3,916,691
Non-controlling interests	<u>2,626</u>	<u>2,626</u>
TOTAL EQUITY	<u>4,038,666</u>	<u>3,919,317</u>

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 wealth management, enterprise finance, institutional services and trading, asset 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 2020 and the financial information relating to the year ended 31 December 2019 included in this preliminary announcement of annual results 2020 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 2019, 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 2020 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 2019 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 2019. 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. 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.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions</i>

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 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract¹</i>
Amendments to HKFRSs 2018-2020 Cycle ¹	

¹ Effective for annual periods beginning on or after 1 January 2022

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 taxation for the year is as follows:

	Enterprise finance		Wealth management	Institutional services and trading	Asset management	Others	Segment total
	Corporate finance	Principal investment					
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 31 December 2020							
Segment revenue and other gains from external customers	38,840	5,934	390,341	387,989	12,213	18,585	853,902
Segment results and profit/(loss) before tax	(17,092)	3,077	95,551	121,684	(12,845)	18,585	208,960
	Enterprise finance		Wealth management	Institutional services and trading	Asset management	Others	Segment total
	Corporate finance	Principal investment					
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 31 December 2019 (Restated)							
Segment revenue and other losses from external customers	146,229	5,812	233,659	268,487	21,397	(13,646)	661,938
Segment results and profit/(loss) before tax	23,889	2,818	46,575	97,012	1,273	(13,646)	157,921

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	
	2020	2019
	HK\$'000	HK\$'000
<i>Fee and commission income:</i>		
<u>Revenue from contracts with customers within the scope of HKFRS 15:</u>		
Commission on securities dealing		
– Hong Kong securities	156,173	91,513
– Other than Hong Kong securities	51,514	26,900
Commission on futures and options contracts dealing	19,653	13,968
Initial public offering, placing, underwriting and sub-underwriting commission	38,412	163,665
Financial advisory, compliance advisory, sponsorship fee income and others	13,091	28,135
Management fee, investment advisory fee income and performance fee income	12,213	21,397
Handling fee income	6,159	5,311
Research fee income and other service fee income	7,229	8,222
	<u>304,444</u>	<u>359,111</u>
<i>Income from interest-bearing transactions:</i>		
<u>Interest income calculated using the effective interest method:</u>		
Interest income from banks and others	39,471	73,558
Interest income from initial public offering loans	58,375	6,223
<u>Revenue from other sources:</u>		
Interest income from loans to cash clients and margin clients	90,414	76,439
Interest income from structured products	47,541	2,674
Unrealised fair value losses on margin loans	-	(7,775)
Unrealised fair value gains on a financial guarantee contract	7,242	-
	<u>243,043</u>	<u>151,119</u>
<i>Investment gains, net</i>		
<u>Interest income calculated using the effective interest method:</u>		
Interest income:		
– Unlisted investments	195,570	121,551
<u>Revenue from other sources:</u>		
Net realised and unrealised (losses)/gains on financial instruments:		
– Listed investments	(8,283)	2,475
– Unlisted investments	(31,535)	2,403
Dividend income and interest income:		
– Listed investments	652	-
– Unlisted investments	131,426	38,925
	<u>287,830</u>	<u>165,354</u>
	<u>835,317</u>	<u>675,584</u>
<u>Other gains/(losses), net:</u>		
Exchange gains/(losses), net	11,931	(13,646)
Gain on disposal of a subsidiary	4,604	-
Change in net assets value attributable to other holders of a consolidated investment fund	(10,754)	-
Employment Support Scheme subsidy	12,804	-
	<u>18,585</u>	<u>(13,646)</u>

5. PROFIT BEFORE TAXATION

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

	For the year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Interest expenses on loans and overdrafts wholly repayable within five years	<u>93,238</u>	<u>22,398</u>

6. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: 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	
	2020	2019
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	33,427	20,969
Over-provision in respect of prior years	(1,825)	(19)
Current tax – Elsewhere	733	1,004
Deferred tax	<u>999</u>	<u>(696)</u>
	<u>33,334</u>	<u>21,258</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 2020, the total number of the issued ordinary shares was 1,561,138,689 shares (2019: 1,561,138,689 shares).

	For the year ended 31 December	
	2020	2019
Profit for the year attributable to ordinary equity holders of the Company (HK\$'000)	<u>175,626</u>	<u>136,664</u>
Weighted average number of ordinary shares in issue (in thousands)	<u>1,561,139</u>	<u>1,458,440</u>
Earnings per share, basic and diluted (HK cents per share)	<u>11.25</u>	<u>9.37</u>

8. DIVIDEND

For the year ended 31 December
2020 2019
HK\$'000 HK\$'000

Proposed final – HK4 cents (2019: HK3 cents) per ordinary share	62,446	46,834
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9. ACCOUNTS RECEIVABLE

As at As at
31 December 31 December
2020 2019
HK\$'000 HK\$'000

(i) Measured at amortised cost:

Accounts receivable arising from securities dealing:

- Cash clients	1,382,825	936,891
- Brokers and dealers	411,679	276,150
- Clearing houses	178,778	403,500

1,973,282 1,616,541

Accounts receivable arising from corporate finance,
advisory and other services:

- Corporate Clients	14,552	45,554
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1,987,834 1,662,095

Less: Expected credit losses (Stage 1)

(806) (1,473)

Less: Expected credit losses (Stage 3)

- (1,096)

1,987,028 1,659,526

(ii) Measured at FVPL:

Accounts receivable arising from securities dealing:

- Advances to cash clients	27,790	31,684
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Total

2,014,818 **1,691,210**

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\$27,790,000 (2019: HK\$31,684,000) bear interest at interest rates mainly with reference to Hong Kong dollar prime rate (2019: 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 2020 HK\$'000	As at 31 December 2019 HK\$'000
Within 1 month	1,400,079	950,578
1 to 2 months	4,100	8,929
2 to 3 months	246	2,238
Over 3 months	6,190	6,830
	<u>1,410,615</u>	<u>968,575</u>

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 2020 were (1) a receivable due from a wholly-owned subsidiary of the ultimate holding company of HK\$27,052,000 (2019: HK\$5,139,000) arising from brokerage services relating to the PRC capital markets, (2) a consultancy fee receivable due from the ultimate holding company arising from supporting services in connection with corporate finance business of HK\$108,000 (2019: HK\$108,000), which balance is unsecured, interest-free and repayable on demand.

10. ACCOUNTS PAYABLE

	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
Accounts payable		
- Clients	5,997,234	4,449,773
- Brokers and dealers	187,285	550,041
- Clearing houses	75,097	389
	<u>6,259,616</u>	<u>5,000,203</u>

Included in the accounts payable balance as at 31 December 2020 was a payable to a wholly-owned subsidiary of the ultimate holding company of the Company of HK\$16,000 (2019: HK\$3,539,000) 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 2020 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK\$2,205,000 (2019: HK\$10,667,000). 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. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK4 cents per ordinary share in respect of 2020, to shareholders whose names appear on the register of members of the Company on 28 May 2021. The proposed dividend will be paid on or about 11 June 2021 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 Friday, 14 May 2021 to Friday, 21 May 2021, 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 2021 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 Thursday, 13 May 2021; and
- b. from Thursday, 27 May 2021 to Friday, 28 May 2021, 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, 26 May 2021.

MANAGEMENT DISCUSSION & ANALYSIS OF PERFORMANCE

MARKET REVIEW

From the perspective of global environment, one of the most important issues in 2020 has been the reshape of global economy under the impacts of COVID-19. On the one hand, global economy has been hit hard by COVID-19 pandemic whereas China was the first one among the major economies to recover from COVID-19 pandemic and the only one to achieve positive economic growth as a result of its effective infection prevention and control measures. On the other hand, central banks of the world have adopted aggressive-easing monetary policy successively in response to economic contraction, generating considerable momentum to global stock markets due to spilling of excess liquidity over in financial markets.

From the perspective of macro economy of Mainland China, following a drop of 6.8% in GDP growth recorded in the first quarter of 2020 under the impact of COVID-19 pandemic, China's economy returned to a growth track in the second quarter and achieved an annual economic growth rate of 2.3%, and its GDP topped RMB100 trillion for the first time. While global supply and demand was disrupted by COVID-19 pandemic, Mainland China has maintained rapid growth in net export which was the vital momentum for economic growth in 2020. In addition, the monetary policy and fiscal stimulus launched in response to COVID-19 pandemic have soared the number of public investment projects, whereas annual consumer spending was relatively weak. As seen in the trend pattern, various economic figures were moving back on the right track after being hit hard by COVID-19 pandemic in the first quarter of 2020.

Capital market in Mainland China increased considerably in 2020. In the first quarter of 2020, affected by the impacts of COVID-19 pandemic and the following turbulence in global financial market in March 2020, Shanghai Stock Exchange (SSE) Composite Index plunged to the bottom of 2020 in March and bounded back strongly afterwards, the overall average level moved upward evidently after July 2020, in particular the sectors of consumer goods and new energy.

Hong Kong market showed a strong structural performance in 2020. Hang Seng Index dropped by 3.4% for the year, while annual performance of the sectors of biotechnology, technology internet and consumer goods were outstanding. Southbound capital net inflow was HK\$672 billion, the record high level since the launch of the Stock Connect in 2014.

REVIEW OF OPERATIONS

In 2020, the Group continued to push forward its comprehensive business transformation strategy by enhancing professional level of each of its business lines and developing innovative business models, in an effort to facilitate coordination of its business lines and maximize the synergetic effects within the Group, as well as those with the parent company, so as to provide customers with all-inclusive integrated financial services. In spite of the impact of COVID-19 pandemic and fierce competition in the market, the Group has eagerly performed risk management well and optimized various management systems and infrastructures, made timely analysis on market changes and efficiently carried out prompt response measures, maintaining a stable development of its overall operation and achieving rapid growth in its performance.

REVIEW OF OPERATIONS (CONT'D)

In 2020, the total revenue of the Group increased by 24% year-on-year to HK\$835 million from HK\$676 million in 2019, which was mainly due to the substantial increase in the revenue generated from wealth management, institutional services and trading. Profit before taxation increased by 32% from HK\$158 million in 2019 to HK\$209 million. Profit attributable to shareholders increased by 29% from HK\$137 million in 2019 to HK\$176 million.

	2020	%	2019	%
	HK\$'000		HK\$'000	
Fee and commission income	304,444	36%	359,111	53%
Interest income	243,043	30%	151,119	22%
Net investment gains	287,830	34%	165,354	25%
	835,317	100%	675,584	100%

During the year under review, benefitting from the expansion in size of the trading portfolio of the fixed income trading business as well as the profitability of trading portfolio enhanced by well-established strategies, the Group recorded net investment gains of HK\$288 million, representing a year-on-year increase of 74%. Meanwhile, the scope of the financing and loans business has been expanded with additional interest income sources, leading to a year-on-year increase of 61% in interest income to HK\$243 million, whereas the fee and commission income dropped by 15% year-on-year to HK\$304 million, which was mainly attributable to the significant decrease in the fee and commission income of corporate finance business, as a result of the impact of COVID-19 pandemic.

The Wealth Management Business Line

The 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, over-the-counter, as well as securities margin financing to individual customers and non-professional institutional investors through a combination of online and offline methods.

	2020	(Restated)	
	HK\$'000	2019	%
		HK\$'000	
Fee and commission income	200,874	102,229	96%
Interest income	187,986	131,204	43%
Net investment gains	1,481	226	555%
	390,341	233,659	67%

In 2020, global economy saw challenges and obstacles brought about by COVID-19 pandemic, financial markets fluctuated unusually. Hong Kong stock market was buoyant owing to excess liquidity, improved macro-economic situation as a result of successful anti-pandemic efforts in Mainland China as well as initial public offering (IPO) of certain quality Chinese Concepts companies, and the average daily turnover of the Hong Kong stock market in 2020 was HK\$129.5 billion, representing an increase of 49% as compared with HK\$87.2 billion in 2019.

The Group proactively responded to high volatility of the market resulting from COVID-19 pandemic during the year by adopting measures in full swing to ensure smooth business operation and grasping business opportunities from market focuses, further accelerating transformation of wealth management business and diversifying the portfolio and services of wealth management products, with an aim to elevate and enhance the professional service level of investment advisory, product management, marketing and promotion as well as customer services, and optimize the service system for mid-to-high end clients. Additionally, the Group has overcome the impacts of COVID-19 pandemic on its business expansion by improving online remote account opening channel and launching online marketing campaigns for wealth management, further strengthening its brand value and optimizing clients' experience, in an effort to satisfy clients' multi-layer demands for wealth management. During the year under review, revenue from wealth management business line increased significantly by 67% year-on-year to HK\$390 million, in which the fee and commission income increased by 96% year-on-year to HK\$201 million, and interest income increased by 43% to HK\$188 million.

The Group will continue to improve the construction of the wealth management platform by applying internet technology to update various trading platforms and facilities, and expand the service scope and enrich product lines to attract quality clients, with an aim to establish a professional system that offers high-net-worth clients integrated financial services. The Group will further enhance the flexibility of its margin financing business to meet different needs of various clients. By establishing a client demand-oriented service system, the Group aims to provide clients with comprehensive financial services to improve user experience and to expand integrated business by leveraging on the resources of its core clients, so as to further enhance the synergetic effects among its different business lines and promote business development.

Enterprise Finance Business Line

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 self-financing equity investment, debt investment and other investments.

	2020	(Restated) 2019	%
	HK\$'000	HK\$'000	
Fee and commission income	38,840	130,524	(70%)
Net investment gains	5,934	21,517	(72%)
	44,774	152,041	(71%)

In 2020, the sponsorship and underwriting business of the Group was affected by COVID-19 pandemic to a larger extent. However, such decrease in the sponsorship and underwriting business was offset by the strong growth in the debt capital market business benefitting from the abundant resources accumulation. During the year under review, the fee and commission income from the enterprise finance business line decreased by 70% year-on-year to HK\$38.84 million. In addition, the Group used its own funds to invest and recorded net investment gains of HK\$5.93 million.

Sponsorship and underwriting and financial advisory

During the year under review, a number of external factors postponed certain sponsorship projects of the Group or trimmed down the number of its sponsorship projects, resulting in a relatively considerable decrease in revenue from the business over 2019. However, the Group unwaveringly implemented its strategies on internationalization and domestic-overseas integration with the support of its parent company, forming a pool of sponsorship and underwriting projects with over 10 financial advisory projects newly launched and completed. The Group will actively increase reserves of sponsorship and underwriting projects and participate in more merger-and-acquisition related financial advisory projects. The Group will also strengthen collaboration with the domestic team of the parent company in order to increase the potential client coverage of corporate finance business.

Equity capital market

The equity capital market team continued to provide clients with comprehensive services during the year. The Group also actively deployed in selected key industries with increased quality of underwriting projects participated. The equity capital market team completed a total of 8 IPO underwriting projects during the year under review. The Group will further strengthen the construction of the equity capital market team and the underwriting placement network, and enhance the connection of client resources with domestic and overseas and internal business teams.

Debt capital market

Benefitting from the solid foundation laid in 2019, the Group completed a total of 23 bond issuance projects during the year under review, including 11 local government financing vehicles (LGFVs), 8 real estate projects and 4 industry-related projects which raised US\$2.091 billion, US\$1.743 billion and US\$0.52 billion for clients, respectively. To respond to the changing overseas market, the Group will vigorously explore overseas bond issuance projects for quality enterprises, such as large-scale government-controlled enterprises and state-owned conglomerates, attempting to expand its market share. In the meantime, the Group will continue to recruit talents to keep on expanding such important business, the debt capital market.

Institutional Services and Trading Business Line

The institutional services and trading business line mainly provides one-stop integrated financial services for institutional clients, such as brokerage and trading of global markets, 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		Total		%
	(Restated)		(Restated)				(Restated)		
	2020	2019	2020	2019	2020	2019	2020	2019	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Fixed income, currencies and commodities	-	-	47,541	2,674	280,415	143,611	327,956	146,285	124%
Stock business	52,517	104,961	7,516	17,241	-	-	60,033	122,202	(51%)
	52,517	104,961	55,057	19,915	280,415	143,611	387,989	268,487	45%

Global market was highly volatile in the first half of 2020, in particular March, due to the impacts of, among others, COVID-19 pandemic, and price of major risk assets in the world, such as stocks and credit debts, plummeted. Subsequently, performance of global major stock markets and China US-dollar bonds rebounded amid volatility. During the period from September to November 2020, instability in credit market of Mainland China adversely affected the performance of China US-dollar bonds, particularly high-yield bonds, to a certain extent, though the market headed back on upward track at the end of 2020. In the face of a volatile market, the Group continued to step up its efforts in the institutional services and trading business, including stock sales in secondary market, fixed income sales and trading and structured products, driving a revenue of HK\$388 million, representing an increase of 45% year-on-year.

In terms of the fixed income sales and trading business, the Group expanded its trading portfolio from approximately HK\$2.2 billion in the end of last year to approximately HK\$3.4 billion with a stable profit growth through prudent strategies and flexible hedging approaches during the year under review. Apart from the traditional credit bonds trading, the Group actively facilitates the sales of structured products, endeavoring to further expand its business scope to cover equity-linked derivatives and structured products in addition to the existing fixed income-linked products. In addition to the above products and business, the Group will also keenly promote the business of interest rate and foreign exchange derivatives.

In terms of stock sales and trading business, the Group has restructured the institutional sales team and put an advanced high-end trading system into full operation after the transition completed, and such system comprehensively improves the service quality for institutional clients from transaction stability, algorithmic trading and electronic transactions. In addition, the sales team of institutions has laid a solid foundation for the further development of overseas stock business by expanding service coverage of overseas market trading business. The Group will continue to seize the opportunity of international investors' capital inflows under the opening up of the A-share market and capture the opportunities arising from the secondary listing of the Chinese Concepts stocks on the Hong Kong stock market, so as to provide institutional clients with more diversified and richer equity trading services.

Asset Management Business Line

The asset management business line mainly provides public fund management, private fund management, investment advisory and entrusted discretionary managed account services.

	2020	2019	%
	HK\$'000	HK\$'000	
Fee and commission income	12,213	21,397	(43%)

Due to the changes in regulatory policies and the demand for Hong Kong asset management business of Chinese securities firms, coupled with the serious impact on the traditional Chinese cross-border asset management business brought by the cost advantage of foreign banks due to the decreasing Libor rate, the development of the cross-border asset management business was hindered to a certain extent. Moreover, the promulgation of some new policies and regulations, such as the forthcoming mutual recognition of bank wealth management, will also shake up the competitive landscape of the Hong Kong asset management sector. During the year under review, the Group repositioned its asset management business line to expedite optimization and business model transformation by eagerly exploring the development path of differentiation with unique features. In the second half of 2020, the Group made a breakthrough in cross-border and actively managed products and received positive market response on a number of innovative products newly launched, achieving significant growth in the size of assets under management.

The Group continued to proactively push forward the transformation into active management for the fixed income and quasi-fixed income sectors. Taking Hong Kong as a center of operation and leveraging on the development of the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area), the Group also actively knocked through various types of sales channel to expand the size of assets under management. The Group will seize the market opportunities, explore business potential, optimize operating mechanism, improve management efficiency and coordinate with other business lines, make good use of the advantages of cross-border business, and place an emphasis on developing actively managed products, so as to meet the needs of clients from different markets.

FUTURE PLAN & PROSPECTS

From the perspective of the global financial market environment, overseas monetary environment in 2021 may remain loose to bolster slow economic recovery. Progress of COVID-19 vaccination is vital to the pace of global economic recovery, and inconsistent progress of COVID-19 vaccination in each country may result in non-synchronized economic recovery. Also, the risk from potential rebound of US-dollar index shall not be neglected. As the valuation of global market in 2020 soared, recovery of corporate earnings may re-dominate the financial market in 2021.

In Mainland China, all economic figures get back on the right track after economic impact from COVID-19 pandemic and subsequent retaliatory rebound. Meanwhile, the stimulus policies launched at the early stage of COVID-19 pandemic may be gradually withdrawn in 2021. The performance of the A-share market in 2021 may highly hinge on corporate earnings, and whether performance growth catching up with the high valuation may become the focus of attention in the market afterwards.

In Hong Kong, as an increasing number of new economy companies in China are listed in Hong Kong, the growth sectors will have increasing influence over the Hong Kong stock market. Southbound capital is expected to play a more important role in 2021, and asset pools of Hong Kong stocks favored by investors from Mainland China may continue to be the attention of the market as investment in Hong Kong stock market is open to more and more mutual funds, corporate pension schemes and subsidiaries of banks for wealth management in Mainland China. Additionally, cyclical sectors in Hong Kong stock market have performed well during the period of economic recovery, largely bolstering the performance of Hong Kong stock indexes in 2021.

In 2021, uncertainties about the COVID-19 pandemic remain, the Group will continue to closely monitor the development of the pandemic and promptly respond and adopt proactive development strategies to ensure stable growth of each of its business lines and further consolidate the performance of business transformation. 2021 marks the first year of the 14th Five-Year Plan, under the new "dual circulation" development pattern, the Group, as the most important business center and main execution platform for Shenwan Hongyuan Group's overseas and cross-border business based in Hong Kong, will integrate into the development of the Greater Bay Area and vigorously expand its cross-border business by fully leveraging the advantages and competitiveness of resources abroad. The Group will further optimise its asset-liability structure, improve its operation coordination capability, vigorously explore the integrated capital intermediary business towards institutional clients, optimise the wealth management 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 clients with integrated domestic and overseas corporate financial services, and strive to become an integrated financial services provider with international competitiveness.

CAPITAL STRUCTURE

As at 31 December 2020, 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\$4.04 billion (31 December 2019: HK\$3.92 billion).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2020, the Group had a cash holding of HK\$415 million (2019: HK\$938 million) and financial assets at fair value through profit or loss of HK\$3,618 million (2019: HK\$2,189 million). As at 31 December 2020, the Group's total unutilised banking facilities amounted to HK\$4,417 million (2019: HK\$3,523 million), of which HK\$4,417 million (2019: HK\$1,523 million) could be drawn down without the need of notice period or completion of condition precedent.

As at 31 December 2020, the Group had outstanding short-term bank borrowings amounting to HK\$4,272 million (2019: HK\$779 million). The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 31 December 2020 were 125% (2019: 153%) and 106% (2019: 20%) 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 2020.

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 2020, the advances to customers were overdue accounts receivable from cash clients, margin financing and structured products.

As at 31 December 2020, the balance of overdue accounts receivable from cash clients, margin financing and structured products amounted to HK\$28 million (2019: HK\$32 million), HK\$2,356 million (2019: HK\$873 million) and HK\$1,222 million (2019: HK\$313 million), respectively.

27% (2019: 25%) 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 2020.

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 2020.

EMPLOYEES

As at 31 December 2020, the total number of full-time employees was 269 (2019: 274). The total staff costs for the year amounted to approximately HK\$280 million (2019: HK\$250 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, 21 May 2021. 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 2020.

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 commitments at that relevant time, a non-executive director and an independent non-executive director of the Company were unable to attend the annual general meeting of the Company held on 22 May 2020.

REVIEW BY AUDIT COMMITTEE

The final results for the year ended 31 December 2020 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 2020 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 2020 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
Fang Qingli
Chairman

Hong Kong, 19 March 2021

As at the date of this announcement, the Board of the Company comprises 9 directors, of which Mr. Fang Qingli, Mr. Guo Chun, Mr. Zhang Jian, 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.