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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 2021

#### 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 2021 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	
		2021	2020
		HK\$'000	HK\$'000
REVENUE	4	<b>730,287</b>	835,317
- Interest income calculated using the effective interest method		<b>170,061</b>	293,416
- Revenue from contracts with customers within the scope of HKFRS 15		<b>409,191</b>	304,444
- Revenue from other sources		<b>151,035</b>	237,457
Other gains, net	4	<b>12,092</b>	18,585
Commission expenses*		<b>(150,541)</b>	(96,864)
Employee benefit expenses		<b>(265,890)</b>	(280,047)
Depreciation		<b>(53,110)</b>	(44,188)
Interest expenses		<b>(94,794)</b>	(98,103)
Net charges for expected credit loss		<b>(186,826)</b>	(11,723)
- from financial assets at amortised cost		<b>(23,993)</b>	(16,398)
- from financial assets at fair value through other comprehensive income		<b>(162,833)</b>	4,675
Other expenses		<b>(109,386)</b>	(114,017)
(LOSS)/PROFIT BEFORE TAXATION	5	<b>(118,168)</b>	208,960
Income tax	6	<b>22,418</b>	(33,334)
(LOSS)/PROFIT FOR THE YEAR		<b>(95,750)</b>	175,626
Attributable to:			
Ordinary equity holders of the Company		<b>(95,750)</b>	175,626
Non-controlling interests		-	-
		<b>(95,750)</b>	175,626
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (BASIC AND DILUTED)	7	<b>HK(6.13) cents</b>	HK11.25 cents
DIVIDEND PER SHARE	8	-	HK4 cents

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<u><b>(95,750)</b></u>	<u>175,626</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR:</b>		
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)	<b>(28,939)</b>	(13,635)
Exchange gain on translation of financial statements of foreign operations	<u><b>3,128</b></u>	<u>4,192</u>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX<sup>#</sup></b>	<u><b>(25,811)</b></u>	<u>(9,443)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><u><b>(121,561)</b></u></u>	<u><u>166,183</u></u>
<b>Attributable to:</b>		
Ordinary equity holders of the Company	<b>(121,561)</b>	166,183
Non-controlling interests	<u>-</u>	<u>-</u>
	<u><u><b>(121,561)</b></u></u>	<u><u>166,183</u></u>

**Notes:**

\* For the year ended 31 December 2021, commission expense of HK\$4,618 million and financial consulting income of HK\$4,890 million are related income and expenses in a project (2020: Nil).

<sup>#</sup> Other comprehensive income refers to other changes to the equity which does not constitute and affect the consolidated statement of profit or loss.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at <b>31 December 2021</b> HK\$'000	As at 31 December 2020 HK\$'000
	<i>Notes</i>	
<b><u>NON-CURRENT ASSETS</u></b>		
Property, plant and equipment	11,360	13,534
Stock and Futures Exchange trading rights	4,212	4,212
Other assets	23,125	30,587
Other financial assets	791,263	844,844
Right-of-use assets	149,227	38,119
Deferred tax assets	116,646	3,954
	<b>1,095,833</b>	935,250
<b><u>CURRENT ASSETS</u></b>		
Financial assets at fair value through profit or loss	6,106,058	3,618,331
Other financial assets	991,448	987,844
Accounts receivable	9 4,894,775	2,014,818
Loans and advances	2,556,416	2,893,038
Prepayments, deposits and other receivables	1,158,863	545,290
Reverse repurchase agreement	809,294	89,025
Tax recoverable	42,138	33,236
Bank balances held on behalf of clients	4,675,752	4,756,813
Cash and bank balances	576,706	414,929
	<b>21,811,450</b>	15,353,324
<b><u>CURRENT LIABILITIES</u></b>		
Financial liabilities at fair value through profit or loss	5,400,052	1,391,695
Accounts payable	10 8,333,954	6,259,616
Contract liabilities	1,560	3,050
Other payables and accruals	774,949	248,386
Repurchase agreement	798,717	-
Interest-bearing bank borrowings	3,500,796	4,271,923
Lease liabilities	60,237	25,786
Tax payable	74,995	35,799
	<b>18,945,260</b>	12,236,255
<b>NET CURRENT ASSETS</b>	<b>2,866,190</b>	3,117,069
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>3,962,023</b>	4,052,319

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 HK\$'000
<b><u>NON-CURRENT LIABILITIES</u></b>		
Deferred tax liabilities	803	576
Lease liabilities	<u>106,561</u>	<u>13,077</u>
Total non-current liabilities	<u>107,364</u>	<u>13,653</u>
<b>NET ASSETS</b>	<b><u>3,854,659</u></b>	<b><u>4,038,666</u></b>
 <b><u>EQUITY</u></b>		
Equity attributable to ordinary equity shareholders of the Company		
Share capital	2,782,477	2,782,477
Other reserves	<u>1,069,556</u>	<u>1,253,563</u>
	3,852,033	4,036,040
Non-controlling interests	<u>2,626</u>	<u>2,626</u>
<b>TOTAL EQUITY</b>	<b><u>3,854,659</u></b>	<b><u>4,038,666</u></b>

## **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 2021 and the financial information relating to the year ended 31 December 2020 included in this preliminary announcement of 2021 annual results does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 2020, 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 2021 have yet to be reported 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 2020 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 2020. 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 information 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 following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendment to HKFRS 16, Covid-19-related Rent Concessions
- Amendments to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The adoption of the revised HKFRS has had no material effect on these financial statements.

### **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 Framework<sup>1</sup></i>
Amendments to HKAS 16	<i>Property, plant and equipment: Proceeds before intended use<sup>1</sup></i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract<sup>1</sup></i>
Annual Improvements to HKFRS Standards 2018–2020 <sup>1</sup>	
Amendments to HKAS 1	<i>Classification of liabilities as current or non-current<sup>2</sup></i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of accounting policies<sup>2</sup></i>
Amendments to HKAS 8	<i>Definition of accounting estimates<sup>2</sup></i>
Amendments to HKAS 12	<i>Deferred tax related to assets and liabilities arising from a single transaction<sup>2</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated 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>
<b>For the year ended 31 December 2021</b>							
Segment revenue and other gains from external customers	99,488	1,320	366,699	233,971	28,809	12,092	742,379
Segment results and (loss)/profit before tax	15,253	946	56,022	(191,410)	(11,071)	12,092	(118,168)
	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>
<b>For the year ended 31 December 2020</b>							
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

#### 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:

	<b>For the year ended 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
		(Restated)
<b><i>Fee and commission income:</i></b>		
<b><u>Revenue from contracts with customers within the scope of HKFRS 15:</u></b>		
Commission on securities dealing		
– Hong Kong securities	<b>154,736</b>	156,173
– Other than Hong Kong securities	<b>43,954</b>	51,514
Commission on futures and options contracts dealing	<b>21,445</b>	19,653
Initial public offering, placing, underwriting and sub-underwriting commission	<b>53,632</b>	38,412
Financial advisory, compliance advisory, sponsorship fee income and others	<b>75,338</b>	13,091
Management fee, investment advisory fee income and performance fee income	<b>28,809</b>	12,213
Handling fee income	<b>6,060</b>	6,159
Research fee income and other service fee income	<b>25,217</b>	7,229
	<b>409,191</b>	304,444
<b><i>Income from interest-bearing transactions:</i></b>		
<b><u>Interest income calculated using the effective interest method:</u></b>		
Interest income from banks and others	<b>14,877</b>	39,471
Interest income from initial public offering loans	<b>32,319</b>	58,375
<b><u>Revenue from other sources:</u></b>		
Interest income from loans to cash clients and margin clients	<b>158,626</b>	90,414
	<b>205,822</b>	188,260
<b><i>Income from investment business:</i></b>		
<b><u>Interest income calculated using the effective interest method:</u></b>		
Interest income:		
– Debt securities	<b>122,865</b>	195,570
<b><u>Revenue from other sources:</u></b>		
Net realised and unrealised gains/(losses) on financial instruments:		
– Listed equities and futures	<b>24,736</b>	(8,283)
– Debt securities and derivatives	<b>(435,274)</b>	100,543
– Structured products	<b>397,226</b>	47,541
Interest income:		
– Debt securities	<b>5,582</b>	-
Unrealised fair value gains on a financial guarantee contract	<b>139</b>	7,242
	<b>115,274</b>	342,613
	<b>730,287</b>	835,317
<b><u>Other gains, net:</u></b>		
Exchange gains, net	<b>1,253</b>	11,931
Change in net assets value attributable to other holders of a consolidated investment fund	<b>10,839</b>	(10,754)
Gain on disposal of a subsidiary	-	4,604
Employment Support Scheme subsidy	-	12,804
	<b>12,092</b>	18,585



## 5. (LOSS)/PROFIT BEFORE TAXATION

The Group's (loss)/profit before taxation is arrived at after charging:

	For the year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Interest expenses on loans and overdrafts wholly repayable within five years	<u>79,291</u>	<u>93,238</u>

## 6. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 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	
	2021	2020
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	77,431	33,427
Under-/ (Over-) provision in respect of prior years	10,799	(1,825)
Current tax – Elsewhere	8	733
Deferred tax	<u>(110,656)</u>	<u>999</u>
	<u>(22,418)</u>	<u>33,334</u>

## 7. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic (loss)/earnings per share is calculated by dividing the (loss)/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 2021, the total number of the issued ordinary shares was 1,561,138,689 shares (2020: 1,561,138,689 shares).

	For the year ended 31 December	
	2021	2020
(Loss)/profit for the year attributable to ordinary equity holders of the Company (HK\$'000)	<u>(95,750)</u>	<u>175,626</u>
Weighted average number of ordinary shares in issue (in thousands)	<u>1,561,139</u>	<u>1,561,139</u>
(Loss)/earnings per share, basic and diluted (HK cents per share)	<u>(6.13)</u>	<u>11.25</u>



## 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\$27,110,000 (2020: HK\$27,790,000) bear interest at interest rates mainly with reference to 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:

	<b>As at 31 December 2021 HK\$'000</b>	As at 31 December 2020 HK\$'000
Within 1 month	<b>2,660,210</b>	1,400,079
1 to 2 months	<b>2,921</b>	4,100
2 to 3 months	<b>1,102</b>	246
Over 3 months	<b>13,477</b>	6,190
	<b><u>2,677,710</u></b>	<u>1,410,615</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 2021 were (1) a receivable due from a wholly-owned subsidiary of the ultimate holding company of HK\$1,690,000 (2020: HK\$27,052,000) 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\$nil (2020: HK\$108,000), which balance is unsecured, interest-free and repayable on demand.

## 10. ACCOUNTS PAYABLE

	<b>As at 31 December 2021 HK\$'000</b>	As at 31 December 2020 HK\$'000
Accounts payable		
- Clients	<b>6,842,694</b>	5,997,234
- Brokers and dealers	<b>1,296,653</b>	187,285
- Clearing houses	<b>194,607</b>	75,097
	<b><u>8,333,954</u></b>	<u>6,259,616</u>

Included in the accounts payable balance as at 31 December 2021 was a payable to a wholly-owned subsidiary of the ultimate holding company of the Company of HK\$664,000 (2020: HK\$16,000) 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 2021 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK\$32,463,000 (2020: HK\$2,205,000). 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.

## **DIVIDEND**

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2021 (2020: HK4 cents per ordinary share).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 24 May 2022 to Monday, 30 May 2022, 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 2022 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 Monday, 23 May 2022.

## MANAGEMENT DISCUSSION & ANALYSIS OF PERFORMANCE

### 2021 MARKET REVIEW

From the perspective of the global environment, the most important issues in 2021 have been the high global inflation and the repeated resurgence of COVID-19 pandemic. The emergence of the Delta variant at the beginning of the year, followed by the Omicron variant at the end of the year, has rapidly led to a more complicated situation of the global pandemic with no sign of its complete recovery and it remains difficult for the global service industry to recover, whereas the policy of the “monetisation of fiscal deficits” adopted by overseas developed countries in response to the pandemic hit has caused a rapid overheating of demand. The repeated resurgence of the pandemic has weakened the recovery of the manufacturing industry, resulting in an increasingly severe “stagflation” in overseas economies in general and thus accelerating the tightening of overseas monetary and fiscal resonances. The Federal Reserve has started the QE Taper at the end of the year and expects it to end in March 2022.

From the perspective of macro economy of Chinese Mainland, the overseas stagflation reflected the strength of supply in Chinese Mainland, where an expanding external demand gap drove high export growth, making Chinese Mainland the country with the strongest recovery in industrial production among the world’s major economies for two consecutive years. The gross domestic product (GDP) grew by 8.1% year-on-year in 2021, with an average growth rate of 5.1% over two years. The tightening of the long-term control mechanism for real estate has led to a cooling down of financing for real estate enterprises, dragging down the growth rate of real estate investment. The strengthening of the “monetization regulation” of special bonds, overlapping with the high inflation of industrial products to dampen demand, led to the sluggish growth of infrastructure investment and the strong transmission of industrial product inflation to the Consumer Price Index (CPI), which slowed down the growth rate of consumption. However, the overseas environment with intensified stagflation drove a strong export performance and provided a stronger support to the macro economy.

Capital market in Chinese Mainland showed a clear structural pattern throughout 2021, in which the SSE Composite Index rose by 4.8% for the year, the Growth Enterprise Index rose by 12%, while the SSE 50 Index, reflecting the large cap blue chip market, fell nearly 10%. Benefitted from the recovery of the local economy and the further development of the registration-based listing process in Chinese Mainland, the A share IPO market was active in 2021, with a total of 493 IPOs listed throughout the year and the financing amount of up to RMB547.8 billion, representing an increase of 25% and 17% year-on-year respectively, both hitting record highs.

In Hong Kong, the development of the pandemic and the Sino-US rivalry in early 2021 have led to a downturn in the Hong Kong economy, while the global economic recovery and the gradual advancement of the “internal and external dual circulation” in Chinese Mainland in the middle of the year have provided a strong driving force for Hong Kong’s economic recovery. At the same time, the Central government’s further clarification of Hong Kong’s position has further strengthened Hong Kong’s competitive advantages in the world. Due to the impact from the Chinese Mainland’s increased regulation of certain industries, the performance of Hong Kong stock indexes was worse than expected at the beginning of the year, in which the Hang Seng Index fell by 14.1% throughout the year. Southbound capital net inflow was HK\$454.4 billion for the year, representing a slight decrease from 2020. The Hong Kong IPO market has also gone from exuberance in the first half of the year to a weak second half, with only 98 listings throughout the year and the total fund-raising amount of HK\$331.4 billion, representing a drop of 36% and 17% year-on-year respectively from 2020.

## 2021 MARKET REVIEW (Continued)

In 2021, credit events dominated the China's offshore dollar bond market. The volatility of investment grade bonds in the first half of the year and the cliff-like decline of high yield bonds in the second half of the year due to the outbreak of credit crises of Chinese Mainland's real estate enterprises caused a severe impact on market confidence, severely hampering the financing of Chinese Mainland's real estate enterprises in the overseas primary market and posing constant pressure on the secondary market due to the continuous emergence of defaulting real estate enterprises.

## REVIEW OF OPERATIONS

In 2021, the Group continued to push forward and consolidate business transformation, actively explore new business models, continuously enhance the professional level of each of its businesses and enrich the means to serve clients, in an effort to actively maximise the synergetic effects within the Group and those with the parent company and to provide clients with comprehensive and diversified integrated financial services. On the one hand, in face of huge fluctuations in the China's offshore dollar bond market, the Group proactively and calmly responded to the situation, effectively conducted risk management and took various risk mitigation measures to minimise the impact of systemic risks from the China's dollar bond market on the Group. On the other hand, in face of the intensifying market competition and increasing regulatory efforts, plus the recurrence of COVID-19 pandemic, the Group has promptly studied the development trend of the market and the pandemic, actively sought development opportunities amidst the challenges, effectively conducted risk and compliance management, improved infrastructure construction, strengthened the backing for development and continuously improved the business continuity plan to ensure overall operations remained stable.

In 2021, the revenue of the Group decreased by 13% year-on year to HK\$730 million from HK\$835 million in 2020, which was mainly due to the weak performance of the China's offshore dollar bond market in the second half of the year, resulting in dragging down the performance of the institutional services and trading business. The Group recorded loss before taxation of HK\$118 million in 2021, while profit before taxation of HK\$209 million in 2020; and recorded loss attributable to shareholders of HK\$95.75 million, while profit attributable to shareholders of HK\$176 million in 2020, which was mainly due to a further increase in expected credit loss provision of fixed income products in institutional services and trading business. This expected credit loss provision is not a realized loss. This accounting adjustment has little impact on the Company's financial position and the Company's business operates as normal.

	<b>2021</b>		<b>(Restated)</b>	
	<b>2021</b>	<b>%</b>	<b>2020</b>	<b>%</b>
	<b>HK\$'000</b>		<b>HK\$'000</b>	
Fee and commission income	409,191	56%	304,444	36%
Interest income	205,822	28%	188,260	23%
Income from investment business	115,274	16%	342,613	41%
	<b>730,287</b>	<b>100%</b>	<b>835,317</b>	<b>100%</b>

During the year under review, with the improvement of the number and the quality of debt and equity underwriting business, as well as the steady growth of the stock business of institutional services and trading business, the fee and commission income increased by 34% year-on-year to HK\$409 million. Benefitted from timely business strategies, the interest income increased by 9% year-on-year to HK\$206 million. The fixed income trading business was affected by the huge volatility in the China's dollar bond market, which dragged down income from investment business to decrease by 66% year-on-year to HK\$115 million.

## Wealth Management Business

The wealth management business 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 clients and non-professional institutional investors through a combination of online and offline methods.

	<b>2021</b>	<b>(Restated)</b> <b>2020</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>%</b>
Fee and commission income	181,092	200,874	(10%)
Interest income	185,471	180,745	3%
- Loans to clients	174,692	148,153	18%
- Others	10,779	32,592	(67%)
Income from investment business	136	8,722	(98%)
	<b>366,699</b>	<b>390,341</b>	<b>(6%)</b>

In 2021, the stock market was increasingly volatile under the impact of various factors, including the spread of the global pandemic and macroeconomic uncertainty, as well as the strengthening of the regulatory environment and the Federal Reserve's early signal to raise interest rates. Downturn of the Hong Kong IPO market and sluggish trading volumes of Hong Kong stocks dragged down the fee and commission income from the wealth management business. The fee and commission income from the wealth management business for the year amounted to HK\$181 million, representing a slight decrease as compared with HK\$201 million in 2020. As for interest income, the interest income from loans to clients for the year accumulated to HK\$175 million, representing an increase of 18% as compared with HK\$148 million in 2020; meanwhile, other interest income, including interest income from banks, decreased to HK\$10.78 million due to the decrease in market interest rates.

Despite the challenging market conditions, the Group continued to accelerate the deepening and development of the wealth management business, offering a diversified product portfolio and enhancing the level of professional services to cater for the needs of different clients. Through the integration of service resources of other businesses, the Group strived to create unique products and services to attract high-net-worth clients while actively fighting against the pandemic, and the income from sales of wealth management products increased significantly as compared with the previous year due to the smooth operation of the high-net-worth client introduction programme throughout the year. As for financial technology development, the Group focused on upgrading and improving its information platform, creating a full context experience for clients through complementary online and offline services, and devoting to providing global asset allocation and integrated services. The launch of a new generation of online trading platform has significantly increased trading functions and reduced network delays in cross-border trading and is supplemented with financial information that suits clients' needs to meet their demand for online trading and financial management.

The Group will continue to strive to build competitive advantages in the wealth management business, intensify the application of financial technology, continuously improve the wealth management platform and service system and fully promote the transformation of service model, in an effort to satisfy clients' multi-layer demand, enhance their experience and provide them with global asset allocation and integrated services.



## Enterprise Finance Business

The enterprise finance business consists of corporate finance business and investment business. The corporate finance business provides corporate clients with stock underwriting sponsorship, bond underwriting and financial advisory services, while investment business mainly includes self-financing equity investment, debt investment and other investments.

	<b>2021</b>	<b>2020</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>%</b>
Fee and commission income	99,488	38,840	156%
Income from investment business	1,320	5,934	(78%)
	<b>100,808</b>	<b>44,774</b>	<b>125%</b>

In 2021, after the significant impact of the pandemic in 2020, the sponsorship and underwriting business of the Group rebounded with increasing reserve projects on hand. The debt capital market business maintained strong development momentum thanks to the abundant accumulation of resources. During the year under review, the fee and commission income from the enterprise finance business increased by 156% year-on-year to HK\$99.49 million. In addition, the Group used its own funds to make investments and recorded income from investment business of HK\$1.32 million.

### —*Sponsorship and underwriting and financial advisory*

During the year under review, the sponsorship and underwriting business of the Group rebounded slightly. As the Sole Sponsor, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager, the Group successfully assisted in the initial public offering and listing of Desun Real Estate Investment Services Group Co., Ltd. on the Main Board of the Hong Kong Stock Exchange. Meanwhile, the Group unwaveringly implemented its strategies on internationalisation and domestic-overseas integration with the support of its parent company, gradually restored the reserve of certain sponsorship and underwriting projects, and also maintained the development and follow-up of various types of financial advisory projects. The Group will actively increase the reserve of sponsorship and underwriting projects and be more involved in financial advisory projects in relation to mergers and acquisitions. It will also strengthen collaboration with the domestic team of its parent company in order to increase the potential client coverage of the corporate finance business.

### —*Equity capital market*

In 2021, the equity capital market team actively deployed in selected key industries with increasing number and quality of underwriting projects involved. During the year under review, the Group completed 9 IPO underwriting projects, of which one was sole sponsored projects and 8 were non-sponsored underwriting projects. In accordance with the latest regulatory policy changes, the Group will continue to strengthen the construction of the equity capital market team, explore business opportunities in depth, expand sales network and enhance cooperation between domestic and overseas business teams to provide better and more comprehensive services to clients.

## —Debt capital market

Benefitted from the collaboration between both domestic and overseas teams and the project accumulation in 2021, the Group completed a total of 64 bond issuance projects (including 62 underwriting projects and 2 financial advisory projects) during the year under review, including 47 state-owned enterprise and local government financing platform projects, 5 real estate projects, 9 financial institutional projects and 3 industrial projects, which assisted in the financing of US\$9437 million, US\$840 million, US\$3406 million and US\$620 million for clients, respectively. In face of the challenges and opportunities arising from the ever-changing offshore dollar bond market, the Group will continue to explore overseas bond issuance projects for quality enterprises, such as large-scale government-controlled enterprises and state-owned conglomerates, and continuously enhance the collaboration capabilities of domestic and overseas teams in an effort to increase its market share and revenue. In the meantime, the Group will continue to recruit professional personnel to keep on expanding the development of such important business, the debt capital market.

### Institutional Services and Trading Business

The institutional services and trading business 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 for proprietary and client orders, and provides sales, trading, hedging and over-the-counter derivative services to institutional clients.

	Fee and commission income		Interest income		Income from investment business		Total		%
	2021	2020	(Restated)		(Restated)		(Restated)		
			2021	2020	2021	2020	2021	2020	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Fixed income, currencies and commodities	-	-	-	-	34,555	280,416	34,555	280,416	(88%)
Structured products	-	-	-	-	79,263	47,541	79,263	47,541	67%
Stock business	99,802	52,517	20,351	7,515	-	-	120,153	60,032	100%
	<b>99,802</b>	<b>52,517</b>	<b>20,351</b>	<b>7,515</b>	<b>113,818</b>	<b>327,957</b>	<b>233,971</b>	<b>387,989</b>	<b>(40%)</b>

In 2021, the China's dollar bond market was weak and volatile due to the impact from macro policies, industry regulation and frequent credit incidents of real estate enterprises in Chinese Mainland. In particular, the black swan incident of default by Fantasia Holdings in the third quarter triggered a crisis of investor confidence, resulting in a market crash and the largest drop in the history of the high yield bond market. After consideration of the capital cost and rate of return, high yield bonds, especially real estate bonds, were at a dominant position in the Group's trading portfolio, which was therefore subject to market volatility significantly. Under unfavorable conditions, the fixed income trading team has gained insight into market dynamics, adopted defensive strategies in advance, flexibly and dynamically adjusted positions, and actively reduced investment risks. Given the downturn performance of the China's dollar bond market in general, it dragged down the performance of the trading portfolio; however, the rate of return on investment of the trading portfolio still outperformed the annualised rate of return of China's high yield dollar bond market indicator of Bloomberg. At the same time, the Group also continued to expand its business scope by adding products such as currencies and repurchase/reverse repurchase and developing new business models such as currency-linked notes to enhance its risk hedging capabilities, better serve its clients, and meet the hedging and other transaction needs of various clients.

In 2021, the financial products team, which was established less than two years ago, continued to accelerate the pace of business development and became a new business profit highlight. The scale of leveraged notes financing nearly doubled year-on-year with continuously diversified product variety and business sources. During the year, the Group launched the back-to-back hedging over-the-counter business and continued to cooperate and collaborate with its domestic securities companies to open up a two-way north-south cross-border channel, and continuously enriched the types of underlying assets, covering overseas funds, China's offshore dollar bonds, A shares, Hong Kong shares, US ADRs and Chinese government bonds, etc., making it an important platform for the Group's cross-border business. The cross-border business expanded rapidly with significant results after the launch of northbound fixed income cross-border return swap transactions with Morgan Stanley and other foreign companies in the third quarter. In face of the credit turmoil of domestic real estate enterprises and the volatile China's high yield dollar bond market, the financial products team took active risk mitigation measures and maintained steady growth in business revenue. The Group will continue to actively promote the development and sales of structured products, explore structured notes projects with local government investment and financial bonds as underlying assets, at the same time carefully select other targets and underlying assets, increase the scale of low-risk back-to-back notes and return swap business to diversify its revenue sources and further expand the revenue contribution of the business.

During the year under review, the institutional services and trading business recorded income from investment business of HK\$114 million, representing a year-on-year decrease of 65%, mainly influenced by the performance of trading portfolio, but the rapid development of the capital intermediary business made up for part of the decline.

In terms of stock sales and trading, the Group continued to strengthen team building and promote trading system upgrade, deepen the collaboration with domestic resources and further leverage the complementary advantages domestically and overseas to explore and secure new clients, providing more diversified and comprehensive research resources, investment products and trading experience to new and existing clients. During the year under review, the fee and commission income from the institutional services and trading business amounted to HK\$99.8 million, representing a year-on-year increase of 90%, and interest income amounted to HK\$20.35 million, representing a year-on-year increase of 171%.

### Asset Management Business

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

	<b>2021</b>	<b>2020</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>%</b>
Fee and commission income	28,809	12,213	136%

In 2021, the Group paid close attention to the latest regulatory policies and changes in demand for the Hong Kong asset management business of Chinese securities firms, so as to grasp the advantages of such policies in advance and develop innovative businesses. With outstanding cross-border product design capability, the Group has launched a number of cross-border innovative businesses which have received positive market response, showing remarkable results in optimising its layout and model transformation in the asset management business. During the year under review, the size of assets under management rose significantly, reaching HK\$12,497 million as at the end of December, representing a year-on-year growth of 51%. The fee and commission income from the asset management business amounted to HK\$28.81 million, representing a year-on-year increase of 136%.

The Group will continue to consolidate its business development model with a focus on both fixed income and equity and leverage Hong Kong as the hub to push forward the development of the Greater Bay Area, while actively opening up various sales channels to expand the size of assets under management. The Group will seize the policy opportunities, expand the scope of the business, optimise its operating mechanism, improve management efficiency, coordinate with various businesses, 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 and strive to become the preferred cross-border asset management service provider for its clients.

## **FUTURE PLANS & PROSPECTS**

From the perspective of the global financial market environment, the overseas monetary environment in 2022 will see accelerated tightening. With high overseas inflation, major overseas central banks will gradually accelerate tightening, which will have a certain impact on financial markets. Meanwhile, the geopolitical risks caused by the Russia-Ukraine war bring uncertainties to the global economy. Global vaccination, which is still highly unbalanced, may lead to greater differences in the recovery of countries around the world. Together with the tightening of global liquidity, emerging market risks should not be neglected.

In Chinese Mainland, under the guidance of the new development pattern of “dual circulation”, double carbon goals and long-term strategic planning for common prosperity, the economy in Chinese Mainland is expected to initiate a round of comprehensive optimisation of demand structure in 2022. Coupled with a proper mix of monetary and fiscal policies with ample potential policy space, Chinese Mainland economy will be stable growth in tone. Against this backdrop, A-shares are expected to fluctuate upward, with an expectation of better performance of value stocks in financial and real estate sectors and the switch of style of the growth sector outperforming the value sector in 2022.

In Hong Kong, at the beginning of 2022, the Omicron variant continues to rage and is still far from subsiding, casting a dark shadow over the economic outlook. As global central banks begin their tightening process, Hong Kong stocks will tend to face a tightening macro liquidity environment. With the Holding Foreign Companies Accountable Act coming into effect in the United States and the relaxation of the listing system, more China concept stocks are expected to return. From the market perspective, given that “low valuation” is purely not a sufficient and solid reason for a market turnaround, the potential recovery in beta ( $\beta$ ) may be more moderate. Afterwards, the market will be profitable, and it is still more important for alpha ( $\alpha$ ) to be aggressive.

In the China’s dollar bond market, market confidence remains weak after going into 2022, with the high yield bond market bottoming out again. With the Federal Reserve entered an interest-rate hiking cycle, it is expected that the primary market for issuance of China’s dollar bonds will remain volatile. In the secondary market, despite positive signals being constantly released from Chinese Mainland, market confidence is unlikely to recover in a short period of time and it is expected that the high yield bond market will still be under downward pressure.

## **FUTURE PLANS & PROSPECTS (Continued)**

In 2022, given that the global development of the pandemic is not yet clear, and the macro economy remains uncertain, the Group will continue to closely monitor the changes in the pandemic and the development trends of the macro economy and regulations, promptly respond, adopt proactive development strategies, accelerate the pace of business expansion and strive for stable and rapid development of each of its businesses. Under the new development pattern of “dual circulation”, the Group, as the most important business center and execution platform based in Hong Kong for Shenwan Hongyuan Group’s overseas and cross-border business, will continue to fully leverage the advantages and competitiveness of resources abroad, actively respond to serve the national development strategies, vigorously expand its cross-border business and further enhance market influence. The Group will further strengthen risk management, optimise its asset-liability structure, improve its operation coordination capability, strengthen talent team and infrastructure construction, create a wealth management platform, strengthen product platform for asset management, accelerate the expansion of the integrated capital intermediary business towards institutional clients, leverage the resources of the domestic parent company, expand its cross-border business, consolidate the competitive strategy of the “investment + investment bank” and provide clients with integrated domestic and overseas corporate financial services. With adherence to risk control and compliance as the bottom line, solid foundation management as the support, and development of financial technology as the guide, the Group strives to become an integrated financial services provider with market recognition and international competitiveness by comprehensively enhancing the level of professional services.

## **CAPITAL STRUCTURE**

As at 31 December 2021, 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\$3.855 billion (31 December 2020: HK\$4.039 billion).

## **DEBENTURES ISSUED**

On 27 January 2022, the Company issued unsecured and unguaranteed bonds in a principal amount of US\$200 million which is listed on The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 1.5% per annum with a maturity period of 364 days. The principal will be full repayable on the maturity date on 26 January 2023.

Please refer to the Company's announcement on 21 January 2022, 27 January 2022 and 28 January 2022 for details of the issuance of bonds.

## **TREASURY POLICIES**

The Group generally finances its business operations with internally generated cash flow and bank borrowings. The Group's banking facilities are mainly renewable on a yearly basis and are on floating interest rates basis. In addition, it has been the policy of the Group to maintain adequate liquidity at all times to meet its liabilities as and when they fall due.

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO**

As at 31 December 2021, the Group had a cash holding of HK\$577 million (2020: HK\$415 million) and financial assets at fair value through profit or loss of HK\$6,106 million (2020: HK\$3,618 million). As at 31 December 2021, the Group's total unutilised banking facilities amounted to HK\$7,353 million (2020: HK\$4,417 million), of which HK\$7,353 million (2020: HK\$4,417 million) could be drawn down without the need of notice period or completion of condition precedent.

As at 31 December 2021, the Group had outstanding short-term bank borrowings amounting to HK\$3,501million (2020: HK\$4,272 million). The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 31 December 2021 were 115% (2020: 125%) and 91% (2020: 106%) 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 2021.

## **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 2021, the advances to customers were overdue accounts receivable from cash clients, margin financing and structured products.

As at 31 December 2021, the balance of overdue accounts receivable from cash clients and margin financing amounted to HK\$27 million (2020: HK\$28 million) and HK\$2,556 million (2020: HK\$2,356 million), respectively.

43% (2020: 27%) 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 2021.

## **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 2021.

## **EMPLOYEES**

As at 31 December 2021, the total number of full-time employees was 303 (2020: 269). The total staff costs for the year amounted to approximately HK\$266 million (2020: HK\$280 million).

The Group attaches great importance to its staff remuneration and welfare system. Surveys are conducted periodically by independent consultants appointed by the Group to maintain the Group's market competitiveness in remuneration and welfare. In addition, with reference to market conditions, the Group will formulate relevant and proper remuneration and incentive plans to attract and retain talent.

## **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 Monday, 30 May 2022. 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 improve the Company's transparency and accountability to the shareholders, the Company is, so far as practicable, committed to maintaining high standard of corporate governance. 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") throughout the year ended 31 December 2021.

## **REVIEW BY AUDIT COMMITTEE**

The final results for the year ended 31 December 2021 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 2021 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 2021 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  
Shenwan Hongyuan (H.K.) Limited  
**Wu Meng**  
Chairman

Hong Kong, 28 March 2022

*As at the date of this announcement, the Board of the Company comprises 8 directors, of which Ms. Wu Meng, Mr. Guo Chun, Mr. Zhang Jian and Mr. Liang Jun 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.*