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***This announcement and the listing document referred to herein have been published for information purposes only as required by the the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever.** For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the issuer for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

PUBLICATION OF THE OFFERING CIRCULAR

申萬宏源香港
SHENWAN HONGYUAN

SHENWAN HONGYUAN (H.K.) LIMITED
申萬宏源(香港)有限公司
(Incorporated in Hong Kong with limited liability)
(Stock code: 218)

U.S.$200,000,000 1.5 PER CENT. BONDS DUE 2023 (the "BONDS")
(Stock Code: 4453)

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (the "**Listing Rules**").

Please refer to the offering circular dated 20 January 2022 (the "**Offering Circular**") appended herein in relation to the issuance of the Bonds. As disclosed in the Offering Circular, the Bonds were intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) ("**Professional Investors**") only and have been listed on the Hong Kong Stock Exchange on that basis.

Notice to Hong Kong Investors: SHENWAN HONGYUAN (H.K.) LIMITED(申萬宏源(香港)有限公司)(the "**Issuer**") confirms that the Bonds are intended for purchase by Professional Investors only and have been listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer and the Guarantor, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular.

By order of the Board
SHENWAN HONGYUAN (H.K.) LIMITED
Liang Jun
Executive Director & Chief Executive Officer

Hong Kong, 28 January 2022

As at the date of this announcement, the board of directors of SHENWAN HONGYUAN (H.K.) LIMITED（申萬宏源（香港）有限公司）comprises eight 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.

IMPORTANT NOTICE

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THE SECURITIES (THE "SECURITIES") (AS DESCRIBED IN THE OFFERING CIRCULAR) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON, ELECTRONICALLY OR OTHERWISE, AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of Your Representation: You have accessed the attached document on the basis that you have represented to the Issuer (as defined in the Offering Circular), Shenwan Hongyuan Securities (H.K.) Limited, CMB Wing Lung Bank Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, China Industrial Securities International Brokerage Limited, China Construction Bank (Asia) Corporation Limited, China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited, CCB International Capital Limited, CMB International Capital Limited, CEB International Capital Corporation Limited, Central China International Securities Co., Limited and China Galaxy International Securities (Hong Kong) Co., Ltd. (the "**Joint Lead Managers**", and each a "**Joint Lead Manager**") that: (1) you and any customers you represent are not in the United States, (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, (3) you consent to delivery of this document and any amendments or supplements by electronic transmission, and (4) to the extent you purchase the Securities, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

*Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

The communication of the attached document and any other document or materials relating to the issue of the securities offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the securities offered hereby are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached document or any of its contents.

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Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Issuer or the Joint Lead Managers to subscribe or purchase any of the Securities, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction. Any Securities to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Securities.

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OFFERING CIRCULAR

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)

U.S.$200,000,000 1.5 per cent. Bonds due 2023

Issue Price: 100.0 per cent.

The 1.5 per cent. bonds in the aggregate principal amount of U.S.$200,000,000 (the "**Bonds**") will be issued by SHENWAN HONGYUAN (H.K.) LIMITED (申萬宏源(香港)有限公司)(the "**Issuer**" or the "**Company**"), a company incorporated under the laws of Hong Kong.

The Bonds will bear interest on their outstanding principal amount from and including 27 January 2022 (the "**Issue Date**") at the rate of 1.5 per cent. per annum, and such interest will be payable in arrear on 27 July 2022 and 26 January 2023. Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 26 January 2023.

The Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank *pari passu* with all the Issuer's other present and future unsecured and unsubordinated obligations.

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong to the extent described in "*Terms and Conditions of the Bonds – Taxation*".

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, at their principal amount together with any interest accrued up to, but excluding the date fixed for redemption, in the event of certain changes affecting taxes of Hong Kong. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*". At any time following the occurrence of a Change of Control (as defined in "*Terms and Conditions of the Bonds*"), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in "*Terms and Conditions of the Bonds*") at 101 per cent. of their principal amount, together with any interest accrued up to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Change of Control*".

The Bonds will be issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Investing in the Bonds involves risks. See "*Risk Factors*" beginning on page 14 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*".

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Professional Investors**")) only. This document is for distribution to Professional Investors only.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer, the Group or the quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Notice to Hong Kong Investors: The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Bonds will be represented initially by beneficial interests in a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream. Except in the limited circumstances as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Shenwan Hongyuan (H.K.) | **CMB Wing Lung Bank Limited** | **Industrial Bank Co., Ltd. Hong Kong Branch** | **Shanghai Pudong Development Bank Hong Kong Branch** | **China Industrial Securities International** | **China Construction Bank (Asia)**

Joint Lead Managers and Joint Bookrunners

China International Capital Corporation | **China Merchants Securities (HK)** | **CCB International** | **CMB International** | **CEB International** | **Central China International** | **China Galaxy International Securities (Hong Kong) Co., Ltd.**

Offering Circular dated 20 January 2022

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This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, Shenwan Hongyuan Securities (H.K.) Limited, CMB Wing Lung Bank Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, China Industrial Securities International Brokerage Limited, China Construction Bank (Asia) Corporation Limited, China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited, CCB International Capital Limited, CMB International Capital Limited, CEB International Capital Corporation Limited, Central China International Securities Co., Limited and China Galaxy International Securities (Hong Kong) Co., Ltd. (collectively, the "**Joint Lead Managers**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Bonds in any jurisdiction where such action is prohibited by law would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*". This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Bonds in any jurisdiction in which such offer or invitation would be unlawful. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

*Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed* *capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

No person has been or is authorised in connection with the issue, offer or sale of the Bonds to give any information or to make any representation concerning the Issuer, the Group or the Bonds, other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Joint Lead Managers, the Trustee or the Agents (as defined in the Terms and Conditions of the Bonds) or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is being furnished by the Issuer in connection with the offering of the Bonds exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Bonds. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Bonds offered by this Offering Circular is prohibited. Each offeree of the Bonds, by accepting delivery of this Offering Circular, agrees to the foregoing.

The communication of this Offering Circular and any other document or materials relating to the issue of the Bonds offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the Bonds offered hereby are only available to, and any investment or investment activity to which this Offering Circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this Offering Circular or any of its contents.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, agents, advisers or representatives and each person who controls any of them have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers or affiliates or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the merits and risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them accepts any responsibility for the contents of this Offering Circular or any statement made or purported to be made by any such person or on its behalf, in connection with the Issuer, the Group or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee, the Agents and their respective affiliates, directors, officers, employees, agents, advisers or representatives and each person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them, undertakes to review the financial condition or affairs of the Issuer for so long as the Bonds remain outstanding nor to advise any investor or potential investor of the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee, or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them.

This Offering Circular should not be considered as a recommendation by any of the Issuer, Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

Any of the Joint Lead Managers and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Group.

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult his or her advisor.

Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Group or the Bonds. In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering of the Bonds, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds. The Issuer, the Joint Lead Managers, the Trustee and the Agents (in each case as defined herein) and their respective directors, officers, advisers, employees, agents, affiliates and representatives and each person who controls any of them are not making any representation to any purchaser of the Bonds regarding the legality of any investment in the Bonds by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, advisers, employees, agents, affiliates and representatives or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer believes this information to be reliable, this information has not been independently verified by the Issuer, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them, and none of the Issuer, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

The Issuer, having made all reasonable inquiries, confirm that: (i) this Offering Circular contains all information with respect to the Issuer, the Group and the Bonds which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and all information which, according to the particular nature of the Issuer, the Group and of the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Group and of the rights attaching to the Bonds); (ii) the statements contained in this Offering Circular are in every material particular true and accurate and not misleading and there are no other facts in relation to the Issuer, the Group and the Bonds the omission of which would in the context of an issue of the Bonds make any statement in this Offering Circular misleading in any material respect; (iii) the statements of intention, opinion, belief or expectation contained in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular; (v) this Offering Circular does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (vi) the statistical, industry and market-related data and forward looking statements, each of which are included in this Offering Circular are based on or derived or extracted from sources which the Issuer believes to be accurate and reliable in all material respect.

IN CONNECTION WITH THE ISSUE OF THE BONDS, THE JOINT LEAD MANAGERS ACTING AS STABILISATION COORDINATORS (THE "STABILISATION COORDINATOR") (OR PERSONS ACTING ON BEHALF OF A STABILISING COORDINATOR), MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION COORDINATOR (OR PERSONS ACTING ON BEHALF OF A STABILISATION COORDINATOR) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION COORDINATOR (OR PERSONS ACTING ON BEHALF OF A STABILISATION COORDINATOR) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

PRESENTATION OF FINANCIAL INFORMATION AND OTHER DATA

This Offering Circular contains the audited consolidated financial information of the Issuer as at and for the years ended 2018, 2019 and 2020, which has derived from the Issuer's consolidated financial statements for the years ended 31 December 2019 and 2020 (the "**Audited Financial Statements**"). The Issuer's consolidated financial statements as at and for the years ended 31 December 2019 and 2020 have been audited by KPMG, the independent auditors of the Issuer. The Audited Financial Statements were prepared and presented in accordance with HKFRS.

In addition, this Offering Circular contains the unaudited and unreviewed condensed consolidated results as at and for the six months ended 30 June 2021 (with the inclusion, for comparison purposes, of similar information for the six months ended 30 June 2020 and as at 31 December 2020, as applicable) (the "**30 June Financial Results**"), which was published by the Issuer on 17 September 2021. The 30 June Financial Results have not been audited or reviewed by the Group's independent accountants, or any other independent accountants and may be subject to adjustments if audited or reviewed.

Consequently, such financial information should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. None of the Joint Lead Managers, the Trustee or the Agents nor any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them make any representation, or warranty, express or implied, regarding the sufficiency of the Issuer's 30 June Financial Results for an assessment of the Issuer's or the Group's financial condition, results of operations and results. Potential investors must exercise caution when using such data to evaluate the financial condition and results of operations of the Issuer and the Group. See "*Risk Factors – Risks Relating to the Group's Business – The unaudited and unreviewed condensed consolidated financial results as at and for the six months ended 30 June2021 have not been audited or reviewed by an independent auditor*" in this Offering Circular. Such consolidated financial information should not be taken as an indication of the expected financial condition and results of operations of the Issuer and the Group for the full financial year ending 31 December 2021.

ROUNDING

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, figures shown as totals in certain table may not be an arithmetic aggregation of the figures which precede them. References to information in billions of units are to the equivalent of a thousand million units.

CERTAIN DEFINITIONS AND CONVENTIONS

In this Offering Circular, unless otherwise indicated or the context otherwise requires, references to:

Unless the context otherwise requires, references to "2018", "2019" and "2020" in this Offering Circular means the Group's financial years ended 31 December 2018, 2019 and 2020, respectively.

- the "**Group**", the "**Issuer**", the "**Company**" and words of similar import refers to itself, or to SHENWAN HONGYUAN (H.K.) LIMITED（申萬宏源（香港）有限公司）and its consolidated subsidiaries, as the context requires;

- "**China**" or the "**PRC**" refers to the People's Republic of China, excluding, for purposes of this Offering Circular only, Taiwan, Hong Kong and the Macau Special Administrative Region;

- "**HK$**" or "**HK dollars**" or "**HKD**" refers to Hong Kong dollars, the lawful currency of Hong Kong;

- "**HKFRS**" refers to Hong Kong Financial Reporting Standards;

- "**Hong Kong**" refers to Hong Kong Special Administrative Region of the PRC;

- "**US$**", "**U.S.$**", "**USD**" or "**U.S. dollars**" refers to the legal currency of the United States.

The Issuer's consolidated financial statements are presented in Hong Kong dollars. For convenience only and unless otherwise noted, all translations from Hong Kong dollars into U.S. dollars in this Offering Circular were made at the rate of HK$7.7534 to U.S.$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 31 December 2020. No representation is made that the Hong Kong dollars amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all, and *vice versa*. For further information relating to exchange rates, see "Exchange Rate Information".

Unless specified otherwise, references in this Offering Circular to, and financial and other information presented with respect to, the Group are to such information of the Issuer compiled on a consolidated basis.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements. All statements other than statements of historical facts contained in this Offering Circular constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms, such as "anticipate", "target", "believe", "can", "would", "could", "estimate", "expect", "aim", "intend", "may", "plan", "will", "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue and profitability, planned projects and other matters as they relate to the Group discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Group or by any third party) involve known and unknown risks, including those disclosed under the caption "Risk Factors", assumptions, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

The factors that could cause the Group's actual results, performance and achievements of to be materially different include, among others:

- the Group's business and operating strategies;
- the Group's capital commitment and development plans;
- the amount and nature of, and potential for, future development of the Group's business;
- various business opportunities that the Group may pursue;
- the regulatory environment of the industries in which the Group operates;
- the prospective financial condition and performance regarding the Group's businesses;
- availability and costs of financing;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- the Group's ability to obtain additional capital on acceptable terms; and
- other risks identified in "Risk Factors" in this Offering Circular.

The Issuer does not undertake any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including the "Risk Factors" section in this Offering Circular, before making any investor decision.

OVERVIEW

The Company, listed on the Hong Kong Stock Exchange with the stock code 00218.HK, is the flagship institution of Shenwan Hongyuan Group Co., Ltd. ("**SWHY Group**", stock code: 06806.HK and 000166.SZ) conducting securities business in overseas. The Company is one of the earliest Chinese securities institutions that developed business in Hong Kong and has been based in the Hong Kong market for more than 25 years. In addition, the Group has a strong shareholder background, with Central Huijin Investment Ltd. as the controlling shareholder of SWHY Group, which enables the Group to achieve synergies within the Group and SWHY Group to provide clients with comprehensive and diversified financial services.

The Group provides global investing and financing integrated financial services to institutional clients, corporate clients and individual clients in Hong Kong, Mainland China and the world. The Group's well-established financial services platform provides a full spectrum of financial offerings covering wealth management, enterprise finance, institutional services and trading and asset management. The Company has been assigned "BBB" long-term and "A-2" short-term issuer credit ratings by Standard & Poor's Global Ratings ("**S&P**").

The Group's principal business segments include:

Wealth Management . . .	The Group 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.
Enterprise Finance.	The Group's enterprise finance consists of corporate finance business and investment business. The Group's 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.
Institutional Services and Trading Business	The Group 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. The Group 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.
Asset Management Business.	The Group provides public fund management, private fund management, investment advisory and entrusted discretionary managed account services.

The Group brings together a professional team with leading experience in the industry, possesses world-class transaction design and execution capabilities, and has an extensive securities distribution network. The Group has offices in London, Singapore, Tokyo and Seoul, gradually establishing a global trading as well as investing and financing services network.

Throughout its development in Hong Kong, the Group has established prudent corporate governance and effective risk management and internal control systems to reduce its exposure to credit, operation, liquidity and market risks in the securities and financial services industry.

The Group's comprehensive and high-quality products and services have been widely recognised by the financial services industry, and the Group has received numerous honours and awards, including, among others:

- "Chinese Futures Brokerage Firm of the Year 2020" by the Hong Kong Stock Exchange;
- "Annual Capital Market Star Investment Bank Award" by 2017 China Financial Market Awards;
- "The Best Securities Company Award" by 2016 Tencent Hong Kong Stock Securities Company Selection;
- "The Best Investment Bank Award" by 2015 China Securities Golden Bauhinia Awards; and
- "Five Years Plus Caring Company – Years of Award: 2012 – 2020" by The Hong Kong Council of Social Service.

As an important platform for the international strategy of "Shenwan Hongyuan", by virtue of the overall synergy of SWHY Group, the Group will mobilise domestic and overseas resources to further expand cross-border business and continuously improve its integrated financial services capabilities. Seizing the development opportunities of "One Belt One Road" initiative and the construction of "Guangdong-Hong Kong-Macao Greater Bay Area", the Group will fully leverage the unique regional advantages of Hong Kong being an international financial centre and backed by Mainland China. With a sound risk management and governance system as a guarantee, while strengthening the foundations of various business, the Group will adapt swiftly to changes in global market, and continue to expand and innovate.

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the total assets of the Group were HK$7,863.7 million, HK$10,231.7 million, HK$16,288.6 million and HK$27,323.1 million, respectively. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the total revenue from the Group's business operation was HK$519.6 million, HK$675.6 million, HK$835.3 million, HK$410.8 million and HK$528.8 million, respectively.

COMPETITIVE STRENGTHS

The Group believes the following strengths are crucial to its success and help the Group maintain its leading position ahead of competitors:

- The flagship institution and an important platform of SWHY Group's overseas business operations;
- Strong support from its shareholders;
- Synergistic operation with SWHY Group;
- Highly-efficient and sound management system led by SWHY Group;
- Prudent financial structure and diversified financing channels;

- Robust risk management policies and internal control systems; and
- Experienced and visionary senior management team.

BUSINESS STRATEGIES

The Group aims to become a leading financial institution with international competitiveness and aims to enhance collaboration among the Group's principal business lines to meet the increasingly diverse and global financial needs of clients. The Group's specific business strategies include:

- Continue to strengthen its existing business and promote business transformation;
- Develop into a modern, internationally competitive overseas platform; and
- Actively expand its cross-border business.

THE OFFERING

The following summary contains some basic information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Bonds, see "Terms and Conditions of the Bonds".

Issuer	SHENWAN HONGYUAN (H.K.) LIMITED（申萬宏源(香港)有限公司）
Legal Identification Code	984500F9A6AD8B63BE78
Issue	U.S.$200,000,000 1.5 per cent. Bonds due 2023.
Issue Price.	100.0 per cent.
Form, Specified Denomination and Title	The Bonds will be issued in registered form in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 27 January 2022 at the rate of 1.5 per cent. per annum, payable in arrear on 27 July 2022 and 26 January 2023.
Issue Date	27 January 2022.
Maturity Date	26 January 2023.
Use of Proceeds	The net proceeds from the offering of the Bonds will be used primarily for general corporate purposes. See "*Use of Proceeds*".
Status of the Bonds	The Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank *pari passu* with all the Issuer's other present and future unsecured and unsubordinated obligations.
Events of Default	Upon the occurrence of certain events as described in Condition 9 of the Terms and Conditions of the Bonds, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall (provided in any such case that the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

	If the Issuer is required to make a deduction or withholding required by law, the Issuer shall pay (except in certain circumstances set out in Condition 8 of the Terms and Conditions of the Bonds) such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required.
Final Redemption.	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 26 January 2023.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount together with any interest accrued up to, but excluding the date fixed for redemption, at any time in the event of certain changes affecting taxes of Hong Kong, as further described in "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*".
Redemption for Change of Control	At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date at 101 per cent. of their principal amount, together with any interest accrued up to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Change of Control*".
Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds). References in the Terms and Conditions of the Bonds to the Bonds will include (unless the context requires otherwise) any other securities issued pursuant to Condition 15 of the Terms and Conditions of the Bonds and forming a single series with the Bonds.
Clearing Systems	The Bonds will be represented by beneficial interests in a Global Certificate in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except in the limited circumstances as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.
Governing Law and Jurisdiction	English law. Exclusive jurisdiction of the Hong Kong courts.
Trustee	China Construction Bank (Asia) Corporation Limited(中國建設銀行(亞洲)股份有限公司).

Principal Paying Agent . .	China Construction Bank (Asia) Corporation Limited(中國建設銀行(亞洲)股份有限公司).
Registrar and Transfer Agent	China Construction Bank (Asia) Corporation Limited(中國建設銀行(亞洲)股份有限公司).
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.
ISIN	XS2433118614.
Common Code	243311861.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

*The summary consolidated financial information of the Company as at and for the years ended 31 December 2018, 2019 and 2020 set forth below has been extracted from the Company's audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020, which are included elsewhere in this Offering Circular. The consolidated financial statements of the Company as at and for the years ended 31 December 2019 and 2020 were prepared and presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and have been audited by KPMG in accordance with Hong Kong Standards on Auditing.*

Prospective investors should read the summary consolidated financial information below in conjunction with the Issuer's audited consolidated financial statements and the related notes included elsewhere in this Offering Circular. Historical results are not necessarily indicative of results that may be achieved in any future period.

Summary Consolidated Statement of Profit of Loss

	For the year ended 31 December			
	2018	2019	2020	
	HK$	*HK$*	*HK$*	*U.S.$*
		(in thousands)		
Revenue	**519,619**	**675,584**	**835,317**	**107,736**
– Interest income calculated using the effective interest method	67,275	201,332	293,416	37,844
– Revenue from contracts with customers within the scope of HKFRS 15	342,748	359,111	304,444	39,266
– Revenue from other sources	109,596	115,141	237,457	30,626
Other gains/(losses), net	2,173	(13,646)	18,585	2,397
Commission expenses	(89,909)	(65,063)	(96,864)	(12,493)
Employee benefit expenses	(193,710)	(249,944)	(280,047)	(36,119)
Depreciation	(8,677)	(24,450)	(44,188)	(5,699)
Interest expenses	(11,433)	(30,734)	(98,103)	(12,653)
Other expenses, net	(116,431)	(133,826)	(125,740)	(16,218)
Profit before taxation	**101,632**	**157,921**	**208,960**	**26,951**
Income tax	(5,406)	(21,258)	(33,334)	(4,300)
Profit for the year	**96,226**	**136,663**	**175,626**	**22,651**
Attributable to:				
Ordinary equity holders of the Company	96,228	136,664	175,626	22,651
Non-controlling interests	(2)	(1)	–	–
Profit for the year	**96,226**	**136,663**	**175,626**	**22,651**

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December			
	2018	2019	2020	
	HK$	*HK$*	*HK$*	*U.S.$*
	(in thousands)			
Profit for the year	**96,226**	**136,663**	**175,626**	**22,651**
Other comprehensive income for the year:				
Item that may be reclassified to the consolidated statement of profit or loss in subsequent periods				
Financial assets at fair value through other comprehensive income				
– Net movement in fair value reserve (recycling)	–	23,747	(13,635)	(1,758)
Exchange gain on translation of financial statements of foreign operations	–	–	4,192	541
Other comprehensive income, net of tax	**–**	**23,747**	**(9,443)**	**(1,217)**
Total comprehensive income for the year	**96,226**	**160,410**	**166,183**	**21,434**
Attributable to:				
Ordinary equity holders of the Company	96,228	160,411	166,183	21,434
Non-controlling interests	(2)	(1)	–	–
Total comprehensive income for the year	**96,226**	**160,410**	**166,183**	**21,434**

Summary Consolidated Statement of Financial Position

	As of 31 December			
	2018	2019	2020	
	HK$	*HK$* (*Restated*)	*HK$*	*U.S.$*
		(*in thousands*)		
Non-current assets				
Property, plant and equipment	13,150	9,774	13,534	1,746
Stock and Futures Exchange trading rights	4,212	4,212	4,212	543
Other assets	22,922	37,125	30,587	3,945
Other financial assets	–	527,361	844,844	108,965
Right-of-use assets	–	68,631	38,119	4,916
Deferred tax assets	4,624	5,390	3,954	510
Total non-current assets	44,908	652,493	935,250	120,625
Current assets				
Financial assets at fair value through profit or loss	–	2,189,495	3,618,331	466,676
Investments at fair value through profit or loss	602,272	–	–	–
Other financial assets	–	607,937	987,844	127,407
Accounts receivable	457,414	1,691,210	2,014,818	259,863
Other contract costs	5,000	–	–	–
Loans and advances	1,208,091	872,588	2,893,038	373,132
Prepayments, deposits and other receivables	37,277	79,635	545,290	70,329
Obligation under repurchase agreement	–	–	89,025	11,482
Tax recoverable	8,674	7,404	33,236	4,287
Bank balances held on behalf of client	4,879,449	3,193,340	4,756,813	613,513
Cash and bank balances	620,571	937,597	414,929	53,516
Total current assets	7,818,748	9,579,206	15,353,324	1,980,205
Current liabilities				
Financial liabilities at fair value through profit or loss	–	329,371	1,391,695	179,495
Accounts payable	5,082,122	5,000,203	6,259,616	807,338
Contract liabilities	13,144	1,558	3,050	393
Other payables and accruals	82,185	107,210	248,386	32,036
Interest-bearing bank borrowings	469,920	778,900	4,271,923	550,974
Lease liabilities	–	32,473	25,786	3,326
Tax payable	7,232	25,190	35,799	4,617
Total current liabilities	5,654,603	6,274,905	12,236,255	1,578,179
Net current assets	**2,164,145**	**3,304,301**	**3,117,069**	**402,026**
Total assets less current liabilities	**2,209,053**	**3,956,794**	**4,052,319**	**522,651**
Non-current liabilities				
Deferred tax liabilities	943	1,013	576	74
Lease liabilities	–	36,464	13,077	1,687
Total non-current liabilities	943	37,477	13,653	1,761
Net Assets	**2,208,110**	**3,919,317**	**4,038,666**	**520,890**
Equity				
Equity attributable to ordinary equity shareholders of the Company				
Share capital	1,200,457	2,782,477	2,782,477	358,872
Other reserves	1,005,026	1,134,214	1,253,563	161,679
	2,205,483	3,916,691	4,036,040	520,551
Non-controlling interests	2,627	2,626	2,626	339
Total Equity	**2,208,110**	**3,919,317**	**4,038,666**	**520,890**

Summary Consolidated Cash Flow Statement

	For the year ended 31 December			
	2018	**2019**	**2020**	
	HK$	*HK$*	*HK$*	*U.S.$*
		(in thousands)		
Net cash flows generated from/(used in)operating activities	590,258	(1,664,447)	(4,072,744)	(525,284)
Net cash flows generated from investing activities	57,137	160,210	232,218	29,950
Net cash flows (used in)/generated from financing activities	(434,281)	1,821,263	3,317,858	427,923
Net increase/(decrease) in cash and cash equivalents	**213,114**	**317,026**	**(522,668)**	**(67,411)**
Cash and cash equivalents at the beginning of year	407,457	620,571	937,597	120,927
Cash and cash equivalents at the end of year	**620,571**	**937,597**	**414,929**	**53,516**

*The summary condensed consolidated financial information of the Company as at and for the six months ended 30 June 2020 and 2021 set forth below has been extracted from the Company's condensed consolidated financial statements as at and for the six months ended 30 June 2021 ("**30 June Financial Results**"), which was published by the Issuer on 17 September 2021. The 30 June Financial Results have not been audited or reviewed by the Group's independent accountants, or any other independent accountants and may be subject to adjustments if audited or reviewed. None of the Joint Lead Managers, the Trustee or the Agents nor any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them make any representation, or warranty, express or implied, regarding the sufficiency of the Issuer's 30 June Financial Results for an assessment of the Issuer's or the Group's financial condition, results of operations and results.*

Consequently, such financial information should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the financial condition and results of operations of the Issuer and the Group. See "Risk Factors – Risks Relating to the Group's Business – The unaudited and unreviewed condensed consolidated financial results as at and for the six months ended 30 June2021 have not been audited or reviewed by an independent auditor" in this Offering Circular. Such consolidated financial information should not be taken as an indication of the expected financial condition and results of operations of the Issuer and the Group for the full financial year ending 31 December 2021.

Summary Condensed Consolidated Statement of Profit of Loss

	For the six months ended 30 June		
	2020	**2021**	
	HK$	*HK$*	*U.S.$*
		(in thousands)	
Revenue	**410,755**	**528,821**	**68,205**
– Interest revenue calculated using the effective interest method	143,080	104,626	13,494
– Revenue from contracts with customers within the scope of HKFRS 15	147,090	214,326	27,643
– Revenue from other sources	120,585	209,869	27,068
Other (losses)/gains, net	(7,481)	5,777	745
Commission expenses	(41,567)	(79,190)	(10,214)
Employee benefit expenses	(135,498)	(154,063)	(19,870)
Depreciation	(19,751)	(20,607)	(2,658)
Interest expenses	(59,001)	(133,756)	(17,251)
Other expenses, net	(54,632)	(86,545)	(11,162)
Profit before taxation	**92,825**	**60,437**	**7,795**
Income tax	(12,128)	(6,771)	(873)
Profit for the period	**80,697**	**53,666**	**6,922**
Attributable to:			
Ordinary equity holders of the Company	80,697	53,666	6,922
Non-controlling interests	–	–	–
	80,697	**53,666**	**6,922**

Summary Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June		
	2020	2021	
	HK$	*HK$*	*U.S.$*
		(in thousands)	
Profit for the period	**80,697**	**53,666**	**6,922**
Other comprehensive income:			
Item 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)	(20,302)	(2,146)	(277)
Exchange loss on translation of financial statements of foreign operations	–	(4,769)	(615)
Other comprehensive income, net of tax	**(20,302)**	**(6,915)**	**(892)**
Total comprehensive income	**60,395**	**46,751**	**6,030**
Attributable to:			
Ordinary equity holders of the Company	60,395	46,751	6,030
Non-controlling interests	–	–	–
Total comprehensive income for the period	**60,395**	**46,751**	**6,030**

Summary Condensed Consolidated Statement of Financial Position

	As of 30 June 2021	
	HK$	*U.S.$*
	(in thousands)	
Non-current assets		
Property, plant and equipment	14,583	1,881
Stock and Futures Exchange trading rights	4,212	543
Other assets	20,871	2,692
Other financial assets	723,101	93,262
Right-of-use assets	75,659	9,758
Deferred tax assets	6,349	819
Total non-current assets	844,775	108,955
Current Assets		
Financial assets at fair value through profit or loss	5,978,531	771,085
Other financial assets	949,074	122,407
Account receivables	5,868,336	756,873
Loans and advances	7,686,148	991,326
Prepayments, deposits and other receivables	232,292	29,960
Obligation under repurchase agreement	787,267	101,538
Tax recoverable	27,701	3,573
Bank balances held on behalf of clients	4,427,972	571,101
Cash and bank balances	521,008	67,197
Total current assets	26,478,329	3,415,060
Current liabilities		
Financial liabilities at fair value through profit or loss	3,791,383	488,996
Account payables	9,237,834	1,191,456
Contract liabilities	2,553	329
Other payables and accruals	472,588	60,953
Obligations under repurchase agreements	999,867	128,959
Interest-bearing bank borrowings	8,671,769	1,118,447
Lease liabilities	55,084	7,104
Tax payable	44,950	5,797
Total current liabilities	23,276,028	3,002,041
Net current assets	**3,202,301**	**413,019**
Total assets less current liabilities	**4,047,076**	**521,974**
Non-current liabilities		
Lease liabilities	23,529	3,035
Deferred tax liability	576	74
Total non-current liabilities	24,105	3,109
Net assets	**4,022,971**	**518,865**

	As of 30 June 2021	
	HK$	*U.S.$*
	(in thousands)	
Equity		
Equity attributable to ordinary equity holders of the Company		
Share capital	2,782,477	358,872
Other reserves	1,237,868	159,654
	4,020,345	518,526
Non-controlling interests	2,626	339
Total equity	**4,022,971**	**518,865**

Summary Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June		
	2020	2021	
	HK$	*HK$*	*U.S.$*
		(in thousands)	
Net cash flows used in operating activities	(3,532,869)	(4,084,369)	(526,785)
Net cash flows from investing activities	32,030	656	85
Net cash flows from financing activities	3,486,044	4,189,792	540,381
Net (decrease)/increase in cash and bank balances	**(14,795)**	**106,079**	**13,681**
Cash and bank balances at beginning of period	937,597	414,929	53,516
Cash and bank balances at end of period	**922,802**	**521,008**	**67,197**

Other Financial Data

The following table sets forth certain other financial data of the Group as at the dates and for the periods indicated.

	As at and for the year ended 31 December		
	2018	2019	2020
EBITDA(1) (HKD in millions)	121.7	213.1	351.3
Profit margin before taxation (per cent.)	19.6	23.4	25.0
Net profit margin (per cent.)	18.5	20.2	21.0
Total indebtedness(2) (HKD in millions)	469.9	847.8	4,310.8
Total indebtedness(2) to total assets (per cent.)	6.0	8.3	26.5
Total indebtedness(2) to EBITDA(1)	3.9	4.0	12.3
EBITDA(1) to interest expenses(3)	10.6	6.9	3.6
Total liabilities/Total Asset ratio (per cent.)	71.9	61.7	75.2

Notes:

(1) EBITDA for any period is calculated as profit before taxation adding back interest expenses and depreciation. EBITDA are widely used financial indicators of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, the Company believes that investors should consider, among other things, the respective components of EBITDA such as sales and operating expenses under the amount by which EBITDA exceeds capital expenditures and other charges. The Company has included EBITDA because it believes that they are useful supplements to the cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definitions.

(2) Total indebtedness is the sum of interest-bearing bank borrowings and lease liabilities.

(3) EBITDA to interest expenses is calculated as EBITDA divided by interest expenses.

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially and adversely affected by any of these risks. The Issuer believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Issuer to pay interests, principal or other amounts on or in connection with any Bonds may be affected by some factors that may not be considered as significant risks by the Issuer or the Group on information currently available to them or which they are currently unable to anticipate. Additional risks and uncertainties not presently known to the Group or which the Group currently deems immaterial may also have an adverse effect on an investment in the Bonds. All of these factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Group believes may be material for the purpose of assessing the market risks associated with the Bonds are described below. The Group believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Group to repay principal, pay interest (if any) or other amounts or fulfil other obligations on or in connection with the Bonds may occur for other reasons and the Group does not represent that the statements below regarding the risks of holding the Bonds are exhaustive.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group's business, financial condition, results of operations, prospects and ability to access liquidity could be materially adversely affected by downturns in the financial markets of the PRC, Hong Kong and Macau ("Greater China Region") as well as the United States, which in turn may be affected by volatility and downturns in the global capital markets

The Group's businesses, including its wealth management business, enterprise finance business, institutional services and trading business and asset management business, are highly dependent on economic and market conditions in the Greater China Region, primarily in the PRC and Hong Kong. In addition, global market conditions may adversely affect market conditions in the Greater China Region. Volatility in the financial markets in the United States, Europe, Japan and other jurisdictions in recent years has had a corresponding effect on Asian financial markets and may continue to do so in the future.

Due to various factors such as a shift in economic development from high-speed growth to high-quality development, stricter financial regulation and a slow recovery in global economy, profound changes occurred to the securities market and the level of volatility of the securities market fluctuated for the past three years. For example, SSE Composite Index kept rising from 3,234.68 as at the end of 2014 and peaked at 5,166.35 in 12 June 2015. However, the PRC A share market fell sharply from mid-June 2015 with SSE Composite Index closing at 2,737.60 on 29 January 2016. Through 2016 to 2017, SSE Composite Index saw a slow growth closing at 3,307.17 on 29 December 2017, which nevertheless represented a decrease of 35.99% compared to 5,166.35 on 12 June 2015. In the first half of 2018, the PRC A share market volatility increased and investors' risk appetites reduced on deepened leveraging and escalated trade friction. While financial markets in Hong Kong also saw a steady recovery and growth through 2016 to 2017, the Hang Seng Index became volatile and unstable since early February 2018, following multiple interest hikes by the U.S. government, currency depreciations of emerging markets, escalated China-U.S. trade friction and the recent outbreak of coronavirus ("**COVID-19**"). Hit hard by the COVID-19 in 2020, the global financial market was thrown into a recession with a spike of unemployment rate and fluctuating financial markets. To combat such abrupt health crisis, governments around the world have implemented various quantitative easing policies. As a result, the global stock market rebounded and prices for all kinds of assets rallied. The recovery of the damaged global real economy was relatively slow in contrast when compared with global stock market. Market volatility, especially in the PRC and Hong Kong equity markets, could materially and negatively impact the Group's business, results of operations, financial conditions and prospects.

Unfavourable financial or economic conditions, such as those caused in recent years by the global financial and economic crisis, including the European sovereign debt crisis, the withdrawal of the United Kingdom from the European Union and uncertainties surrounding the terms of the withdrawal, China-U.S. trade friction and the escalation of bilateral tariffs on imports imposed by both countries, and the recent outbreak of COVID-19 may adversely affect investor confidence. Weakening investor confidence has resulted and could continue to result in significant declines in the number and size of transactions in which the Group provides underwriting and financial advisory services. Any decline in the number of corporate financing transactions in Hong Kong due to unfavourable financial or economic conditions may adversely affect the Group's businesses.

In addition, market volatility and adverse financial or economic conditions may adversely affect the Group's wealth management business. These conditions tend to reduce the value of the Group's clients' portfolios, discourage investor confidence and reduce investing activities, making it more difficult for the Group to maintain existing clients and attract new clients. These conditions in turn may adversely affect the Group's brokerage revenue and may increase the risk of default in the securities margin financing services the Group provides to its clients.

Under adverse financial or economic conditions, the value of the Group's asset management portfolio may be adversely affected and therefore reduce the fees it earns from its asset management business, and the Group may face an influx of client redemptions in its asset management portfolio, which in turn could also adversely affect the Group's asset management business. To the extent that clients do not withdraw their funds, they may switch their funds to other investment products that generate less fee revenue for the Group.

The Group operates in the highly competitive financial services industry

The financial services industry in Hong Kong houses a large number of participants and is highly competitive. The industry is a low-barrier entry industry as new participants are able to enter, provided that they have engaged professionals with the appropriate skills and have obtained the requisite licences and permits to engage in the various types of activities regulated under the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**").

The Group competes on the basis of a number of factors, including price, products and services, innovation, transaction execution capability, reputation, experience and knowledge of staff and employee compensation. Apart from the multinational financial institutions including commercial banks and investment banks with global networks and a local presence in Hong Kong, the Group faces further competition from other financial services firms with similar target clients and offering a similar range of products and services including traditional and online brokerage services, asset management, corporate finance, fixed income and wealth management businesses. Historically, competition in the traditional brokerage business has been fierce. Over the past decade, online securities brokerage and financial information portals have become prevalent, intensifying competition for online business revenues. In recent years, as the brokerage market in Hong Kong has become more saturated, banks and brokerage firms rolled out prolonged commission-free concessions or extra-low fixed commissions as incentives to attract customers, thus further intensifying the competition in this sector. The Group expects that competition in securities brokerage, one of the Group's core business operations, will continue to be intense.

There can be no assurance that the Group can compete effectively against its current and future competitors, or that competitive forces in the market will not alter the industry landscape such that the Group's business objectives would become impractical and/or impossible. Under those circumstances, the Group's business and financial performance would be adversely affected.

The Group's businesses are highly regulated

As a participant in the financial services industry, the Group is subject to extensive laws, regulations and codes of relevant regulatory authorities and faces the risk of significant intervention by regulatory authorities in Hong Kong and other jurisdictions in which it operates, such as the PRC or Singapore. Key regulations in Hong Kong governing the financial services industry include the SFO, the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong), the HKSE Rules and The Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**"). A failure to comply with these rules and regulations may subject the Group to enquiries and/or investigations by the relevant regulatory bodies, which may result in fines, censure, reprimand or even suspension of licences. The Group has resolved the issues relating to any non-compliance of regulatory requirements in the past and none of the Company's directors and senior management were subject to any regulatory investigations by competent authorities in the past few years. However, if the Group fails to comply with any regulatory requirements in the future, the Group and its employees may become the subject of inquiries or investigations by relevant regulatory authorities. Where penalties are substantial or protracted litigation is involved, the Group's reputation and financial position may be jeopardised. In such cases, there may be a material and adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, there is a risk that new laws or regulations or changes in enforcement of existing laws or regulations applicable to the Group's businesses or those of its clients could be imposed on a limited subset of financial institutions (either based on size, activity, geography or other criteria), which may adversely affect the Group's ability to compete effectively with other institutions that are not affected in the same way.

The Group's businesses are vulnerable to stock price volatility and illiquidity of securities and the Group may incur substantial loss

The Group provides securities margin financing services to its clients. Securities margin financing is particularly vulnerable to stock price volatility and the illiquidity of those securities which are pledged as security for loans. In a volatile market, if the stock price declines, the client may be required to deposit additional cash or other securities to the collateral portfolio to reduce the credit risk exposure or increase the collateral value. Where a client is unable to meet its margin call, the Group is entitled to sell the relevant pledged securities and use the sale proceeds toward repayment of the loans. As proceeds from forced selling of pledged securities may not result in sufficient proceeds to cover the amount of margin loan outstanding, failure of a client to make up for such a shortfall could adversely affect the Group's businesses and financial performance. The Group's businesses and financial performance may also be adversely affected if any borrower fails to repay the amount owed to the Group.

Clients entering into securities transactions are required to settle their transactions before the prescribed period of time. If a client fails to do so, the Group will be required to use its own funds to cover the shortfall. If the Group has insufficient funds to do so, the licences issued by the Securities and Futures Commission (the "**SFC**") may be suspended.

All futures exchanges prescribe the minimum margin deposit for opening of each futures and option contract. Clients of the Group are required to maintain the minimum margin deposit with the Group from time to time as determined by such futures exchanges. When a client is unable to meet a margin call, the Group may close out the futures and/or option contract. In the event that the client's margin deposit with the Group is unable to cover the loss arising from closing out of the futures and/or option contract, the Group would be exposed to the risk of being unable to recover such shortfall, particularly in times of a volatile market.

A reduction in brokerage commission rates or trading activities by the Group's clients may materially and adversely affect the Group's business, financial condition, results of operations and prospects

Revenue from the wealth management business segment is primarily derived from the commissions the Group charges its clients for their trading activities. Accordingly, revenue from the Group's wealth management business depends significantly on trading volume, which in turn is influenced by market conditions in the Greater China Region. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue from the Group's wealth management business amounted to HK$287.2 million, HK$233.7 million, HK$390.3 million, HK$169.7 million and HK$208.0 million, respectively.

In addition, the Group's wealth management business could also be adversely affected by a reduction in brokerage commission rates because of increased competition in the Hong Kong brokerage markets. There can be no assurance that the Group's revenue derived from wealth management segment can be sustained.

The Group faces risks associated with the underwriting of securities offerings

The Group is exposed to transaction-specific execution risks for each securities offering it sponsors or underwrites. The Group generally receives payment of sponsor fees or underwriting commissions only after it successfully completes a transaction. If a project the Group sponsors is not completed as scheduled or at all for any reason, including weak investor interests and a failure to receive listing approval, the Group may not receive payment for its corporate finance services in a timely manner, or at all, which may materially and adversely affect its business, financial condition, results of operations and prospects.

The Group has investment risk on securities it underwrites on a firm commitment basis and may suffer additional losses as a member of an underwriting syndicate if an offering is not fully subscribed. The performance of the underwriting activities may severely deteriorate during periods of sluggish and volatile market conditions when the securities underwritten by the Group are undersubscribed and the Group and other underwriters/sub-underwriters are required to take up unsubscribed securities. If the Group fails to sell the securities it underwrites, it would suffer reputational damage, as well as incur expenditure to purchase and hold the underwritten securities, thereby materially and adversely affecting its business, financial condition, results of operations and prospects. Further, the Group has litigation, reputation and other risks from the securities offerings in which it participates, even after the completion of the offerings, if controversies, disputes and claims arise from the offerings, including but not limited to securities class actions and regulatory investigations about alleged securities fraud and other causes of action.

In addition, companies that wish to list their securities in Hong Kong require an investment bank to act as sponsor to assist with their listing application. When the Group acts as a sponsor, it is required to fulfil certain due diligence and disclosure requirements in connection with each project it sponsors. Furthermore, the SFC published the "Additional Fit and Proper Guidelines for Corporations and Authorised Financial Institutions applying or continuing to act as Sponsors and Compliance Advisers" (Appendix I to the "Fit and Proper Guidelines") in October 2013 on enhancing the regulatory regime of sponsors in Hong Kong, which will result in more stringent regulatory requirements and increased liability for IPO sponsors. A failure to satisfy these requirements could subject the Group to fines and other administrative or regulatory penalties, including suspension of its licences, or even criminal liability, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's revenue may be adversely affected by reductions in its assets under management caused by market declines

The Group's revenue from its asset management business principally consists of investment management fees, which are based on the value of its assets under management. Consequently, investment performance affects the amount of the assets under the Group's management and is one of the most important factors in retaining clients and competing for new asset management business. Poor investment performance could adversely affect the Group's revenue and business growth because:

- existing clients might withdraw funds from the Group's asset management business in favour of better performing products provided by its competitors, which would result in a reduction of management fees for the Group;

- clients may require the Group to reduce its fees for asset management services, particularly in an intensely competitive industry; and

- the Group's incentive fees (if any), which are based on a percentage of investment returns, would decline.

There can be no assurance that the Group would be able to keep or increase the assets under the Group's management. To the extent the Group may fail to keep or increase the assets under its management due to increasing competition from insurance companies, trust companies, banks and other competitors, its business, financial condition, results of operations and prospects would be adversely affected.

The Group's profit and results of operation may fluctuate from period to period.

For the six months ended 30 June 2021, the Group recorded a decrease in profit as compared to the same period in the preceding year. This was primarily attributable to an increase in commission expenses. The Group's profit and results of operations may continue to fluctuate from period to period and the Group cannot assure prospective investors that it will be able to generate an increase in profit in the future. In addition, the Group's profit and results of operations for any period may not be directly comparable with other periods and therefore may not be a useful indicator of its performance in the future. Any further decrease in profit may have a material and adverse effect on the Group's financial condition, results of operations and prospects.

The Group may be subject to claims of mis-selling

The Group offers a number of financial products directly to retail and institutional investors and to private investors through intermediaries or distributors. If these investors suffer losses on such financial products, they or their advisers may seek compensation from the Group on the basis of allegations that the financial products were mis-sold or that the prospectuses, offering circulars or other marketing materials contained misleading information or failed to disclose material information, the omission of which rendered the content therein misleading or that misleading marketing materials were provided to or supplied by intermediaries. Despite the policies enacted by the Group to guide employees on the appropriate selling procedures, it is possible that the Group has fraudulent employees who do not comply with such policies. A potential legal action undertaken by investors for mis-selling may be successful and this could in turn adversely affect the business, financial condition, results of operations and prospects of the Group. Any claim for mis-selling may also result in a regulatory investigation and censure and may damage the reputation of the Group.

The Group's business is subject to concentration risks due to significant holdings of financial assets or significant commitments of capital

In the course of the Group's business, the Group often commits substantial amounts of capital to certain types of businesses or asset classes, including the Group's wealth management business, corporate finance business, institutional clients business and investment business. This commitment of capital exposes the Group to concentration risks, including market risk, in the case of the Group's holdings of concentrated or illiquid positions in a particular asset class, and credit risk. Any decline in the value of such assets may reduce the Group's revenues or result in losses.

The Group may suffer significant losses from credit exposures from its clients and counterparties

The Group's wealth management business is subject to the risk that a client or counterparty may fail to perform its payment or other obligations or that the value of any collateral held by the Group to secure the obligations might become inadequate. Any material non-payment or non-performance by a client or counterparty could adversely affect the Group's financial condition, results of operations and cash flows.

Although the Group regularly reviews credit exposures to specific clients and counterparties and to specific industries that the Group believes may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee, such as fraud. The Group may also fail to receive full information with respect to the trading risks of counterparties.

The Group's failure to identify and disclose the risks inherent in the financial products it distributes may have an adverse effect on the Group's reputation, client relationships, business, financial results and prospects

In addition to the Group's own financial products, the Group also distributes financial products developed by third-party financial institutions. These financial products, such as trust schemes and structured products, may have complex structures and involve various risks, including credit, interest, liquidity and other risks. The Group's risk management policies and procedures may not be fully effective in identifying the risks inherent in these financial products, and the Group's sales employees may fail to fully disclose such risks to the Group's customers. These factors may cause the Group's clients to suffer significant losses as a result of their investment in financial products that are too risky for their risk tolerance and investment preferences. This may subject the Group to regulatory measures and fines, client complaints and litigations, which in turn could harm the Group's reputation, client relationships, business and prospects.

The expansion of the Group's product and service offering exposes the Group to various risks, and the Group may misjudge the implementation of a new product group or customer acquisition channel, of a new pricing or credit assessment method or analytical tools and data

As the Group continually expands its business and adjusts its business strategies in the changing market, it may seek to introduce new product or service groups, pricing and credit assessment analysis methods and uses of data in order to retain existing customers whose needs have evolved, and to attract new customers for whom the existing product offering or methods of acquisition are unattractive or ineffective and/or for whom more competitive pricing and more sophisticated underwriting processes are required. Expansion of and changes to the product range exposes the Group to a number of risks and challenges, including the following:

- competitors of the Group may have substantially greater experience and resources in relation to the business activities that the Group wishes to commence, and the Group may not be able to attract customers to its services from competitors with existing relationships with those customers;

- the new products and services may not be accepted by the Group's customers or meet its expectations for profitability, and may require greater marketing and compliance costs than the Group's traditional services;

- the new products and services may give rise to potential disputes or claims from customers;

- the Group may face greater risk of potential compliance issues such as mis-selling when dealing with less sophisticated counterparties and investors;

- the Group may need to hire additional qualified personnel who may not be available; and

- the Group may not be successful in enhancing its risk management capabilities and information technology systems to support a broader range of products and services.

Furthermore, to the extent its business model and practices are unfamiliar to regulatory authorities, the Group may encounter unexpected restrictions on its planned activities. If the Group is unable to achieve the intended results from the expansion of its range of products and services, it may make an error of judgement in the conception, planning and/or implementation of these strategies and methods, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

In addition, competition for highly skilled business, technical and other personnel is high due to the increasing competition in the financial services industry. Accordingly, the Group's personnel expenses may increase or the Group may have difficulty in recruiting and retaining properly qualified personnel. There can be no assurance that the Group will be able to achieve the administrative, systems and logistical improvements necessary to achieve its goals and other aspects of its growth effectively.

The Group's risk management policies and procedures and internal controls, as well as the risk management tools available to the Group, may not fully protect the Group against various risks inherent in its business

The Group has established an internal risk management framework and procedures to manage the Group's risk exposures, primarily including compliance, legal, liquidity, funding, credit, market, operational and reputational risks. Certain areas within the Group's risk management policies and internal control systems and procedures may require constant monitoring, maintenance and continual improvement by the Group's senior management and staff. Although the Group continues to implement its risk management policies and internal control systems, they may not be adequate or effective in mitigating the Group's risk exposures or protecting the Group against unidentified or unanticipated risks. In particular, some risk management approaches are based on observations of historical market behaviour and the Group's experience in the securities industry. These methods may fail to predict future risk exposures, which could be significantly greater than those indicated by the Group's historical measures. Other risk management methods depend upon an evaluation of available information regarding operating and market conditions and other matters, which may not be accurate, complete, up to date or properly evaluated. In addition, in markets that are rapidly developing, the information and experience data that the Group relies on for the Group's risk management methods may quickly become outdated as markets and regulations continue to evolve. The Group's business and prospects may be materially and adversely affected if the Group's efforts to maintain these policies, systems and procedures are ineffective or inadequate. Deficiencies in the Group's risk management and internal control systems and procedures may adversely affect the Group's ability to identify any reporting errors and compliance with rules and regulations, which may also have a material and adverse effect on the Group's business, financial condition and results of operations.

If the Group is unable to manage the risks associated with its overseas expansion, the Group's overall business may be materially and adversely affected

The Group expects to expand its international business, and may subject itself to the following risks:

- revenue fluctuation from period to period in the future due to unfavourable market conditions, intensified competition, unattractive products and services, downward pressure on fees and any other inherent risks associated with the Group's international business operations;

- challenges in providing products, services and support, in recruiting personnel in overseas markets, and in managing sales channels and overseas distribution networks effectively;

- difficulties in managing international business operations, including complying with various regulatory and legal requirements of different jurisdictions, and obtaining approvals and necessary licences;
- differences in accounting treatment in different jurisdictions, potential adverse tax implications and foreign exchange losses;
- inability to effectively enforce contractual or legal rights; and
- changes in laws, regulations and policies as well as political, economic and market instability or civil unrest in the relevant jurisdictions.

If the Group is unable to effectively avoid or mitigate these risks, the Group's abilities to expand its international business will be impaired, or the Group's international business may not be able to achieve or sustain profitability, which could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group relies on the Group's IT systems to process and record the Group's transactions and offer online products and services, which may be vulnerable to various disruptions including cyber-attacks

The Group's operations rely heavily on its IT systems to record and process accurately a large number of transactions across numerous and diverse markets and different business segments in a timely manner. The Group's systems for processing securities transactions are highly automated. A prolonged disruption to, or failure of, the Group's information processing or communications systems would limit the Group's ability to process transactions. This would impair the Group's ability to serve its clients and execute trades on behalf of clients and for the Group's own account, which could materially and adversely affect the Group's competitiveness, financial condition and results of operations.

The proper functioning of the Group's core IT systems, online platform, data processing system, mobile applications, risk management system and other data processing systems, together with the communication networks between the Group's headquarters and branches, are critical to its business and ability to compete effectively. The Group has established back-up centres to carry on principal functions in the event of a catastrophe or failure of the Group's systems and other unforeseeable events, including those caused by human error. However, there can be no assurance that the Group's operations will not be materially disrupted if any of the Group's systems fail. In addition, if the capacity of the Group's trading system is unable to process promptly all trading orders and so result in client losses, the Group may be subject to regulatory measures, client complaints and compensation, litigation or adverse effects on the Group's reputation.

The securities industry is characterised by rapidly changing technology. Online trading platforms and mobile applications are becoming increasingly popular among the Group's clients due to their convenience and user-friendliness. The Group relies heavily on technology, including the Group's online platform and mobile applications, to provide a wide range of brokerage services. However, the Group's technology operations are vulnerable to disruptions from human error, natural disasters, power disruption, computer viruses, spam attacks, unauthorised access and similar events. Disruptions to, or the instability of, the Group's technology or external technology that allows the Group's clients to use its online products and services could harm the Group's business and reputation.

The Group is exposed to reputational risk, which may have a material and adverse effect on the Group's business, results of operations, and financial condition

The Group may be exposed to fraud or other misconduct committed by the Group's employees, representatives, agents, clients or other third parties that could subject the Group to government-imposed sanctions and adverse publicity, and therefore harm the Group's reputation. In the past, there have been instances of misconduct committed by the Group's employees and agents, which caused the Group to be subject to regulatory measures and legal proceedings.

The Group's internal control procedures are designed to monitor the Group's operations and ensure overall compliance. However, the Group's internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective, and there can be no assurance that fraud or other misconduct will not occur in the future or that the Group will detect and prevent such fraud or misconduct in a timely manner. If such fraud or other misconduct does occur, it may cause negative publicity as a result. The Group's failure to detect and prevent fraud and other misconduct may have a material and adverse effect on the Group's business, reputation, financial condition and results of operations.

The Group may fail to implement relevant internal control measures or detect money laundering and other illegal or improper activities in the Group's business operations on a timely basis

The Group is required to comply with applicable anti-money laundering and anti-terrorism laws and regulations in regions and countries such as China and Hong Kong. These laws and regulations require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require the Group to, among other things, establish or designate an independent anti-money laundering department, establish a client identification system in accordance with relevant rules, record the details of client activities, and report suspicious transactions to relevant authorities.

While the Group has adopted policies and procedures aimed at detecting and preventing the use of the Group's business platforms to facilitate money laundering activities, terrorist acts and other illegal or improper activities, the Group may fail to implement relevant internal control measures from time to time, and such policies and procedures may not completely eliminate instances in which the Group may be used by third parties to engage in money laundering and other illegal or improper activities. If the Group fails to fully comply with applicable laws and regulations, the relevant government agencies may freeze its assets or impose fines or other penalties on the Group, which may adversely affect the Group's business, reputation, financial condition and results of operations.

The Group's business might be affected by the operational failure, fraud or misconduct of the Group's employees

The Group faces the risk of the operational failure, fraud or misconduct of the Group's employees, which mainly includes accidents, errors or intentional misconduct that take place in the course of the day-to-day operation of the investment banking, principal investment, personal finance, institutional services and trading and investment management businesses. Although the Group has implemented internal control measures including strengthened transaction review and enhanced standard operation training to prevent the risk of employee operational failure, fraud or misconduct, the Group may not be able to completely avoid the occurrence of or timely detect any operational failure, fraud or misconduct. Any future operational failure, fraud or misconduct of employees or any termination of employment relationship in relation to operational failure, fraud or misconduct may subject the Group to regulatory penalties, client disputes or legal proceedings which could adversely affect the Group's business and reputation, as well as the Group's ability to execute transactions, service the Group's clients and manage the Group's exposure to various risks.

The Group's business is susceptible to the operational failure of third parties

The Group faces the risk of operational failure or termination of any of the exchanges, depositaries, clearing agents or other financial intermediaries and service providers the Group uses to facilitate its securities transactions. Any future operational failure or termination of the financial intermediaries or service providers that the Group uses could materially and adversely affect the Group's ability to execute transactions, service the Group's clients and manage the Group's exposure to various risks.

In addition, as the Group's interconnectivity with its clients grows, the Group's business also relies heavily on its clients' use of their own systems, such as mobile devices, PCs and websites, and the Group will increasingly face the risk of operational failure of or in connection with its clients' systems. The operational failure of third parties may harm the Group's business and reputation.

The Group regularly encounters potential conflicts of interest, and the Group's failure to identify and address such conflicts of interest could adversely affect the Group's business

As the Group expands its business scope and client base, it is critical for the Group to be able to address potential conflicts of interest, including situations where two or more interests within the Group's business naturally exist but are in competition or conflict. It is complicated and difficult to appropriately identify and address potential conflicts of interest. Conflicts of interest may exist between: (i) the Group's different businesses; (ii) the Group and its clients; (iii) the Group's clients; (iv) the Group and its employees; or (v) the Group's clients and the Group's employees. The Group's failure to address conflicts of interest could harm the Group's reputation and impair clients' confidence in the Group. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing could result in losses for the Group's and materially and adversely affect the Group's business, financial condition, and operating results.

The Group's operations are subject to force majeure events, natural disasters, health epidemics, equipment breakdowns, planned or unplanned outages or other potentially catastrophic events that may cause equipment damage as well as losses or harm to the Group's business

Force majeure events, natural disasters, catastrophe or other events could result in severe personal injury to the Group's staff, property damage and environmental damage, which may significantly interrupt the Group's operations and could increase the costs associated with the Group's operations and reduce its ability to operate its businesses effectively, thereby reducing its revenues. In particular, the Group's facilities may be disrupted or damaged by catastrophic events, such as typhoons, floods, severe weather conditions or man-made disasters. Any equipment breakdown due to catastrophic events or otherwise will increase the cost of repair and maintenance, further adversely affecting the Group's results of operations. There is no assurance that the Group's management system will be able to effectively mitigate adverse consequences arising from any of the above events. Any failure to mitigate and prevent further damages can have adverse impact on the business activities, financial condition and results of operations of the Group.

In addition, the Group's business could be materially and adversely affected by the outbreak, or threatened outbreak, of any severe communicable disease including but not limited to severe acute respiratory syndrome ("**SARS**"), H5N1 or H7N9 flu, H1N1 flu, COVID-19, swine influenza, avian influenza, Middle East respiratory syndrome ("**MERS**"). The ongoing COVID-19 and any prolonged recurrence of avian influenza, SARS or other adverse public health developments could materially and adversely affect consumption, labour supply and possibly the GDP growth of affected countries and regions. In particular, the COVID-19 outbreak has resulted in increased restrictions on travel and public transport, prolonged closures or alternative working arrangements of workplaces and extended delays and suspension of some business activities in affected countries and regions, including the PRC, from which the Group mainly derives its revenue. Any labour shortages, contraction or slowdown in the growth of domestic consumption in the PRC could materially and adversely affect the Group's business, financial condition and results of operations. In addition, if any of the Group's employees are affected by any severe communicable disease (including COVID-19), it could adversely affect or disrupt day-to-day operations and materially and adversely affect the Group's business, financial condition and results of operations, which may also involve a closure of the Group's facilities to prevent the spread of the disease. As such, there is no assurance that such outbreak will not materially and adversely affect the Group's business and operations and will not cause delays to project timetables. The spread of any severe communicable disease may also affect the operations of the Group's customers and suppliers and their ability to fulfil their contractual obligations, which could materially and adversely affect the Group's business, financial condition and results of operations. Any adverse change in the business or financial condition in the Group's customers and contractual counterparties due to the COVID-19 outbreak could also adversely affect the asset quality and ratio of non-performing assets of the Group's investment and financial leasing businesses.

The risk of an unfavourable outcome to litigation against the Group could adversely affect the Group's business, financial condition, results of operations and prospects

The Group is exposed to litigation risk relating to the operations of its businesses on an ongoing basis. While the outcome of any pending or future litigation cannot be foreseen given the inherent unpredictability of litigation, it is possible that an adverse outcome in any one or more matters may have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

Interest rate fluctuations may adversely affect the Group's businesses

The Group's business performance is affected by fluctuations in interest rates which could adversely affect financial markets conditions. For example, a decrease in interest rates, although decreases the Group's costs of capital, may also limit the Group's interest income from its securities margin financing and leveraged and acquisition finance business thus adversely affecting the Group's business and financial results.

Interest rates volatility may also affect stock market performance and general market sentiment, hence causing indirect adverse impact on the Group's business performance.

Limitations on access to liquidity and capital resources could adversely affect the ability to implement the Group's expansion plans

A number of the Group's activities are subject to various statutory liquidity requirements as prescribed by the SFC in accordance with the SFO.

The Group derives the funds that it requires for its business principally from cash flow from operations and borrowings from banks and other lenders and from accessing the capital markets. The ability of the Group to access debt funding sources on acceptable commercial terms over the longer-term is dependent on a variety of factors, including a number of factors outside of its control, such as general market conditions and confidence in the global banking system. In recent years, global credit markets have tightened significantly with the failure or the nationalisation of a number of large financial institutions in Europe, the United States and other countries. Financial institutions are generally more cautious in lending funds to companies, and as a result, companies may face increased financing costs as they may only be able to procure funds from financial institutions with increased interest rates applied to their funds. While the Group has not experienced any material difficulty in procuring funds, there can be no assurance that the Group's existing major lenders will not change their lending policies, increase its funding costs or adopt a more cautious credit stance as a result of the overall economic climate, or any other factors that may limit the Group's ability to obtain credit on favourable terms or at all and its options for obtaining liquidity. If the Group's available funding is limited or it is forced to fund its operations at a higher cost, these conditions may require the Group to curtail its business activities and increase its cost of funding, both of which could reduce its profitability.

The Financial Institutions (Resolution) Ordinance may adversely affect the Bonds

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant Resolution authorities, which may include the Company as the issuer of the Bonds. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, subject to certain safeguards, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Bonds or the principal amount of, or interest on, the Bonds, and powers to amend or alter the contractual provisions of the Bonds, all of which may adversely affect the value of the Bonds, and the holders thereof may suffer a loss of some or all of their investment as a result. Holders of Bonds (whether senior or subordinated) may become subject to and bound by the FIRO.

The unaudited and unreviewed condensed consolidated financial results as at and for the six months ended 30 June 2021 have not been audited or reviewed by an independent auditor.

On 17 September 2021, the Issuer published its 30 June Financial Results on the Hong Kong Stock Exchange website. The 30 June Financial Results have not been audited or reviewed by the Group's independent accountants, or any other independent accountants and may be subject to adjustments if audited or reviewed. Consequently, such financial information should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review by an independent auditor and potential investors must exercise caution when using such data to evaluate the financial condition and results of operations or the Issuer and the Group. None of the Joint Lead Managers, the Trustee or the Agents nor any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them make any representation, or warranty, express or implied, regarding the sufficiency of the Issuer's 30 June Financial Results for an assessment of the Issuer's or the Group's financial condition, results of operations and results. In addition, the 30 June Financial Results should not be taken as an indication of the expected financial condition or results of operations of the Issuer and the Group for the full financial year ending 31 December 2021.

RISKS RELATING TO THE BONDS

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop or as to liquidity or sustainability of any such market, the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds. If the Bonds are allocated to a limited group of investors, and a limited number of investors hold a significant proportion of the Bonds, liquidity will be restricted and the development of a liquid trading market for the Bonds will be affected. If a market does develop, it may not be liquid and the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Joint Lead Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Offering Circular), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds. Such lack of liquidity may result in investors suffering losses on the Bonds in secondary resales even if there is no decline in the performance of the assets of the Group. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time. Although application will be made for the listing of the Bonds on the Hong Kong Stock Exchange, no assurance can be given as to the liquidity of, or trading market for, the Bonds. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, investors will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

The liquidity and price of the Bonds following this offering may be volatile.

If an active trading market for the Bonds were to develop, the price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group, proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, changes in the industry that the Group operates and competition and general economic conditions could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

Investors in the Bonds may be subject to foreign exchange risks.

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than the U.S. dollar would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Issuer has no control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

Developments in other markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

The Bonds may not be a suitable investment for all investors.

Each potential investor in any Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Bonds are legal investments for it, (b) Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

The Bonds will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's existing and future subsidiaries, and effectively subordinated to the Issuer's secured debt to the extent of the value of the collateral securing such indebtedness.

The Bonds will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's existing and future subsidiaries whether or not secured. The Bonds will not be guaranteed by any of the Issuer's subsidiaries, and the Issuer may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer is subject to various restrictions under applicable laws. Each of the Issuer's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Bonds or make any funds available therefore, whether by dividends, loans or other payments. The Issuer's right to receive assets of any of the Issuer's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer is a creditor of that subsidiary). Consequently, the Bonds will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's subsidiaries, and any subsidiaries that the Issuer may in the future acquire or establish.

The Bonds are the Issuer's unsecured obligations, and will (i) rank equally in right of payment with all the Issuer's other present and future unsubordinated and unsecured indebtedness; (ii) be effectively subordinated to all of the Issuer's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will take priority with respect to those assets. In the event of the Issuer's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Bonds, these assets will be available to pay obligations on the Bonds only after all other debt secured by these assets has been repaid in full. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

The Bonds are unsecured obligations.

The Bonds are unsecured obligations of the Issuer. The repayment of the Bonds may be adversely affected if:

- the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's indebtedness.

If any of these events were to occur, the Issuer's assets may not be sufficient to pay amounts due on the Bonds.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds and the Trust Deed by the Trustee or less than all of the holders of the Bonds.

The Terms and Conditions of the Bonds provide that the Trustee may (but shall not obliged to), without the consent of the Bondholders, agree to any modification of the Trust Deed, the Terms and Conditions of the Bonds and/or the Agency Agreement (other than in respect of a reserved matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and to any modification of the Trust Deed, the Terms and Conditions of the Bonds and/or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of law.

In addition, the Trustee may (but shall not obliged to), without the consent of the Bondholders, authorise or waive any proposed breach or breach of the Bonds, the Trust Deed, the Terms and Conditions of the Bonds or the Agency Agreement (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Bondholders and, unless the Trustee otherwise agrees, shall be notified by the Issuer to the Bondholders as soon as practicable.

If the Issuer or any of its subsidiaries, is unable to comply with the restrictions and covenants in their respective debt agreements (if any), or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the debt of the Issuer to be accelerated.

If the Issuer or any of its subsidiaries is unable to comply with the restrictions and covenants in the Bonds, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer or any of its subsidiaries, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements may contain cross-acceleration or cross-default provisions. As a result, the default by the Issuer or any of its subsidiaries under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows to repay in full all of the indebtedness of the Issuer or any of its subsidiaries, or that it would be able to find alternative financing. Even if Issuer and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer and its subsidiaries.

The Bonds will be initially represented by a Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System(s).

The Bonds will be represented by a Global Certificate which will be deposited with a common depositary for Euroclear and Clearstream (each a "**Clearing System**"). Except in the limited circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates representing the Bonds. The Clearing System(s) will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the Clearing System for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the Clearing System(s) to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate will not have a direct right under the Global Certificate to take enforcement action against the Issuer in the event of a default under the Bonds but will have to rely upon their rights under the Trust Deed.

The Issuer may issue additional bonds which affect the price of the Bonds

The Issuer may raise additional capital through the issue of other bonds or other means. There is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Bonds. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Bondholders on a winding-up of the Issuer. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Bonds and/or the ability of Bondholders to sell their Bonds.

Changes in market interest rates may adversely affect the value of the Bonds.

The Bonds will carry a fixed interest rate. Consequently, the trading price of the Bonds will vary with the fluctuations in the U.S. dollar interest rates. If a holder of the Bonds tries to sell such Bonds before their maturity, he may receive an offer that is less than his investment.

The Issuer may not be able to redeem the Bonds upon the due date for redemption thereof.

The Issuer may, on the occurrence of a Change of Control (as defined under the Terms and Conditions of the Bonds), and at maturity will, be required to redeem part or all of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. There is also no assurance that the Issuer would have sufficient funds at such time to make the required redemption of the Bonds. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay or redeem tendered Bonds by the Issuer would constitute an event of default under the Bonds, which may also constitute a default under the terms of the Group's other indebtedness.

The insolvency laws of Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

As the Issuer is incorporated under the laws of Hong Kong, any insolvency proceeding relating to the Issuer would likely involve Hong Kong insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

The Trustee may request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, including, without limitation, giving of notice to the Issuer pursuant to Condition 9 of the Terms and Conditions of the Bonds and taking enforcement steps and/or actions and/or instituting proceedings pursuant to Condition 13 of the Terms and Conditions of the Bonds, the Trustee may, at its sole discretion, request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes any steps and/or actions and/or institutes any proceedings on behalf of the Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or institute any such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction.

Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take such steps and/or actions and/or institute such proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such steps and/or actions and/or institute such proceedings directly.

Decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of individual holders of the Bonds.

The Terms and Conditions of the Bonds contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds including holders who did not attend and vote at the meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individual Bondholders.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to modification and other than the words in italics, is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the U.S.$200,000,000 in aggregate principal amount of 1.5 per cent. bonds due 2023 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) was authorised by a resolution of the board of directors of Shenwan Hongyuan (H.K.) Limited(申萬宏源(香港)有限公司) (the "**Issuer**") passed on 17 January 2022. The Bonds are constituted by a Trust Deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated 27 January 2022 between the Issuer and China Construction Bank (Asia) Corporation Limited(中國建設銀行(亞洲)股份有限公司)(the "**Trustee**", which expression shall include its successors(s)) as trustee for itself and the holders of the Bonds. These terms and conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed, which includes the form of the certificates evidencing the Bonds. An Agency Agreement (as amended and/or supplemented from time to time, the "**Agency Agreement**") dated 27 January 2022 relating to the Bonds has been entered into between the Issuer, the Trustee, China Construction Bank (Asia) Corporation Limited(中國建設銀行(亞洲)股份有限公司)as principal paying agent (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent appointed from time to time in connection with the Bonds), as registrar (in such capacity, the "**Registrar**", which expression shall include its successor(s)) and as transfer agent (in such capacity, the "**Transfer Agent**", which expression shall include any other transfer agent appointed in connection with the Bonds) and any other agents named therein. Copies of the Trust Deed and the Agency Agreement are available for inspection at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) by the Bondholders (as defined below) following prior written request and satisfactory proof of holding and identity to the satisfaction of the Trustee or the Principal Paying Agent, as the case may be, at the principal place of business of the Trustee (being as at the Issue Date (as defined below) at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) and at the specified office of the Principal Paying Agent (being as at the Issue Date at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong). "**Paying Agents**" means any paying agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds and includes the Principal Paying Agent and "**Agents**" means the Principal Paying Agent, any other Paying Agents, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these terms and conditions (these "**Conditions**") will have, unless the context otherwise requires, the meanings given to them in the Trust Deed.

1 Form, Specified Denomination and Title

The Bonds are in registered form issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (the "**Specified Denomination**").

The Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Each holder (as defined below) shall be entitled to receive only one Certificate in respect of its entire holding of Bonds. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate (other than the endorsed form of transfer) representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" and, in relation to a Bond, "**holder**" means the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

*Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). These Conditions are modified by certain provisions contained in the Global Certificate. See "Summary of Provisions Relating to the Bonds in Global Form".*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

2 Transfers of Bonds and Delivery of New Certificates

(a) **Transfer:** A holding of Bonds may, subject to Conditions 2(d) and 2(e) and the relevant provisions of the Agency Agreement, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred (which shall be in the Specified Denomination) and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor (which shall be in the Specified Denomination). In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules and procedures of the relevant clearing systems.

(b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) shall be made available for delivery within seven business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer or Exercise Free of Charge:** Certificates, on transfer, shall be issued and registered without charge to the relevant Bondholder by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant Bondholder of any and all tax or other governmental charges that may be imposed in relation to such transfer (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require in respect thereof); (ii) the Registrar or the relevant Transfer Agent being satisfied in it absolute discretion with the documents of title or identity of the person making the application; and (iii) the Registrar or the relevant Transfer Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.

(d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after a Put Exercise Notice has been deposited in respect of such Bond pursuant to Condition 6(c), (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)), or (iv) during the period of 15 days prior to (and including) any date on which Bonds may be called for redemption by the Issuer pursuant to Condition 6(b).

(e) **Regulations:** All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfer and registration of Bonds, the initial form of which is scheduled to the Agency Agreement. Each of the Issuer and the Registrar may change the regulations from time to time, with the prior written approval of the Trustee and (in the case of any change proposed by the Issuer) of the Registrar. A copy of the current regulations will be mailed (free of charge to the Bondholder and at the Issuer's expense) by the Registrar to any Bondholder upon prior written request and proof of holding and identity to the satisfaction of the Registrar and is available at all reasonable times during usual business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) at the specified office of the Registrar.

3 Status

The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank *pari passu* with all the Issuer's other present and future unsecured and unsubordinated obligations.

4 Undertakings relating to the Bonds

(a) **Financial Statements:**

(i) So long as any Bond remains outstanding (as defined in the Trust Deed) the Issuer undertakes that it will provide the Trustee with, as soon as they are available, but in any event not more than 14 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognised exchange on which the Issuer's common stock is at any time listed for trading, true and correct copies of the annual audited consolidated financial statements of the Issuer, the semi-annual unaudited consolidated financial statements of the Issuer and any other financial report (if any) of the Issuer in the English language filed with such exchange; *provided that* if at any time the common stock of the Issuer ceases to be listed for trading on a recognised stock exchange, the Issuer shall provide to the Trustee:

(A) a copy of the relevant Audited Financial Reports in English as soon as practicable after their date of publication and in any event within 180 days of the end of each Relevant Period;

(B) a copy of the relevant Unaudited Financial Reports in English prepared on a basis consistent with the Audited Financial Reports as soon as practicable after their date of publication and in any event within 120 days of the end of each Relevant Period.

(ii) So long as any Bond remains outstanding, the Issuer shall provide the Trustee with a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance) (x) within 14 days of any request therefor from the Trustee or (y) at the time of the provision of the Audited Financial Reports.

(b) In these Conditions:

"**Audited Financial Reports**" means, for a Relevant Period the annual audited consolidated financial statements of the Issuer together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them, prepared in accordance with the HKFRS;

"**Authorised Signatory**" means an Authorised Signatory as defined in the Trust Deed;

"**Compliance Certificate**" means a certificate of the Issuer (substantially in the form scheduled to the Trust Deed) in English signed by an Authorised Signatory confirming that, having made all reasonable enquiries, to the best knowledge, information and belief of the Issuer as at a date (the "**Certification Date**") not more than five calendar days before the date of the certificate that:

(a) no Change of Control (as defined in Condition 6(c)), Event of Default (as defined in Condition 9) or Potential Event of Default has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(b) the Issuer has complied with all its covenants and obligations under the Trust Deed and the Bonds or, if non-compliance had occurred, giving details of it.

"**HKFRS**" means Hong Kong Financial Reporting Standards;

"**Issue Date**" means 27 January 2022;

"**Potential Event of Default**" means any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 9, become an Event of Default;

"**Relevant Period**" means (i) in relation to the Audited Financial Reports, each period of 12 months ending on the last day of the Issuer's financial year (being 31 December of that financial year) and (ii) in relation the Unaudited Financial Reports, each period of six months ending on the last day of the Issuer's first half financial year (being 30 June of that financial year);

a "**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person; and

"**Unaudited Financial Reports**" means, for a Relevant Period, semi-annual unaudited consolidated balance sheet, income statement, statement of cash flows and statement of changes in owner's equity of the Issuer together with any statements, reports (including any directors' and auditors' review reports, if any) and notes attached to or intended to be read with any of them, if any.

5 Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 1.5 per cent. per annum, payable in arrear on 27 July 2022 and on the Maturity Date (each an "**Interest Payment Date**").

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the date on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the date falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of the receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholder under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date are each called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall (save as provided above in relation to equal instalments) be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 Redemption and Purchase

(a) **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 26 January 2023 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) **Redemption for Taxation Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 16 and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable), at their principal amount together with any interest accrued up to, but excluding the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice (i) that the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in Condition 8) as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 20 January 2022; and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (A) a certificate signed in English by an Authorised Signatory stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer taking reasonable measures available to it and (B) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments, and the Trustee shall be entitled (but shall not be obliged) to accept and rely conclusively upon such certificate and opinion (without further investigation or query and without liability to the Bondholders or any other person) as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event the same shall be conclusive and binding on the Bondholders. All Bonds in respect of which any notice of redemption is given under Condition 6(b) shall be redeemed on the date specified in such notice in accordance with this Condition 6(b). The Trustee shall have no liability to any Bondholder or any other person for so accepting and relying on such certificate or opinion.

(c) **Redemption for Change of Control:** At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined below) at 101 per cent. of their principal amount, together with any interest accrued up to but excluding such Put Settlement Date. In order to exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, substantially in the form scheduled to the Agency Agreement, obtainable from the specified office of the Principal Paying Agent or any other Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16.

The "**Put Settlement Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice in writing to Bondholders in accordance with Condition 16 and to the Trustee and the Principal Paying Agent in writing by not later than fourteen days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

In this Condition 6(c):

a "**Change of Control**" occurs when:

(i) the Controlling Person (as defined below) and any other person(s) Controlled by the Controlling Person, together cease to be the largest holder of the issued share capital of the Issuer; or

(ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons, acting together, except where (x) such person(s) is/are Controlled (as defined below), directly or indirectly, by the Controlling Person, or (y) the consolidation, merger, sale or transfer will not result in any other person or persons acquiring Control over the Issuer;

"**Controlling Person**" means Shenwan Hongyuan Group Co., Ltd. or any successor entity;

"**Control"** means (where applicable): (i) the ownership or control of more than 50 per cent. of the Voting Rights of the issued share capital of a person or (ii) the right to appoint and/or remove all or the majority of the members of a person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise. For the avoidance of doubt, a person is deemed to Control another person so long as it fulfils one of the two foregoing requirements and the terms "Controlling" and "Controlled" have meaning correlative to the foregoing;

a "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer's board of directors or any other governing board and does not include the Issuer's wholly-owned direct or indirect subsidiaries; and

"**Voting Rights**" means the right generally to vote at a general meeting of shareholders of a person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred or may occur, and each of them shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer, and none of them shall be liable to the Bondholders, the Issuer or any other person for not doing so.

(d) **Notices of Redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date, in such place and in such manner specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption or Put Exercise Notice or have any duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto, and shall not be liable to the Bondholders, the Issuer or any other person for not doing so.

(e) **Purchase:** The Issuer and its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for, among other things, the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 13.

(f) **Cancellation:** All Certificates representing Bonds purchased by or on behalf of the Issuer and its Subsidiaries may be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

7 Payments

(a) **Method of Payment:**

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.

(ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in U.S. dollars by wire transfer to the registered account of the holder of such Bond. In these Conditions, the "registered account" of a holder means the U.S. dollar account maintained by or on behalf of the such holder with a bank, details of which appear in the Register at the close of business on the Record Date.

*So long as the Global Certificate is held on behalf of Euroclear and Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

(b) **Payments subject to Fiscal Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreement thereunder, any official interpretations thereof, or (without prejudice to provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) **Payment Initiation:** Where payment is to be made by wire transfer to an account in U.S. dollars, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal or premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents:** The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, and (iv) such other agents as may be required by the stock exchange on which the Bonds may be listed, in each case, as approved in writing by the Trustee.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Bondholders in accordance with Condition 16.

(e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay in receiving the amount due on a Bond if the due date is not a Payment Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so), or if a wire transfer made in accordance with Condition 7(a)(ii) reaches the registered account of the relevant holder after the due date for payment.

(f) **Non-Payment Business Days**: If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day, nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets are generally open for business and settlement of U.S. dollars payments in Hong Kong and New York City and (if surrender of the relevant Certificate is required) the relevant place of presentation.

8 Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

In that event, the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

(a) **Other Connection:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Hong Kong other than the mere holding of the Bond; or

(b) **Lawful avoidance of withholding**: to a holder, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the Certificate representing the Bond is presented for payment; or

(c) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is surrendered or presented (where presentation or surrender is required) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering or presenting (as the case may be) the Certificate representing such Bond for payment on the last day of such period of 30 days (as if such last day were a Payment Business Day).

In this Condition 8, "**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Bondholders that, upon further presentation or surrender (as the case may be) of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation or surrender.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, assessments, governmental charges, withholding or other payment referred to in this Condition 8 or otherwise in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any third party to pay such tax, duty, assessments, governmental charges, withholding or other payment in any jurisdiction or to provide any notice or information that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, assessments, governmental charge, withholding or other payment imposed by or in any jurisdiction.

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

9 Events of Default

If any of the following events (each an "**Event of Default**") occurs the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall (provided in any such case that the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest:

(a) **Non-Payment:** there has been a failure to pay (i) the principal of or any premium (if any); or (ii) interest on any of the Bonds when due and in the case of interest, such failure continues for a period of 14 days; or

(b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations under the Bonds or the Trust Deed, which default is, in the opinion of the Trustee, incapable of remedy or, if such default is, in the opinion of the Trustee, capable of remedy, such default is not, in the opinion of the Trustee, remedied within 45 calendar days after written notice of such default shall have been given to the Issuer by the Trustee; or

(c) **Cross-Acceleration:** (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised (as extended by any originally applicable grace period), *provided that* the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.$30 million or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

(d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any substantial part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries and is not discharged or stayed within 45 calendar days; or

(e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries on all or a substantial part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 45 calendar days; or

(f) **Insolvency:** the Issuer or any of its Material Subsidiaries (i) is (or is, or could be, deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt, or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts as they fall due, or (ii) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer or any of the Material Subsidiaries; or

(g) **Winding-up:** an order is made by a court of competent jurisdiction or an effective resolution is passed for the winding-up or dissolution of the Issuer or any of its Material Subsidiaries, or the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or a substantial part of its business or operations, except (i) for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the Bondholders, or (B) in the case of a Material Subsidiary, whereby the undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Issuer or any of its Subsidiaries in any combination or (ii) a disposal of a Material Subsidiary on an arm's length basis where the assets (whether in cash or otherwise) resulting from such disposal is vested in the Issuer or any of its Subsidiaries in any combination;; or

(h) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(i) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds and/or the Trust Deed; or

(j) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(d) to 9(g) (both inclusive).

In this Condition 9, "**Material Subsidiary**" means any Subsidiary of the Issuer:

(i) whose total revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total revenue, as shown by its latest audited income statement are at least five per cent. of the consolidated total revenue as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(ii) whose gross profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least five per cent. of the consolidated gross profit as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(iii) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross assets, as shown by its latest audited balance sheet are at least five per cent. of the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries including, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or

(iv) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, provided that (x) the Material Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Material Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Material Subsidiary and (y) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (i), (ii) or (iii) above of this definition;

provided that, in relation to paragraphs (i), (ii) and (iii) above of this definition:

(A) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(B) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, total revenue, gross profit or gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;

(C) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and

(D) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

10 Prescription

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within ten years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8) in respect of them.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders in accordance with Condition 16, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, pre-funding and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of Bondholders, Modification and Waiver

(a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Issuer and the Trustee and shall be convened by the Trustee if requested in writing by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution), in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the aggregate principal amount of the Bonds outstanding (a "**Written Resolution**") and consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the Bondholders of not less than 75 per cent. of the aggregate principal amount of the Bonds outstanding (an "**Electronic Consent**") shall in each case for all purposes be as valid and effective as an Extraordinary Resolution. A Written Resolution may be contained in one document or several documents in like form, each signed by or on behalf of one or more Bondholders. A Written Resolution and/or Electronic Consent will be binding on all Bondholders whether or not they participated in such Written Resolution and/or Electronic Consent, as the case may be.

(b) **Modification and Waiver:** The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Bonds or the Agency Agreement that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Bonds and/or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 16. The Trustee may request, and may conclusively rely upon, any certificate signed by an Authorised Signatory of the Issuer and/or an opinion of counsel concerning compliance with the above conditions in respect of any such modification, authorisation, waiver, amendment, supplement or replacement..

(c) **Entitlement of the Trustee:** In connection with the performance and exercise of its functions, rights powers and discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interest of, or be responsible for the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take any such steps and/or actions and/or institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Agency Agreement and/or the Bonds (as the case may be), but it need not take any such steps and/or actions and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including, without limitation, provisions relieving it from taking steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement and/or these Conditions and in respect of the Bonds and payment or taking any other steps and/or actions and/or instituting any other proceedings, unless first indemnified and/or secured and/or pre-funded to its satisfaction and to be paid or reimbursed for its fees, costs, expenses and indemnity payments and for liabilities incurred by it in priority to the claims of the Bondholders. The Trustee, the Agents and their respective affiliates are entitled to (i) enter into business transactions with the Issuer and any entity related (directly or indirectly) to the Issuer without accounting for any profit (ii) exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions without regard to the interests of, or consequences for, the Bondholders and (iii) to retain any profit made or any other amount or benefit received thereby or in connection therewith without accounting for such profits.

The Trustee and each Agent may accept and shall be entitled to rely conclusively without liability to Bondholders, the Issuer or any other person on any report, confirmation, certificate or information from or any advice or opinion of any legal counsel, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by it or any other person in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee and the Agents may accept and shall be entitled to rely conclusively on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Issuer and the Bondholders. Neither the Trustee nor the Agents shall be responsible or liable to the Issuer, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on such report, information, confirmation, certificate, opinion or advice.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking or refrain from taking any such action, making any such decision or giving any such direction or certification, to seek directions or clarification of any directions from the Bondholders by way of Extraordinary Resolution, and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refrain from taking such action, making such decision or giving such direction or certification as a result of seeking such direction or clarification from the Bondholders or in the event that no direction or clarification is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible or liable for the performance by the Issuer or any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction, request or resolution of the Bondholders. The Trustee and the Agents shall be entitled to rely conclusively on any direction, instruction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default, Potential Event of Default (as defined in the Trust Deed) or Change of Control has occurred or to monitor compliance by the Issuer with the provisions of the Trust Deed, the Agency Agreement or these Conditions, and shall not be liable to any Bondholder, the Issuer or any other person for not doing so.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and its Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

15 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds). Any further securities forming a single series with the Bonds may be constituted by a deed supplemental to the Trust Deed.

16 Notices

Notices to the holders of Bonds shall be mailed to them by uninsured mail at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, a Sunday or a public holiday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

So long as the Global Certificate is held by or on behalf of Euroclear and Clearstream, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999, but this shall not affect any rights or remedies which exist or are available apart from such Act and is without prejudice to the rights of the Bondholders as set out in Condition 13.

18 Governing Law and Jurisdiction

(a) **Governing Law**: The Trust Deed, the Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction**: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed or the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed or the Agency Agreement ("**Proceedings**") may be brought in such courts. The Issuer has irrevocably submitted to the exclusive jurisdiction of such courts.

(c) **Waiver of Immunity**: The Issuer has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Bonds will be represented by the Global Certificate in registered form, which will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream.

Under the Global Certificate, the Issuer promises to pay such principal and interest on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Bonds.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In such circumstances, the Issuer will at its own expense cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Payment

So long as the Bonds are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday inclusive) except 25 December and 1 January.

Trustee's Powers

In considering the interests of the Bondholders whilst the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions of the Bonds.

Transfers

Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation

Cancellation of any Bond represented by the Global Certificate will be effected by reduction in the principal amount of the Bonds in the register of the Bondholders.

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.$1,000 in principal amount of the Bonds.

USE OF PROCEEDS

The gross proceeds from the offering of the Bonds will be U.S.$200,000,000. Such gross proceeds, after deducting commissions to be charged by the Joint Lead Managers and other estimated expenses payable in connection with the offering of the Bonds, will be used primarily for general corporate purposes. The Company may adjust the foregoing plan in response to changing market conditions and thus, reallocate the use of proceeds.

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets forth the consolidated capitalisation and indebtedness of the Issuer as at 31 December 2020 and as adjusted to give effect to the issue of the Bonds. The table should be read in conjunction with the Issuer's consolidated financial statements and the related notes included elsewhere in this Offering Circular.

	As at 31 December 2020			
	Actual		As adjusted	
	(HK$)	*(U.S.$)*(1)	*(HK$)*	*(U.S.$)*(1)
	(in thousands)			
Current indebtedness				
Interest-bearing bank borrowings	4,271,923	550,974	4,271,923	550,974
Lease liabilities	25,786	3,326	25,786	3,326
Bonds to be issued(2)	–	–	1,550,680	200,000
Total current indebtedness	**4,297,709**	**554,300**	**5,848,389**	**754,300**
Non-current indebtedness				
Lease liabilities	13,077	1,687	13,077	1,687
Total non-current indebtedness	**13,077**	**1,687**	**13,077**	**1,687**
Total indebtedness(3)	**4,310,786**	**555,987**	**5,861,466**	**755,987**
Total equity	**4,038,666**	**520,890**	**4,038,666**	**520,890**
Total capitalisation(4)	**8,349,452**	**1,076,877**	**9,900,132**	**1,276,877**

Notes:

(1) For convenience only, all translations from Hong Kong dollars into U.S. dollars were made at the rate of HK$7.7534 to U.S.$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 31 December 2020.

(2) The amount represents the aggregate principal amount of the Bonds to be issued, before deducting commissions and other estimated expenses payable in connection with the offering of the Bonds.

(3) Total indebtedness represents the sum of current indebtedness and non-current indebtedness.

(4) Total capitalisation represents the sum of total indebtedness and total equity.

There has been no material adverse change in the Issuer's consolidated capitalisation and indebtedness since 31 December 2020.

DESCRIPTION OF THE GROUP

OVERVIEW

The Company, listed on the Hong Kong Stock Exchange with the stock code 00218.HK, is the flagship institution of Shenwan Hongyuan Group Co., Ltd. ("**SWHY Group**", stock code: 06806.HK and 000166.SZ) conducting securities business in overseas. The Company is one of the earliest Chinese securities institutions that developed business in Hong Kong and has been based in the Hong Kong market for more than 25 years. In addition, the Group has a strong shareholder background, with Central Huijin Investment Ltd. as the controlling shareholder of SWHY Group, which enables the Group to achieve synergies within the Group and SWHY Group to provide clients with comprehensive and diversified financial services.

The Group provides global investing and financing integrated financial services to institutional clients, corporate clients and individual clients in Hong Kong, Mainland China and the world. The Group's well-established financial services platform provides a full spectrum of financial offerings covering wealth management, enterprise finance, institutional services and trading and asset management. The Company has been assigned "BBB" long-term and "A-2" short-term issuer credit ratings by Standard & Poor's Global Ratings ("**S&P**").

The Group's principal business segments include:

Wealth Management . . . . The Group 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.

Enterprise Finance. . . . . The Group's enterprise finance consists of corporate finance business and investment business. The Group's 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.

Institutional Services and Trading Business . . . . The Group 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. The Group 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.

Asset Management Business . . The Group provides public fund management, private fund management, investment advisory and entrusted discretionary managed account services.

The Group brings together a professional team with leading experience in the industry, possesses world-class transaction design and execution capabilities, and has an extensive securities distribution network. The Group has offices in London, Singapore, Tokyo and Seoul, gradually establishing a global trading as well as investing and financing services network.

Throughout its development in Hong Kong, the Group has established prudent corporate governance and effective risk management and internal control systems to reduce its exposure to credit, operation, liquidity and market risks in the securities and financial services industry.

The Group's comprehensive and high-quality products and services have been widely recognised by the financial services industry, and the Group has received numerous honours and awards, including, among others:

- "Chinese Futures Brokerage Firm of the Year 2020" by the Hong Kong Stock Exchange;
- "Annual Capital Market Star Investment Bank Award" by 2017 China Financial Market Awards;
- "The Best Securities Company Award" by 2016 Tencent Hong Kong Stock Securities Company Selection;
- "The Best Investment Bank Award" by 2015 China Securities Golden Bauhinia Awards; and
- "Five Years Plus Caring Company – Years of Award: 2012 – 2020" by The Hong Kong Council of Social Service.

As an important platform for the international strategy of "Shenwan Hongyuan", by virtue of the overall synergy of SWHY Group, the Group will mobilise domestic and overseas resources to further expand cross-border business and continuously improve its integrated financial services capabilities. Seizing the development opportunities of "One Belt One Road" initiative and the construction of "Guangdong-Hong Kong-Macao Greater Bay Area", the Group will give fully leverage the unique regional advantages of Hong Kong being an international financial centre and backed by Mainland China. With a sound risk management and governance system as a guarantee, while strengthening the foundations of various business, the Group will adapt swiftly to changes in global market and continue to expand and innovate.

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the total assets of the Group were HK$7,863.7 million, HK$10,231.7 million, HK$16,288.6 million and HK$27,323.1 million, respectively. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the total revenue from the Group's business operation was HK$519.6 million, HK$675.6 million, HK$835.3 million, HK$410.8 million and HK$528.8 million, respectively.

COMPETITIVE STRENGTHS

The Group believes the following strengths are crucial to its success and help the Group maintain its leading position ahead of competitors:

The flagship institution and an important platform of SWHY Group's overseas business operations

The Company, listed on the Hong Kong Stock Exchange with the stock code 00218.HK, is the flagship institution of SWHY Group conducting securities business overseas. Being one of the earliest Chinese securities institutions that developed business in Hong Kong, the Company is the first established and the largest subsidiary in terms of total assets, revenue, business scope and number of employees among SWHY Group's various overseas platforms.

The Group provides global investing and financing integrated financial services to institutional clients, corporate clients and individual clients in Hong Kong, Mainland China and the world. The Group's well-established financial services platform provides a full spectrum of financial offerings covering wealth management, enterprise finance, institutional services and trading and asset management. The Group's comprehensive and high-quality products and services have been widely recognised by the financial services industry, and the Group has received numerous honours and awards, including, among others:

- "Chinese Futures Brokerage Firm of the Year 2020" by the Hong Kong Stock Exchange;
- "Annual Capital Market Star Investment Bank Award" by 2017 China Financial Market Awards;
- "The Best Securities Company Award" by 2016 Tencent Hong Kong Stock Securities Company Selection;
- "The Best Investment Bank Award" by 2015 China Securities Golden Bauhinia Awards; and
- "Five Years Plus Caring Company – Years of Award: 2012 – 2020" by The Hong Kong Council of Social Service.

The Group brings together a professional team with leading experience in the industry, possesses world-class transaction design and execution capabilities, and has an extensive securities distribution network. As at 30 June 2021, the Group had a total number of 290 full-time employees.

The Group contributes most of SWHY Group's assets and revenue overseas. The Group has been actively exploring new business models, continuously enhancing the professional level of its various business and enriching the means to serve clients, while actively leveraging synergies within the Group and with SWHY Group to provide clients with comprehensive and diversified integrated financial services. The Group has maintained a stable development of its overall operations and has achieved rapid growth in its performance in recent years. The Group's total assets increased from HK$7,863.7 million as at 31 December 2018 to HK$16,288.6 million as at 31 December 2020 and the Group's total revenue from its business operation increased from HK$519.6 million in 2018 to HK$835.3 million in 2020.

Underpinned by its strong capabilities, extensive experience and in-depth expertise in overseas market, the Group has maintained a strong foothold in Hong Kong and a national presence, reinforcing its unparalleled position as the flagship institution of SWHY Group for conducting securities business overseas and an important platform for the international strategy of SWHY Group.

Strong support from its shareholders

The Group has a strong shareholder background, with Central Huijin Investment Ltd., a state-owned investment company authorised by the State Council of the PRC to make equity investments in major state-owned financial institutions, as the controlling shareholder of SWHY Group, which enables the Group to achieve synergies within the Group and SWHY Group to provide clients with comprehensive and diversified financial services. The professional background of SWHY Group being a leading investment holding group focused on securities businesses in China, has also provided various support for the Group's business development including mutually beneficial opportunities in joint market development and business cooperation in Mainland China and overseas.

SWHY Group has implemented internal measures to promote overall synergies among various business lines and business platforms. These measures aim to clarify overall principals at the group level and to facilitate overall business objectives and sharing of internal resources. There is also a specialised department at the headquarters to coordinate among various departments to achieve synergistic operation and development. Having served as an important platform of SWHY Group for securities business overseas, the Group has completed offshore equity and debt underwriting projects for certain members of SWHK Group, including SWHK Group and its subsidiary securities firm, Shenwan Hongyuan Securities Co., Ltd.

In addition, leveraging SWHY Group's brand influence and business networks, the Group has established and maintained close cooperation with a number of reputable commercial banks and financial institutions in Mainland China and their overseas branches, enabling it to develop diverse funding sources such as syndicated loans.

The Group has also received financial support from SWHY Group, which has enhanced the Group's financial strength. The Company received capital injection of HK$620.3 million and HK$1.58 billion, respectively, in 2015 and 2019. The strong and continued support has greatly increased the financing stability, credibility and comprehensive competitiveness of the Group and in turn contributes to its future business growth and prospects.

Synergistic operation with SWHY Group

As an important platform for the international strategy of SWHY Group, the Group has been actively mobilising domestic and overseas resources to further expand cross-border business and continuously improve its integrated financial services capabilities.

Operating synergistically among various business lines and business platforms has been one of the focuses within SWHY Group. The synergies of group operations can particularly be seen in the sharing of client resources among the Group and SWHY Group. The Group's high net worth individual clients which contribute most of the revenue under the Group's wealth management business, large-scale domestic and overseas institutional clients which includes group corporation engaging in fund management, insurance and asset management, and numerous corporate clients, are key clients of SWHY Group. Along with SWHY Group's well-established domestic business platforms, the Group is able to leverage its overseas resources to provide its clients with integrated one-stop service on sales, trading and financing in the domestic and overseas markets. Client synergy enables the Group and SWHY Group to develop a broad client base and to fully leverage each of its unique advantages, effectively utilise domestic and overseas internal resources so as to provide better services and client experiences. In recent years, the Group has, through close coordination with SWHY Group, completed a number of offshore equity and/or debt underwriting projects for a number of PRC enterprises, including H-shares, USD-denominated bonds and HKD denominated bonds.

In addition, SWHY Group has implemented internal measures at the group level and the subsidiary level to promote overall synergies among various business lines and at various levels, which has greatly improved the entire operational efficiency and in turn enhanced the Group's business performance.

Highly-efficient and sound management system led by SWHY Group

The Group benefits from SWHY Group's strong leadership and sophisticated management system and has maintained synergistic operation and development within the Group and SWHY Group. SWHY Group has implemented a comprehensive subsidiary management system regarding the following aspects:

- *Staff:* The headquarters appoints the management including the chairman of the board of directors and executive directors of the Company and regularly assigns key staff to the Company, while staff of the Company regularly visit and study at the headquarters.

- *Management:* The headquarters' subsidiary management covers various aspects of daily operations including strategic management, compliance management, risk management, internal control, human resources management, budget management, financial management, and assessment. The headquarters has also set up a specialised department to coordinate among various departments and conduct daily communication and coordination with offshore subsidiaries.

- *Strategic goals and assessment:* The headquarters formulates strategic plans and sets key performance indicators for the subsidiaries and regularly evaluates their performance. The headquarters has also adopted a unified management and resource sharing system, integrating the Group's investing banking business with SWHY Group.

- *Infrastructure:* The headquarters has adopted a unified management system in respect of financial management and IT operation of the subsidiaries and the Group shares the accounts of the customer relationship management system with SWHY Group.

Prudent financial structure and diversified financing channels

The Group has sufficient capital with access to diversified financing channels, including syndicated loans, unsecured revolving loans from banks, financial market REPO products and certain structured notes in capital markets. The Group has cultivated relationships with a number of reputable commercial banks and financial institutions in Mainland China and their overseas branches which provide a solid foundation for the Group to obtain low-cost capital. As at 30 June 2021, the Group had cash and bank balances of HK$521 million and financial assets at fair value through profit or loss of HK$5,979 million. As at 30 June 2021, the Group's total unutilised banking facilities amounted to HK$5,126 million, of which HK$5,126 million could be drawn down.

As at 30 June 2021, the Group had outstanding short-term bank borrowings amounting to HK$8,672 million. The liquidity ratio (current assets to current liabilities) and gearing ratio (bank borrowings to net asset value) were 114 per cent. and 216 per cent., respectively.

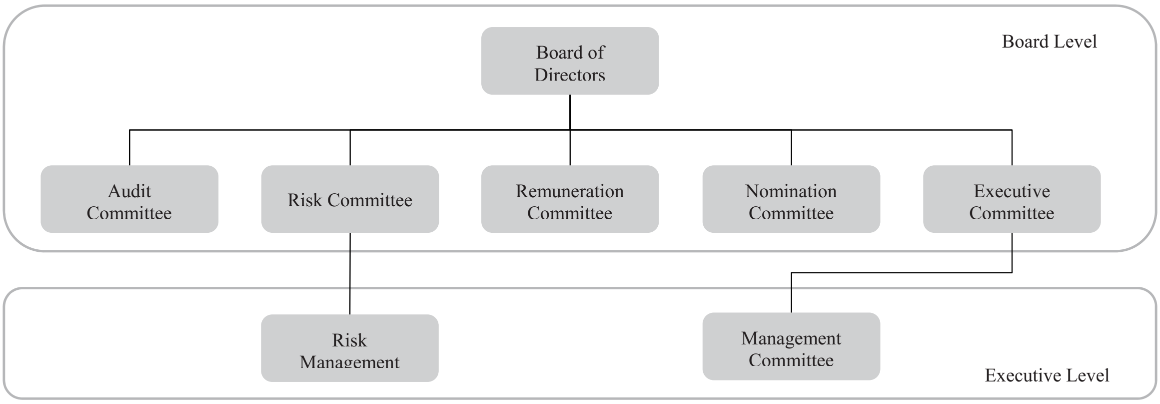
The Group has sufficient financial resources for its day to day operations as well as spare capacity to take advantage of any investment opportunities when they arise.

Robust risk management policies and internal control systems

The Group has established an internal risk management framework and procedures to manage the Group's risk exposures, primarily including compliance and legal, liquidity and funding, credit, market, operational and reputational risks. In particular, the Group has 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. See "– *Risk Management and Internal Control*" for more details of the Group's risk management policies.

The Group has adopted a "three lines of defence" model to establish an effective risk management and internal control systems. Each of the Group's departments has the primary responsibility of managing its business risk, and serves as the first line of defence for the risk management and internal control systems. Middle and back office departments particularly including Risk Management, Compliance and Legal form the second line of defence for the risk management and internal control systems. These departments are independent of the business units and perform major risk control duties. Internal Audit Department serves as the third line of defence for the risk management and internal control systems. It conducts systemic review of the Group's risk management and internal control systems independently on a regular basis and monitors their compliance with policies and procedures.

The Group's risk governance structure is as follows:



The Group believes that such robust risk management policies and internal control systems are able to mitigate its risk exposures or effectively protecting itself against unidentified or unanticipated risks.

Experienced and visionary senior management team

The Group has established an experienced and visionary senior management team. The Group's management team possesses extensive expertise in the financial industry. Under their leadership, the Group has become a leading securities institution in Hong Kong over the past years. Based on their vast experience in relevant industries, close working relationships with governments and relevant agencies, deep insights on the local economic and financial development as well as management skills, the senior management of the Group is capable of identifying the development trends of the financial industry and capturing business opportunities, especially in Hong Kong. See also "*Directors and Senior Management*".

In addition to the experienced senior management, the Group has also maintained a skilled and highly educated professional team. As at 30 June 2021, the Group had a total number of 290 full-time employees. The Group has focused on motivating its employees and has paid great attention to cultivating a sound corporate culture to achieve strong corporate cohesion and low staff turnover. With an experienced management team and talented professionals, the Group has been able to maintain efficient management.

BUSINESS STRATEGIES

The Group aims to become a leading financial institution with international competitiveness and aims to enhance collaboration among the Group's principal business lines to meet the increasingly diverse and global financial needs of clients. The Group's specific business strategies include:

Continue to strengthen its existing business and promote business transformation

The Group will continue to optimise its business structure and strengthen its capabilities and performance in its existing business to ensure stable growth of each of its business lines. The Group intends to further diversify its business portfolio, explore new business models and cultivate new businesses by promoting business transformation, enriching its services and products and strengthening its unique advantages to achieve sustainable growth.

In the meantime, the Group will strengthen its infrastructure construction, further optimise its operation system and maintain procedures to ensure prudent and efficient decision making. The Group also intends to strengthen its competitiveness and trading service capabilities by intensifying the application of financial technology and upgrading its technology infrastructure, such as advanced trading systems, digital transformation and new IT system, to meet diverse needs of various client, and to actively open up various sales channels by applying internet technology, such as mobile applications, to promote business and enhance brand reputation.

Develop into a modern, internationally competitive overseas platform

The Group intends to develop into an internationally competitive overseas platform with modern features to solidify its unparalleled position as an important platform for the international strategy of the SWHY Group. The Group will fully leverage the resource advantages of its domestic parent company in expanding its financial services internationally.

With the increasing needs of global financial services from institutional clients, the Group's investment banking operation has become one of the most profitable business. The Group's capabilities in traditional international financial services, such as offering large-scale domestic enterprises with services on overseas merger and acquisition and cross-border financing, as well as capabilities in designing cross-border products, has been competitive in the global financial markets. As the most important business centre and main execution platform for SWHY Group's overseas and cross-border business based in Hong Kong, the Group will continue to closely monitor the development of potential markets, leverage its expertise and advantages, deepen business transformation, adhere to risk management policies, intensify the application of financial technology while focusing on its principal business, enhance overall operation execution capabilities while aligning with parent company's development strategies, fully leverage the advantages and competitiveness of resources aboard and integrate into the development of the Guangdong-Hong Kong-Macao Greater Bay Area.

The Group will continue to operate synergistically among various business line, such as asset management business, financial market business and enterprise finance business, and enhance business network synergy by strengthening connections and collaborations among domestic and overseas branches, and improve client synergy by adopting business development and client management mechanisms with the support of its parent company.

Actively expand its cross-border business

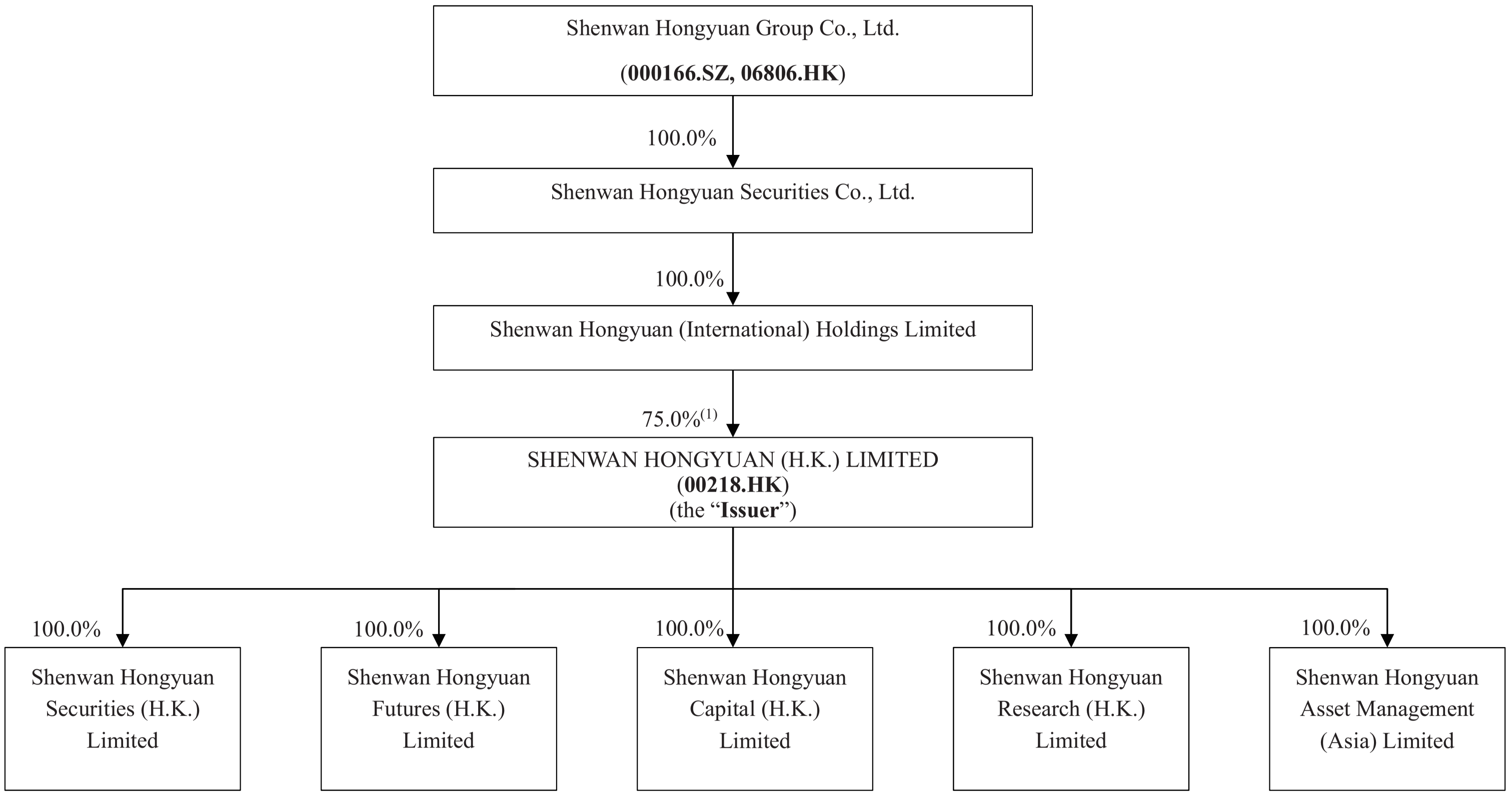
The Group will continue to accelerate the transformation of its wealth management platform by expanding the service scope and enriching product lines to attract quality clients and to provide comprehensive financial services tailored to the needs of its high-net-worth clients. The Group will continue to refine its enterprise finance business, consolidate its "investment + investment bank" competitive strategy, further expand its institutional services and trading business, strengthen its capabilities as a capital intermediary, proactively explore global capital market business, execute existing quality projects, strengthen collaboration with its parent company and expand cross-border business.

The Group will improve the construction of overseas business platform and implement its strategies on internationalisation with the support of its parent company. Leveraging the parent company's domestic trading platform and cross-border financial service platform, the Group intends to build a comprehensive financial service platform which supports overseas development of various business lines and connects foreign investors towards domestic markets, forming an integrated cross-border framework with its parent company.

Meanwhile, leveraging its overseas expertise, strong management capabilities and intensive operations in international business and being the pioneer and the main execution platform for the international strategy of SWHY Group, the Group intends to integrate its various business operations through cross-border collaboration to achieve synergetic development and to lay a solid foundation for the implementation of the strategy on internationalisation.

GROUP STRUCTURE

As at 30 June 2021, the Group had 16 principal subsidiaries, including 14 that are incorporated in Hong Kong and two that are incorporated in the British Virgin Islands. The following chart presents a simplified corporate structure of the Group as at 30 June 2021:



Note:

(1) Shenwan Hongyuan (International) Holdings Limited directly beneficially owned 49.22 per cent. of the Company and indirectly owned 25.78 per cent. of the Company through controlled corporation.

CORPORATE HISTORY AND MILESTONES

The following list traces the Group's history back to 1973 and sets forth the key milestones across the Group's business operation:

1973	ONG HOLDINGS (H.K.) LIMITED, the predecessor of the Company, was listed in Hong Kong.
1993	The consortium led by Shanghai Wanguo Securities Co., Ltd. acquired ONG HOLDINGS (H.K.) LIMITED, which was renamed to Shanghai Wanguo (H.K.) Limited with stock code 00218.HK.
1996	Shenyin & Wanguo Securities Co., Ltd. was established through the merger of Shanghai Shenyin Securities Co., Ltd. and Shanghai Wanguo Securities Co., Ltd., becoming the first joint-stock securities company in Mainland China. Shanghai Wanguo (H.K.) Limited was renamed to Shenyin & Wanguo (H.K.) Limited.
2005	Central Huijin Investment Ltd. subscribed new shares issued by Shenyin & Wanguo Securities Co., Ltd.
2012	Central Huijin Investment Ltd. acquired the shares of Shenyin & Wanguo Securities Co., Ltd. from Shanghai International Group Corporation Limited, Shanghai State-Owned Assets Operation Co., Ltd., Shanghai International Trust Co., Ltd. and Shanghai International Asset Management Co., Ltd.
2014	The former Shenyin & Wanguo Securities Co., Ltd. absorbed and merged Hongyuan Securities Co., Ltd. by way of shares swap, and the surviving company was renamed to Shenwan Hongyuan Group Co., Ltd.
2015	In January 2015, SWHY Group was listed on the Shenzhen Stock Exchange with stock code 000166.SZ. In January 2015, Shenyin Wanguo (H.K.) Limited raised capital by way of rights issue. Shenwan Hongyuan Group Co., Ltd. provided its support by subscribing certain issued shares through its controlling subsidiaries. In May 2015, Shenyin Wanguo (H.K.) Limited was renamed to SHENWAN HONGYUAN (H.K.) LIMITED.
2019	In January 2019, the Company received a capital injection of HK$1.58 billion from SWHY Group. In April 2019, SWHY Group was listed on the Hong Kong Stock Exchange with stock code 06806.HK.
2021	In December 2021, the Company was assigned "BBB" long-term and "A-2" short-term issuer credit ratings by S&P.

THE GROUP'S BUSINESS

The Group provides global investing and financing integrated financial services to institutional clients, corporate clients and individual clients. The Group's principal business lines comprise of wealth management, enterprise finance, institutional services and trading and asset management.

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the total assets of the Group were HK$7,863.7 million, HK$10,231.7 million, HK$16,288.6 million and HK$27,323.1 million, respectively. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the total revenue from the Group's business operation was HK$519.6 million, HK$675.6 million, HK$835.3 million, HK$410.8 million and HK$528.8 million, respectively.

The following tables set forth a breakdown of the Group's total revenue by type of income for the periods indicated:

	For the year ended 31 December					
	2018 [2]		2019		2020	
	Amount (HK$'000)	%	Amount (HK$'000) *(Restated)* [1]	%	Amount (HK$'000)	%
Fee and commission income	342,748	66.0	359,111	53.1	304,444	36.4
Interest income	186,628	35.9	151,119	22.4	243,043	29.1
Net investment (losses)/gains	(9,757)	(1.9)	165,354	24.5	287,830	34.5
Total	**519,619**	**100.0**	**675,584**	**100.0**	**835,317**	**100.0**

	For the six months ended 30 June			
	2020 [3]		2021 [3]	
	Amount (HK$'000)	%	Amount (HK$'000)	%
Fee and commission income	147,090	35.8	214,326	40.5
Interest income	110,943	27.0	139,146	26.3
Net investment gains	152,722	37.2	175,349	33.2
Total	**410,755**	**100.0**	**528,821**	**100.0**

Notes:

(1) In 2020, the Group adopted certain new and revised HKFRS. Certain comparative figures for the year ended 31 December 2019 have been restated to conform to the financial statement presentation adopted in 2020. See Note 2.23 "Changes In Accounting Policy" of the audited consolidated financial statements of the Company as at and for the year ended 31 December 2020 for details of the restatement aforesaid.

(2) As the financial information for the year ended 31 December 2018 presented in this Offering Circular has not been restated to reflect the changes in accounting policy in 2020, such financial information is not directly comparable to the that for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021.

(3) The financial information of the Company for the six months ended 30 June 2020 and 2021 is derived from the Company's consolidated financial statements as at and for the six months ended 30 June 2021. Such financial information was prepared and presented in accordance with HKFRS and has not been audited or reviewed by any independent auditor. Please see "*Summary Consolidated Financial Information of the Group*" and "*Risk Factors – Risks Relating to the Group's Business – The unaudited and unreviewed condensed consolidated financial results as at and for the six months ended 30 June 2021 have not been audited or reviewed by an independent auditor*".

The following tables set forth a breakdown of the Group's revenue by business segment for the periods indicated:

	For the year ended 31 December					
	2018[2]		2019		2020	
	Amount (HK$'000)	%	Amount (HK$'000) *(Restated)* [1]	%	Amount (HK$'000)	%
Wealth management	287,245	55.3	233,659	34.6	390,341	46.7
Enterprise finance	69,334	13.3	152,041	22.5	44,774	5.4
Institutional services and trading	122,195	23.5	268,487	39.7	387,989	46.4
Asset management	40,845	7.9	21,397	3.2	12,213	1.5
Total	**519,619**	**100.0**	**675,584**	**100.0**	**835,317**	**100.0**

	For the six months ended 30 June			
	2020[3]		2021[3]	
	Amount (HK$'000)	%	Amount (HK$'000)	%
Wealth management	169,676	41.3	208,016	39.3
Enterprise finance	19,664	4.8	23,935	4.5
Institutional services and trading	214,595	52.2	285,074	54.0
Asset management	6,820	1.7	11,796	2.2
Total	**410,755**	**100.0**	**528,821**	**100.0**

Notes:

(1) In 2020, the Group adopted certain new and revised HKFRS. Certain comparative figures for the year ended 31 December 2019 have been restated to conform to the financial statement presentation adopted in 2020. See Note 2.23 "Changes In Accounting Policy" of the audited consolidated financial statements of the Company as at and for the year ended 31 December 2020 for details of the restatement aforesaid.

(2) As the financial information for the year ended 31 December 2018 presented in this Offering Circular has not been restated to reflect the changes in accounting policy in 2020, such financial information is not directly comparable to the that for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021.

(3) The financial information of the Company for the six months ended 30 June 2020 and 2021 is derived from the Company's consolidated financial statements as at and for the six months ended 30 June 2021. Such financial information was prepared and presented in accordance with HKFRS and has not been audited or reviewed by any independent auditor. Please see "*Summary Consolidated Financial Information of the Group*" and "*Risk Factors – Risks Relating to the Group's Business – The unaudited and unreviewed condensed consolidated financial results as at and for the six months ended 30 June 2021 have not been audited or reviewed by an independent auditor*".

In 2020, the total revenue of the Group increased by 23.6 per cent. year-on-year to HK$835.3 million from HK$675.6 million in 2019, which was mainly due to the substantial increase in the revenue generated from wealth management, institutional services and trading. 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$287.8 million in the same year, representing a year-on-year increase of 74.1 per cent. 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 60.8 per cent. in interest income to HK$243.0 million.

Wealth Management

The Group's 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 customers and non-professional institutional investors through a combination of online and offline methods.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue from the Group's wealth management business amounted to HK$287.2 million, HK$233.7 million, HK$390.3 million, HK$169.7 million and HK$208.0 million, respectively.

The following tables set forth a breakdown of the revenue from the Group's wealth management business for the periods indicated:

	For the year ended 31 December					
	2018[(2)]		2019		2020	
	Amount (HK$'000)	%	Amount (HK$'000) *(Restated)* [(1)]	%	Amount (HK$'000)	%
Fee and commission income	117,732	41.0	102,229	43.7	200,874	51.4
Interest income	168,462	58.6	131,204	56.2	187,986	48.2
Net investment gains	1,051	0.4	226	0.1	1,481	0.4
Total	**287,245**	**100.0**	**233,659**	**100.0**	**390,341**	**100.0**

	For the six months ended 30 June			
	2020[(3)]		2021[(3)]	
	Amount (HK$'000)	%	Amount (HK$'000)	%
Fee and commission income	91,786	54.1	107,831	51.8
Interest income	77,028	45.4	100,181	48.2
Net investment gains	862	0.5	4	0.0
Total	**169,676**	**100.0**	**208,016**	**100.0**

Notes:

(1) In 2020, the Group adopted certain new and revised HKFRS. Certain comparative figures for the year ended 31 December 2019 have been restated to conform to the financial statement presentation adopted in 2020. See Note 2.23 "Changes In Accounting Policy" of the audited consolidated financial statements of the Company as at and for the year ended 31 December 2020 for details of the restatement aforesaid.

(2) As the financial information for the year ended 31 December 2018 presented in this Offering Circular has not been restated to reflect the changes in accounting policy in 2020, such financial information is not directly comparable to the that for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021.

(3) The financial information of the Company for the six months ended 30 June 2020 and 2021 is derived from the Company's consolidated financial statements as at and for the six months ended 30 June 2021. Such financial information was prepared and presented in accordance with HKFRS and has not been audited or reviewed by any independent auditor. Please see "*Summary Consolidated Financial Information of the Group*" and "*Risk Factors – Risks Relating to the Group's Business – The unaudited and unreviewed condensed consolidated financial results as at and for the six months ended 30 June 2021 have not been audited or reviewed by an independent auditor*".

In 2020, the Group proactively responded to high volatility of the market resulting from COVID-19 pandemic during the year by adopting effective measures to ensure smooth business operation, actively seizing new business opportunities in the market, 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 optimise the service system for mid-to-high end clients. In 2020, revenue from the Group's wealth management business increased significantly by 67.1 per cent. year-on-year to HK$390.3 million, in which the fee and commission income increased by 96.5 per cent. year-on-year to HK$200.9 million, and interest income increased by 43.3 per cent. to HK$188.0 million.

The Group actively seizes business opportunities in the market. The Group has implemented the concept of a one-stop wealth management platform, further advanced the transformation of its wealth management business model and optimised its service system, and continued to enrich its product portfolio and enhance its professional service level. The Group strengthens its brand value by continuously improving online remote account opening channel and launching various marketing campaigns. In September 2021, the Group launched an all-new wealth management brand "**Wynner**", providing integrated financial solutions to professional investors and high net worth individuals who are interested in overseas asset allocation and global market investment. In the process of internationalisation and informatisation of the wealth management platform, the Group optimised its operation measures and enhanced its profitability to maintain a good development momentum.

Enterprise Finance

The Group's enterprise finance business 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. The Group has established a dedicated professional corporate finance service team with members who have extensive project experience.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue from the Group's enterprise finance business was HK$69.3 million, HK$152.0 million, HK$44.8 million, HK$19.7 million and HK$23.9 million, respectively.

The following tables set forth a breakdown of the revenue from the Group's enterprise finance business for the periods indicated:

	For the year ended 31 December					
	2018[(2)]		2019		2020	
	Amount (HK$'000)	%	Amount (HK$'000) *(Restated)* [(1)]	%	Amount (HK$'000)	%
Fee and commission income	76,146	109.8	130,524	85.8	38,840	86.7
Net investment (losses)/gains	(6,812)	(9.8)	21,517	14.2	5,934	13.3
Total	**69,334**	**100.0**	**152,041**	**100.0**	**44,774**	**100.0**

	For the six months ended 30 June			
	2020[(3)]		2021[(3)]	
	Amount (HK$'000)	%	Amount (HK$'000)	%
Fee and commission income	23,769	120.9	28,330	118.4
Net investment (losses)/gains	(4,105)	(20.9)	(4,395)	(18.4)
Total	**19,664**	**100.0**	**23,935**	**100.0**

Notes:

(1) In 2020, the Group adopted certain new and revised HKFRS. Certain comparative figures for the year ended 31 December 2019 have been restated to conform to the financial statement presentation adopted in 2020. See Note 2.23 "Changes In Accounting Policy" of the audited consolidated financial statements of the Company as at and for the year ended 31 December 2020 for details of the restatement aforesaid.

(2) As the financial information for the year ended 31 December 2018 presented in this Offering Circular has not been restated to reflect the changes in accounting policy in 2020, such financial information is not directly comparable to the that for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021.

(3) The financial information of the Company for the six months ended 30 June 2020 and 2021 is derived from the Company's consolidated financial statements as at and for the six months ended 30 June 2021. Such financial information was prepared and presented in accordance with HKFRS and has not been audited or reviewed by any independent auditor. Please see "*Summary Consolidated Financial Information of the Group*" and "*Risk Factors – Risks Relating to the Group's Business – The unaudited and unreviewed condensed consolidated financial results as at and for the six months ended 30 June 2021 have not been audited or reviewed by an independent auditor*".

Revenue from the Group's enterprise finance business decreased from HK$152.0 million in 2019 to HK$44.8 million in 2020, primarily attributable to a decrease in revenue from the sponsorship and underwriting business as a result of the COVID-19 pandemic.

Sponsorship and Underwriting and Financial Advisory

The Company has been conducting initial public offering ("**IPO**") sponsor and underwriting business in the Hong Kong market since 1998. With the support of SWHY Group, the Group has gradually amassed a pool of sponsorship and underwriting projects, and also maintained the development and follow-up of various types of financial advisory projects.

The Group has effectively combined extensive local market expertise, a wealth of PRC domestic resource networks, and unique investor coverage to support its clients' listing in Hong Kong. The Group has a market-leading professional corporate finance team which provides targeted solutions during listing reorganisation, due diligence, and regulatory approval process. Meanwhile, the Group collaborates closely with its equity capital market team and sales teams to develop pragmatic equity raising ideas based on the astute judgment of market pulse and conditions, as well as to integrate the sales teams' domestic and international resources so that its clients can enjoy comprehensive value maximisation from the execution of the listing exercise to marketing.

The Group has built solid partnerships with a large number of both Hong Kong and PRC enterprises. The Group's corporate finance team are fully aware of the changing capital market needs and regulatory regime and is capable of structuring both private and public transactions to cater for clients' specific business objectives. The Group has strong expertise in advising corporate activities spanning across a wide spectrum, including but not limited to merger and acquisition, pre-IPO financing, takeover (contested and negotiated) and reverse takeover, privatisation, asset injection, divestiture, joint venture and strategic partnership, corporate restructuring, independent financial advise and regulatory compliance advise.

Equity Capital Market

The Group's equity capital market team continues to provide clients with comprehensive services in the primary and secondary equity capital markets which mainly includes:

- IPOs at the Hong Kong Stock Exchange;
- secondary listings in Hong Kong;
- secondary offerings such as new shares placements, rights issues and old shares placements; and
- private equity and pre-IPO fund raising.

The Group has a global distribution network with strong and deep connections in Mainland China, serving its clients with a diverse range of financing solutions and products. The Group also actively deployed in selected key industries with increased quality of underwriting projects participated. Since 2018, the Group's equity capital market team completed a total of 23 IPO underwriting projects. In addition, the Group also participated in four non-sponsored underwriting projects.

Debt Capital Market

In 2019, the Group established a complete fixed income business chain, from project origination to distribution, and has made significant progress in developing its debt capital market business. The Group provides its clients with a full range of services, which mainly include underwriting, secondary trading, proprietary trading and structured bond products. In particular, the Group's experienced debt capital market team provides its clients with comprehensive, in-depth market research, debt underwriting and product innovation services which mainly includes:

- *Bond origination business* – the Group provides one-stop service from project origination, rating advisory, execution to underwriting for issuers all over the world; and

- *Leveraged finance business* – the Group provides diversified leveraged note and derivatives business in line with its clients' leveraged financing needs.

Benefitting from the solid foundation laid in 2019, since then the Group completed a total of 57 bonds issuance projects. The following table sets forth a breakdown of bond underwriting projects undertaken by the Group for the periods indicated:

	For the year 31 December		For the six months ended 30 June	
	2019	2020	2020	2021
	(Number of projects)			
Number of bonds underwritten	16	23	8	18
Local government financing vehicles	5	11	4	12
Real estate companies	5	8	4	2
Financial institutional-related	–	–	–	3
Industry-related/others	6	4	–	1
	(U.S.$ in billion)			
Amount underwritten	2.475	4.354	1.642	4.17
Local government financing vehicles	1.07	2.091	1.072	2.72
Real estate companies	0.95	1.743	0.57	0.33
Financial institutional-related	–	–	–	1.10
Industry-related/others	0.455	0.52	–	0.02

Institutional Services and Trading Business

The Group's institutional services and trading business 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. The Group 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.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue from the Group's institutional services and trading business was HK$122.2 million, HK$268.5 million, HK$388.0 million, HK$214.6 million and HK$285.1 million, respectively. The following tables set forth a breakdown of the revenue from the Group's institutional services and trading business for the periods indicated:

	For the year ended 31 December					
	2018[2]		2019		2020	
	Amount (HK$'000)	%	Amount (HK$'000) *(Restated)* [1]	%	Amount (HK$'000)	%
Fee and commission income	108,025	88.4	104,961	39.1	52,517	13.5
Interest income	18,166	14.9	19,915	7.4	55,057	14.2
Net investment (losses)/gains	(3,996)	(3.3)	143,611	53.5	280,415	72.3
Total	**122,195**	**100.0**	**268,487**	**100.0**	**387,989**	**100.0**

	For the six months ended 30 June			
	2020[3]		2021[3]	
	Amount (HK$'000)	%	Amount (HK$'000)	%
Fee and commission income	24,715	11.5	66,369	23.3
Interest income	33,915	15.8	38,965	13.7
Net investment gains	155,965	72.7	179,740	63.0
Total	**214,595**	**100.0**	**285,074**	**100.0**

Notes:

(1) In 2020, the Group adopted certain new and revised HKFRS. Certain comparative figures for the year ended 31 December 2019 have been restated to conform to the financial statement presentation adopted in 2020. See Note 2.23 "Changes In Accounting Policy" of the audited consolidated financial statements of the Company as at and for the year ended 31 December 2020 for details of the restatement aforesaid.

(2) As the financial information for the year ended 31 December 2018 presented in this Offering Circular has not been restated to reflect the changes in accounting policy in 2020, such financial information is not directly comparable to the that for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021.

(3) The financial information of the Company for the six months ended 30 June 2020 and 2021 is derived from the Company's consolidated financial statements as at and for the six months ended 30 June 2021. Such financial information was prepared and presented in accordance with HKFRS and has not been audited or reviewed by any independent auditor. Please see "*Summary Consolidated Financial Information of the Group*" and "*Risk Factors – Risks Relating to the Group's Business – The unaudited and unreviewed condensed consolidated financial results as at and for the six months ended 30 June 2021 have not been audited or reviewed by an independent auditor".*

Fixed Income, Currencies and Commodities

The Group engages in the trading of fixed income-linked products with its own funds or acts as a counterparty to institutional clients. Via professional credit analysis, prudent investment portfolio strategies and flexible hedging approaches, the Group focuses on investing in high-quality bond issuers and controlling the duration to minimise the impact of short-term market volatility. Apart from the traditional credit bonds trading, the Group also trades equity-linked derivatives and structured products.

Stock Business

The Group provides equity trading services for institutional customers through the full operation of the advanced high-end trading system which comprehensively improves the service quality for institutional customers from transaction stability, algorithmic transactions and electronic transactions. In addition, the Group has laid a solid foundation for the further development of overseas stock business by expanding service coverage of overseas market trading business.

Asset Management Business

The Group's asset management business mainly provides public fund management, private fund management, investment advisory and entrusted discretionary managed account services. With outstanding cross-border product design capability, the Group has founded a number of cross-border innovative businesses by paying close attention to regulatory policies and changes in the demand of Chinese securities firms for Hong Kong asset management business. The Group has obtained a number of cross-border business qualifications including QDII qualification which was obtained in 2011 and RQFII qualification which was obtained in 2012, and has begun engaging in QFII A-share investment schemes since 2005.

The Group's product lines include equity, fixed income, multi-asset solutions and alternative investments, offering a full range of investment, including but not limited to, A shares, H shares, global stocks, RMB-denominated bonds, USD-denominated bonds, derivatives, structured products and other alternative investment, to overseas and domestic institutions and high net worth investors.

The Group's investment team is familiar with capital markets in both Mainland China and Hong Kong, and has diversified investment experiences and good understanding of the macroeconomic strategies of Mainland China and Hong Kong, specialising in managing collective investment schemes, discretionary accounts, Qualified Domestic Institutional Investor (QDII) products, Qualified Foreign Institutional Investor (QFII) products, RMB Qualified Foreign Institutional Investor (RQFII) products, and offshore products. The Group proactively pushes forward the transformation into active management for the fixed income and quasi-fixed income sectors. Taking Hong Kong as a centre of operation and leveraging on the development of the Greater Bay Area, the Group also actively knocks through various types of sales channel to expand the size of assets under management.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue from the Group's asset management business amounted to HK$40.8 million, HK$21.4 million, HK$12.2 million, HK$6.8 million and HK$11.8 million, respectively.

The following tables set forth a breakdown of the revenue from the Group's asset management business for the periods indicated:

	For the year ended 31 December					
	2018[(2)]		2019		2020	
	Amount (HK$'000)	%	Amount (HK$'000) *(Restated)* [(1)]	%	Amount (HK$'000)	%
Fee and commission income	40,845	100.0	21,397	100.0	12,213	100.0
Total	**40,845**	**100.0**	**21,397**	**100.0**	**12,213**	**100.0**

	For the six months ended 30 June			
	2020[(3)]		2021[(3)]	
	Amount (HK$'000)	%	Amount (HK$'000)	%
Fee and commission income	6,820	100.0	11,796	100.0
Total	**6,820**	**100.0**	**11,796**	**100.0**

Notes:

(1) In 2020, the Group adopted certain new and revised HKFRS. Certain comparative figures for the year ended 31 December 2019 have been restated to conform to the financial statement presentation adopted in 2020. See Note 2.23 "Changes In Accounting Policy" of the audited consolidated financial statements of the Company as at and for the year ended 31 December 2020 for details of the restatement aforesaid.

(2) As the financial information for the year ended 31 December 2018 presented in this Offering Circular has not been restated to reflect the changes in accounting policy in 2020, such financial information is not directly comparable to the that for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021.

(3) The financial information of the Company for the six months ended 30 June 2020 and 2021 is derived from the Company's consolidated financial statements as at and for the six months ended 30 June 2021. Such financial information was prepared and presented in accordance with HKFRS and has not been audited or reviewed by any independent auditor. Please see "*Summary Consolidated Financial Information of the Group*" and "*Risk Factors – Risks Relating to the Group's Business – The unaudited and unreviewed condensed consolidated financial results as at and for the six months ended 30 June 2021 have not been audited or reviewed by an independent auditor*".

In 2020, the Group repositioned its asset management business to expedite optimisation and facilitate business model transformation by actively seeking unique business opportunities. 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 newly launched and innovative products, achieving significant growth in the size of assets under management.

RISK MANAGEMENT AND INTERNAL CONTROL

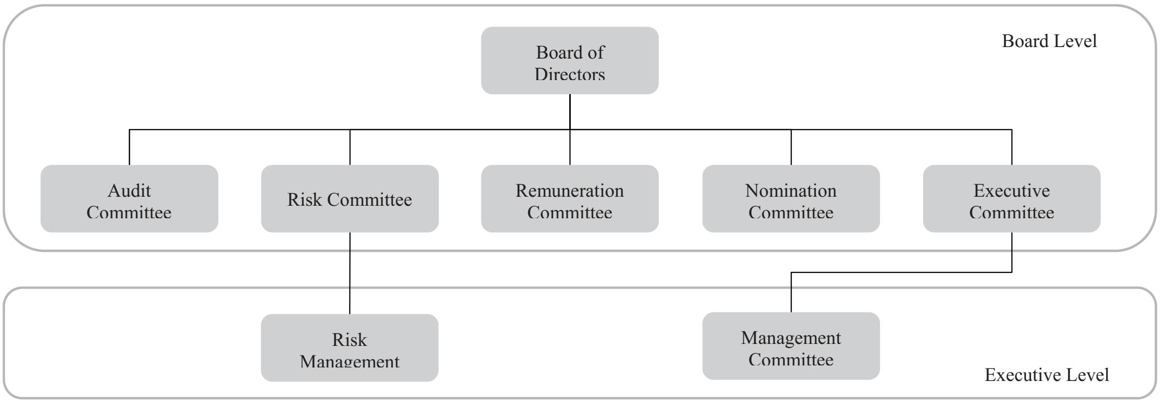
The Group has properly put in place credit management policies which cover the examination of the approval of clients' trading and credit limits, regular reviews of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly. The management closely monitors the market condition so that precautionary measures will be taken to mitigate any risk that the Group may encounter.

Principle

The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.

Risk Management Framework

The Group's risk governance structure is as follows:



Three Lines of Defence Model

The Group has adopted a "three lines of defence" model to establish an effective risk management and internal control systems. Each of the Group's departments has the primary responsibility of managing its business risk, and serves as the first line of defence for the risk management and internal control systems. Middle and back office departments particularly including Risk Management, Compliance and Legal form the second line of defence for the risk management and internal control systems. These departments are independent of the business units and perform major risk control duties. Internal Audit Department serves as the third line of defence for the risk management and internal control systems. It conducts systemic review of the Group's risk management and internal control systems independently on a regular basis and monitors their compliance with policies and procedures.

Compliance Risk and Legal Risk

Compliance Risk refers to the risk of the Group suffering from any financial or nonfinancial loss as a result of being advised, warned, reprimanded, fined, etc or even prosecuted by the government or any regulatory authority due to violating or breaching the laws, rules or industry practices ranging from business related areas to financial crime and general ordinances.

Legal risk refers to the risk of the Group suffering from any financial or non-financial loss as a result of being involved in a legal dispute or litigation, no matter whether or not it is triggered by a compliance risk event.

The regulated activities of the Group, including brokerage business, corporate finance business, asset management business and securities research business, has developed relevant compliance policies and procedures in accordance with applicable laws, regulations, industry practices (such as codes and guidelines). These include due diligence on clients, anti-money laundering checking, client suitability testing towards products, segregation of duties, as well as prevention of conflict of interest. All these are recorded in the Group's Compliance Manual and Operational Manual for relevant staff's adoption. The Group has a Compliance Department and a Legal Department, which are independent of the business units. The Compliance Department is responsible for compliance risk management, and conducting compliance monitoring and review. The Legal Department is responsible for providing legal advisory services, drafting and examination of legal documents.

Liquidity and Funding Risk

Liquidity risk refers to the risk of the Group suffering from any financial loss as a result of failure to or a higher funding cost to fulfil its financial obligations due to cash flow mismatch, despite the Group's healthy financial standing.

Funding risk refers to the risk of the Group suffering from limited and insufficient source of fund and funding amount to sustain the Group's business development.

Certain subsidiaries of the Group are subject to the local country's regulatory liquidity requirements. Currently, a monitoring system is in place to ensure the relevant licensed subsidiaries maintain adequate liquid capital to support their business commitments and comply with the relevant applicable Financial Resource Rules. Finance Department also closely monitors the Group's cash flow and the Group's assets and liabilities position. Moreover, Credit Control Department carries out regular review of the margin ratios of the pledged securities to ensure they have sufficient liquidity, thereby to manage liquidity risk.

Credit Risk

Credit Risk refers to the risk of the Group suffering from any financial loss as a result of the debtor (including clients, guarantors or related parties), counterparties (including trading counterparties, brokers, banks and custodians) or asset issuers (including guarantors or related parties) failing to fulfil their obligations to repay, pay, settle, etc on time.

Business relating to credit should be run on the principle of risk diversification, dealt with creditworthy debtors, counterparties and asset issuers, and secured the Group's position with collateral or guarantee from the transactions as far as possible.

The Group has authorisation policies and procedures in place for stock financing, merger and acquisition financing, margin loan, client's or counterparty's credit and trading limits, as well as the margin ratios of stocks.

The Group's Credit Control Department is responsible for monitoring the positions of client's accounts (including the stock, futures and stock options) and the level of financing on a daily basis. Credit Control Department strictly enforces margin call and executes forced sale in accordance with the Group's established policies and procedures. When any breach of the Group's financing or credit policy is identified, the Credit Control Department will report it to the management immediately. In addition, the Credit Control Department conducts regular stress tests on client's repayment capability, so as to identify those client's accounts that may have margin deficits under volatile market conditions.

To avoid excessive concentration of credit risk, the Group has set limits on single client or counterparty credit exposure, stock and bond concentration risk.

Market Risk

Market risk refers to the risk of the Group suffering from any financial loss as a result of adverse market movements of exchange rate, interest rate, price of financial instruments, etc. The Group's investment trading business should be run on the principle of risk diversification. Each of its portfolios, investments and transactions should be managed within the approved limits.

The Group has procedures and risk indicators in place to monitor the market exposure of the investment business regularly, ensuring the business is run within the Group's risk appetite.

Operational Risk

Operational risk refers to the risk of the Group suffering from any financial or nonfinancial loss resulting from inadequacy or failure of internal processes, staff or systems, or from external events.

The Management Committee of the Group supervises the daily operations of the Group, and manages the risks according to the actual situation of the businesses. Operational Manuals once approved are published on the Group's intranet for relevant departments and staff's compliance and implementation. The existing business operating procedures and the risk management measures are reviewed and updated from time to time to ensure that they are consistent with the actual operations of the Group.

Reputational Risk

Reputational Risk refers to the risk of the Group's suffering from any damage to its goodwill as a result of its operation, or external events, leading to negative comment from regulators, customers, partners and other investors. Such damage could be in the form of, for example, criticism from the media or drop in the stock price. Reputational risk events may stand alone or result from other risk events.

The Group strives to maintain its reputation and acts in the Group's long-term interest, and timely handle in accordance with the established requirements in case of a risk event.

The Group also formulates other documents and measures, such as risk policies and risk limits, in accordance with the risk tolerances of the major risk categories, that serves as specific measures for the Group to manage risks.

EMPLOYEES

As at 30 June 2021, the Group had a total number of 290 full-time employees. The Group maintains policies for the recruitment, compensation, promotion and training of staff. Pay surveys are conducted periodically by independent consultants appointed by the Group to maintain the Group's competitiveness in the market. With reference to market conditions, the Group will formulate relevant and proper remuneration and incentive plans to attract and retain talent. The Group supports equal opportunities and recruits competent candidates globally.

INSURANCE

The Group maintains standard insurance in relation to its risk exposure arising from the nature of its business, such as in relation to offices, fire and water damage to its premises, directors and officers liability, licence holders liability, investment managers liability, cyber enterprise risk management insurance, life and personal accident insurance, medical and travel insurance. The Group's insurance coverage is provided by reputable companies with commercially reasonable limits and deductibles on coverage. The Group believes that its insurance coverage is sufficient for its present purposes and is consistent with coverage for other financial services companies in Hong Kong. The Group periodically reviews its insurance coverage to ensure that it has adequate coverage.

LEGAL PROCEEDINGS

The Group is party to legal proceedings from time to time in the ordinary course of its business. As at the date of this Offering Circular, the Group was not aware of any actual, pending or threatened proceeding that is likely to have a material and adverse effect on its financial condition, results of operations, business or prospects or the ability of the Issuer to perform its obligations under the Bonds.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The board of directors of the Company (the "**Board of Directors**") is responsible for formulating overall strategy, monitoring and controlling the performance of the Company. Matters reserved to be approved by the Board of Directors include: (i) appointment of directors; (ii) significant strategies and business plans of the Company; (iii) proposal for selection of external auditors; (iv) financial statements and budgets; (v) substantial investments other than those arising in the ordinary course of Company's businesses; and (vi) formation of board committees.

The following table sets forth the members of the Board of Directors as at the date of this Offering Circular:

Name	Age	Position/Title
Wu Meng	40	Chairman of the Board of Directors
Guo Chun	56	Deputy chairman of the Board of Directors
Zhang Jian	43	Executive director
Liang Jun	37	Executive director, chief executive officer
Zhang Lei	52	Non-executive director
Ng Wing Hang Patrick	68	Independent non-executive director
Kwok Lam Kwong Larry	65	Independent non-executive director
Chen Liqiang	42	Independent non-executive director

Ms. Wu Meng, aged 40, serves as the chairman of the Board of Directors since 26 October 2021. She was appointed as an executive director of the Company on 10 August 2019, and the chairman of the nomination committee, the chairman of the environmental, social and governance committee and the chairman of the executive committee of the Company on 26 October 2021. Ms. Wu is a member of the executive committee and a general manager of the international business division of Shenwan Hongyuan Securities Co., Ltd.; a general manager and director of Shenwan Hongyuan (International) Holdings Limited; a director of Shenwan Hongyuan Holdings (B.V.I.) Limited; a director of SWS Research Co., Ltd. and a director of Shenwan Hongyuan Financing Services Co., Ltd., all of which being companies controlled by Shenwan Hongyuan Group Co., Ltd. (6806.HK, 000166.SZ), the ultimate holding company of the Company. Prior to joining Shenwan Hongyuan Securities Co., Ltd., Ms. Wu worked in the corporate finance division of China Jianyin Investment Ltd., and the capital market department and securities institution department/insurance institutions department of Central Huijin Investment Ltd. She has more than 10 years' experience in corporate finance business, and equity management of securities and insurance companies. Ms. Wu holds a master's degree of Science in Finance and Investment and a Ph.D. degree in Management.

Mr. Guo Chun, aged 56, serves as the deputy chairman of the Board of Directors since 11 August 2018. He was appointed as an executive director of the Company in May 2000. He served as chief executive officer of the Company from 9 March 2012 to 10 August 2018. Mr. Guo has been working in the securities industry of the PRC since 1987 and has 33 years' extensive experience in stockbroking and corporate finance in the PRC. Before joining the former Shanghai Shenyin Securities Co., Ltd. and served as a regional superintendent in Shanghai in 1990, Mr. Guo worked for the Industrial and Commercial Bank of China. Mr. Guo acted as the general manager of the international business division of Shenyin & Wanguo Securities Co., Ltd., the former of Shenwan Hongyuan Group Co., Ltd., and Shenwan Hongyuan Securities Co., Ltd. from May 2008 to March 2012 and from February 2014 to June 2019. Mr. Guo holds a master's degree in Business Administration from Murdoch University, Perth, Australia and an executive master of Business Administration Degree from Arizona State University, the United States of America.

Mr. Zhang Jian, aged 43, serves as an executive director of the Company since 28 November 2018. Mr. Zhang is also an assistant to general manager of Shenwan Hongyuan Securities Co., Ltd. and an executive director of Shenwan Hongyuan Financing Services Co., Ltd. In addition, Mr. Zhang is a director of Shenwan Hongyuan (International) Holdings Limited, the controlling and substantial shareholder of the Company. Prior to joining Shenwan Hongyuan Financing Services Co., Ltd. in November 2017, he worked for CITIC Securities Company Limited from July 2001 to October 2017 and held various positions in corporate finance division and merger and acquisition business division. He has more than 10 years' experience in corporate finance business. Mr. Zhang graduated from Sun Yat-sen University with a Ph.D. in Economics (major in Finance) and is qualified as a sponsor representative in China.

Mr. Liang Jun, aged 37, serves as an executive director and chief executive officer of the Company since 12 June 2021. He also currently serves as the head of global capital markets of the Group. Prior to joining the Group, Mr. Liang worked in the risk management department, the CEO office and fixed income department of CITIC Securities Company Limited, and the equity capital market department of CLSA Limited. He has around 15 years' experience in securities business. Mr. Liang holds a postgraduate master's degree in Finance from Nankai University, and is a chartered financial analyst (CFA) and a financial risk manager (FRM).

Mr. Zhang Lei, aged 52, serves as a non-executive director of the Company since February 2013. Mr. Zhang has many years of experience in the securities industry. He has previously worked for Shenyin & Wanguo Securities Co., Ltd., the former of Shenwan Hongyuan Group Co., Ltd., as deputy manager of client asset management division. Mr. Zhang joined Shanghai Industrial Investment (Holdings) Company Limited in July 2006, and currently serves as its general manager of finance & planning department. He also presently holds directorships in certain wholly-owned subsidiaries of Shanghai Industrial Investment (Holdings) Company Limited and acts as the responsible officer of SIIC Asset Management Company Limited. Mr. Zhang graduated from Shanghai Jiaotong University as doctor of philosophy of Financial Management Engineering in 1997.

Mr. Ng Wing Hang Patrick, aged 68, serves as an independent non-executive director of the Company since January 1995. Mr. Ng is a practising certified public accountant in Hong Kong and is the managing director of Pan-China (H.K.) CPA Limited, a certified public accountants firm in Hong Kong. He also serves as an independent non-executive director of Far East Hotels and Entertainment Limited, which is listed on the SEHK. Mr. Ng graduated from The Hong Kong Polytechnic University in 1975.

Mr. Kwok Lam Kwong Larry, aged 65, serves as an independent non-executive director of the Company since March 1995. Mr. Kwok is a practising solicitor in Hong Kong and is also qualified to practise as a solicitor in Australia, England and Wales and Singapore. He is also qualified as a chartered accountant in England and Wales and a CPA in Hong Kong and Australia. Mr. Kwok graduated from the University of Sydney, Australia with bachelor's degrees in Economics and Laws as well as a master's degree in Laws. He also obtained the Advanced Management Program Diploma from the Harvard Business School.

Mr. Chen Liqiang, aged 42, was appointed as an independent non-executive director of the Company since November 2018. He is currently working in a financial institution with more than 10 years of finance experience. Mr. Chen has previously worked for the department of public offering supervision of the China Securities Regulatory Commission and served as a director of the Shanghai Stock Exchange. He graduated from Peking University Law School with a master degree in Laws and also obtained the Chinese legal professional qualification.

SENIOR MANAGEMENT

The following table sets forth the senior management of the Company as at 31 December 2020:

Name	Age	Position/Title
Xia Mingrui	47	Deputy general manager
Wong Che Keung Leslie	56	Chief operating officer and company secretary
He Tian	40	Deputy general manager
Liang Jun	37	Deputy general manager

Mr. Xia Mingrui, aged 47, serves as a deputy general manager of the Group since March 2020. He joined the Group as an assistant general manager of the Group in October 2017. He has served as manager of the market development department of international business division of Shenwan Hongyuan Securities Co., Ltd. and has more than 25 years of experience in securities business. Mr. Xia graduated from Fudan University in Shanghai with a major in Computer Science and Shanghai Jiaotong University with a major in Finance.

Mr. Wong Che Keung Leslie, aged 56, is the chief operating officer and company secretary of the Group. Besides company secretarial duties, Mr. Wong is also responsible for overseeing accounting, securities settlement, credit, treasury, information technology as well as legal affairs of the Group. Mr. Wong once served as the head of compliance of the Group and subsequently, a director of Shenwan Hongyuan Securities (H.K.) Limited and the finance director before succeeding to the position of the chief operating officer of the Group in 2010. Mr. Wong was appointed as the company secretary of the Group in December 2004. Prior to joining the Group in 1996, he has worked in the Securities and Futures Commission for seven years. Mr. Wong is a fellow of the Hong Kong Institute of Certified Public Accountants, and obtained his bachelor’s degree in Economics at the University of Hong Kong and a master’s degree in Business Administration at the Chinese University of Hong Kong.

Mr. He Tian, aged 40, serves as a deputy general manager of the Group since January 2019. Mr. He once served as a tutor counselor of Wuhan University Business School, head of several business lines of CITIC Securities and CLSA, a director of JOINCAP Financial Holdings Limited. Mr. He has more than 15 years’ experience in corporate finance and private equity investment. He holds a master of finance degree from Wuhan University.

For details regarding **Mr. Liang Jun**, see “– *Board of Directors*” above.

EXCHANGE RATE INFORMATION

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since 17 October 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK$7.80 to U.S.$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "**Basic Law**"), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to U.S.$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the HK dollar will remain freely convertible into other currencies, including the U.S. dollar. However, we cannot assure you that the Hong Kong government will maintain the link within the current rate range or at all.

The following table sets forth the noon buying rates for U.S. dollars in New York City for cable transfers payable in Hong Kong dollars as certified by the Federal Reserve Bank of New York for the periods indicated:

	Noon Buying Rate			
Period	**Period End**	**Average(1)**	**High**	**Low**
	(HK$ per U.S.$1.00)			
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7562	7.7951	7.7498
2021	7.7996	7,7740	7.8034	7.7515
July	7.7723	7.7705	7.7837	7.7651
August	7.7779	7.7834	7.7925	7.7735
September	7.7850	7.7807	7.7877	7.7708
October	7.7790	7.7793	7.7871	7.7725
November	7.7967	7.7896	7.7993	7.7819
December	7.7996	7.7990	7.8034	7.7914
2022				
January (through January 7)	7.7984	7.7970	7.8001	7.7941

Source: Federal Reserve H.10 Statistical Release

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

On 31 December 2020, the noon buying rate for U.S. dollar in New York City for cable transfers in Hong Kong dollars was U.S.$1.00 to HK$7.7534 as set forth in the H.10 statistical release of the Federal Reserve Board.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

Hong Kong Taxation

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) Interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(b) Interest on the Bonds is derived from Hong Kong and is received by or accrues to a person other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(c) Interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(d) Interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisers to ascertain the applicability of any exemptions to their individual position.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the PRC) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and the Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Joint Lead Managers dated 20 January 2022 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to severally and not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below:

Joint Lead Manager	**Principal amount of the Bonds to be subscribed**
Shenwan Hongyuan Securities (H.K.) Limited	U.S.$30,000,000
CMB Wing Lung Bank Limited	U.S.$20,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	U.S.$20,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	U.S.$20,000,000
China Industrial Securities International Brokerage Limited	U.S.$20,000,000
China Construction Bank (Asia) Corporation Limited	U.S.$20,000,000
China International Capital Corporation Hong Kong Securities Limited	U.S.$10,000,000
China Merchants Securities (HK) Co., Limited	U.S.$10,000,000
CCB International Capital Limited	U.S.$10,000,000
CMB International Capital Limited	U.S.$10,000,000
CEB International Capital Corporation Limited	U.S.$10,000,000
Central China International Securities Co., Limited	U.S.$10,000,000
China Galaxy International Securities (Hong Kong) Co., Ltd.	U.S.$10,000,000
Total	**U.S.$200,000,000**

The Subscription Agreement provides that the Issuer will indemnify the Joint Lead Managers and their affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

In connection with the issue of the Bonds, each of the Joint Lead Managers (the "**Stabilisation Coordinator**") or any person acting on behalf of the Stabilisation Coordinator may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Coordinator or any person acting on behalf of the Stabilisation Coordinator shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilisation Coordinator or any person acting on behalf of the Stabilisation Coordinator will undertake Stabilisation action. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Joint Lead Managers.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Joint Lead Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trade of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transaction occurs, the trading price and liquidity of the Bonds may be impacted. The Issuer and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

Furthermore, it is possible that a significant proportion of the Bonds may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Bonds may be constrained. The Issuer and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, including the Bonds and could adversely affect the trading price and liquidity of the Bonds. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments of the Issuer.

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer or the Joint Lead Managers.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

United States

The Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Prohibition of sales to UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

  (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

  (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Other regulatory restrictions

Each of the Joint Lead Managers has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

*Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby* *notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

The People's Republic of China

Each Joint Lead Manager has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by applicable laws of the People's Republic of China.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 243311861 and ISIN XS2433118614. The Legal Entity Identifier of the Issuer is 984500F9A6AD8B63BE78.

2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by resolutions of the board of directors of the Issuer on 17 January 2022.

3. **No Material Adverse Change:** There has been no material adverse change, or any development or event likely to involve a prospective change, in the condition (financial or otherwise), prospects, properties, results of operations, business or general affairs of the Issuer or the Group since 30 June 2021.

4. **Litigation:** None of the Issuer or any other member of the Group is not involved in any litigation or arbitration proceedings that the Issuer believes are material in the context of the Bonds, and so far as the Issuer is aware, no such proceedings are pending or threatened.

5. **Available Documents:** So long as any of the Bonds is outstanding, copies of the following documents will be available for inspection from the Issue Date during usual business hours at the registered office of the Issuer and, in the case of last four documents mentioned below, following prior written request and satisfactory proof of holding and identity to the satisfaction of the Trustee or the Principal Paying Agent, as the case may be, at the principal place of business of the Trustee (currently at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) and the specified office of the Principal Paying Agent (currently at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) during normal business hours (being between 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)):

   - the articles of association of the Issuer;
   - the Audited Financial Statements;
   - the 30 June Financial Results;
   - the Trust Deed; and
   - the Agency Agreement.

6. **Financial Statements:** This Offering Circular contains the audited consolidated financial information of the Issuer as at and for the years ended 2018, 2019 and 2020, which has been derived from the Audited Financial Statements. The Audited Financial Statements have been audited by KPMG, the independent auditors of the Issuer. The Audited Financial Statements were prepared and presented in accordance with HKFRS. In addition, this Offering Circular contains the unaudited and unreviewed condensed consolidated results of the Issuer as at and for the six months ended 30 June 2021 (with the inclusion, for comparison purposes, of similar information for the six months ended 30 June 2020 and as at 31 December 2020, as applicable), which has been derived from the 30 June Financial Results. The 30 June Financial Results have not been audited or reviewed by the Group's independent accountants, or any other independent accountants and may be subject to adjustments if audited or reviewed.

7. **Listing:** Application will be made to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on 28 January 2022.

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KPMG

Independent auditor's report to the members of Shenwan Hongyuan (H.K.) Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Shenwan Hongyuan (H.K.) Limited ("theCompany") and its subsidiaries (together "the Group") set out on pages F-9 to F-97, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") andwe have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of the fair value of financial instruments

Refer to notes 2.5(b), 2.5(g)(iii), 18, 19, 25 and 36 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2020 the fair value of the Group's financial assets was HK$6,306 millionof which HK$5,984 million and HK$83 million were classified as level 2 and level 3 financialinstruments respectively. The fair value of the Group's financial liabilities was HK$1,392 million of which all were classified as level 2 financial instruments. The valuation of the Group's financial instruments which are stated at their fair values is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, estimates need to be developed which can involve significant judgement. The Group employed various valuation methodology in valuing these certain level 2 and level 3 financial instruments, including theuse of third party models and external valuation specialists, which involves significant judgement. During the year, the tightened market liquidity and increased market volatility resulted in higher estimation uncertainty in management's assessment of the marketability and valuation of financial instruments held. We identified assessment of the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in developing its own models and in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of key internal controls for financial instruments; • evaluating the methodology adopted by management and assessing the reasonableness of the inputs and assumptions used by management in the valuations; • engaging our internal valuation specialists to perform, on a sample basis, independent valuations of certain level 2 and level 3 financial instruments and comparing these valuations with the Group's valuations. Our independent valuations included developing models, obtaining inputs independently and verifying the inputs obtained independently; and • assessing whether the disclosures in the consolidated financial statements appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Allowance for expected credit loss of unlisted debt securities

Refer to notes 2.5(h)(i), 19 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Unlisted debt securities measured at amortised cost and at fair value through other comprehensive income amounted to HK$1,548 million and HK$304 million, representing 9.5% and 1.9% of the Group's total assets respectively. The COVID-19 pandemic and China-US tension has led to additional challenges in assessing impairment provisions. The tightened market liquidity and increased market volatility resulted in higher estimation uncertainty in management's assessment and therefore more judgement is required. The Group calculates the allowance for expected credit losses ("ECL") of unlisted debt securitiesusing an ECL model. As at 31 December 2020, the ECL of stage 1 unlisted debt securities was HK$25 million and there was no stage 2 and 3 unlisteddebt securities. The determination of loss allowances using the ECL model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default, discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.	Our audit procedures to assess ECL for financial assets measured at amortised cost and financial assets at fair value through other comprehensive income included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the calculation, approval and recording of allowance for ECL; • assessing the reliability of the ECL model used by management in determining loss allowances with the assistance of our internal specialists, including assessing the appropriateness of the key parameters and assumptions in the ECL model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments; • assessing the completeness and accuracyof data used for the key parameters in theECL model. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources. • for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources. As part of these procedures, we challenged the reasons for modifications to estimates and input parameters compared with prior period and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development.

Allowance for expected credit loss of unlisted debt securities *(Cont'd)*

Refer to notes 2.5(h)(i), 19 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
We identified the allowance for ECL of financial assets as a key audit matter because of the inherent uncertainty and management judgment involved.	Our audit procedures to assess ECL for financial assets measured at amortised cost and financial assets at fair value through other comprehensive income included the following: • evaluating the validity of management's assessment on whether the credit risk of financial assets measured at amortised cost and financial assets at fair value through other comprehensive income has, or has not, increased significantly since initial recognition and whether the they are credit-impaired by selecting risk-based samples. We checked and compared the credit rating as at initial recognition and that at reporting date. • recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of financial assets where the credit risk has, or has not, increased significantly since initial recognition, respectively. • evaluating whether the disclosures on the provision of expected credit loss meet the disclosure requirements in the prevailing accounting standards.

Information other than the consolidated financial statements and our auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's responsibilities for the audit of the consolidated financial statements *(Cont'd)*

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulationprecludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Fong Hoi Wan.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

19 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December

(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Revenue	5	**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	5	**18,585**	(13,646)
Commission expenses		**(96,864)**	(65,063)
Employee benefit expenses	7	**(280,047)**	(249,944)
Depreciation	13,14	**(44,188)**	(24,450)
Interest expenses	7	**(98,103)**	(30,734)
Other expenses, net	6	**(125,740)**	(133,826)
Profit before taxation	7	**208,960**	157,921
Income tax	10	**(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)
Profit for the year		**175,626**	136,663
Earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted	12	**HK11.25 cents**	HK9.37 cents

The notes on pages F-16 to F-97 form part of these financial statements.

(Expressed in Hong Kong dollars)

	2020 HK$'000	2019 HK$'000
Profit for the year	**175,626**	136,663
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	**4,192**	–
Other comprehensive income, net of tax	**(9,443)**	23,747
Total comprehensive income for the year	**166,183**	160,410
Attributable to:		
Ordinary equity holders of the Company	**166,183**	160,411
Non-controlling interests	**–**	(1)
Total comprehensive income for the year	**166,183**	160,410

The notes on pages F-16 to F-97 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December

(Expressed in Hong Kong dollars)

	Note	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	13	13,534	9,774
Stock and Futures Exchange trading rights	15	4,212	4,212
Other assets	16	30,587	37,125
Other financial assets	19	844,844	527,361
Right-of-use assets	14	38,119	68,631
Deferred tax assets	17	3,954	5,390
Total non-current assets		935,250	652,493
Current assets			
Financial assets at fair value through profit or loss	18	3,618,331	2,189,495
Other financial assets	19	987,844	607,937
Accounts receivable	20	2,014,818	1,691,210
Loans and advances	21	2,893,038	872,588
Prepayments, deposits and other receivables	22	545,290	79,635
Obligation under repurchase agreement		89,025	–
Tax recoverable		33,236	7,404
Bank balances held on behalf of clients	23	4,756,813	3,193,340
Cash and bank balances	24	414,929	937,597
Total current assets		15,353,324	9,579,206
Current liabilities			
Financial liabilities at fair value through profit or loss	25	1,391,695	329,371
Accounts payable	26	6,259,616	5,000,203
Contract liabilities	26	3,050	1,558
Other payables and accruals	27	248,386	107,210
Interest-bearing bank borrowings	28	4,271,923	778,900
Lease liabilities	29	25,786	32,473
Tax payable		35,799	25,190
Total current liabilities		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

	Note	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000 (Restated)
Non-current liabilities			
Deferred tax liabilities	*17*	**576**	1,013
Lease liabilities	*29*	**13,077**	36,464
Total non-current liabilities		**13,653**	37,477
NET ASSETS		**4,038,666**	3,919,317
EQUITY			
Equity attributable to ordinary equity shareholders of the Company			
Share capital	*30*	**2,782,477**	2,782,477
Other reserves	*31*	**1,253,563**	1,134,214
		4,036,040	3,916,691
Non-controlling interests		**2,626**	2,626
TOTAL EQUITY		**4,038,666**	3,919,317

Approved and authorised for issue by the board of directors on 19 March 2021.

Fang Qingli
Director

Qiu Yizhou
Director

The notes on pages F-16 to F-97 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(Expressed in Hong Kong dollars)

		Attributable to ordinary equity holders of the Company								
	Note	Share Capital (Note 30) HK$'000	Capital reserve HK$'000	General reserve HK$'000	Revaluation reserve (Recycling) HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019		1,200,457	15*	138*	–*	–*	1,004,873	2,205,483	2,627	2,208,110
Profit for the year		–	–	–	–	–	136,664	136,664	(1)	136,663
Other comprehensive income:										
Financial assets at fair value through other comprehensive income										
— Net movement in fair value reserve (recycling)		–	–	–	23,747	–	–	23,747	–	23,747
Total comprehensive income		–	–	–	23,747	–	136,664	160,411	(1)	160,410
Issuance of new shares		1,582,020	–	–	–	–	–	1,582,020	–	1,582,020
Final 2018 dividend declared and paid	11	–	–	–	–	–	(31,223)	(31,223)	–	(31,223)
At 31 December 2019		2,782,477	15*	138*	23,747*	–*	1,110,314*	3,916,691	2,626	3,919,317
At 1 January 2020		2,782,477	15*	138*	23,747*	–*	1,110,314*	3,916,691	2,626	3,919,317
Profit for the year		–	–	–	–	–	175,626	175,626	–	175,626
Other comprehensive income:										
Financial assets at fair value through other comprehensive income										
— Net movement in fair value reserve (recycling)		–	–	–	(13,635)	–	–	(13,635)	–	(13,635)
Exchange gain on translation of financial statements of foreign operations		–	–	–	–	4,192	–	4,192	–	4,192
Total comprehensive income		–	–	–	(13,635)	4,192	175,626	166,183	–	166,183
Final 2019 dividend declared and paid	11	–	–	–	–	–	(46,834)	(46,834)	–	(46,834)
At 31 December 2020		2,782,477	15*	138*	10,112*	4,192*	1,239,106*	4,036,040	2,626	4,038,666

* These reserve accounts comprise the other reserves of HK$1,253,563,000 (2019: HK$1,134,214,000) in the consolidated statement of financial position.

The notes on pages F-16 to F-97 form part of these financial statements.

(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Profit before taxation		**208,960**	157,921
Adjustments for:			
Depreciation	*13,14*	**44,188**	24,450
Interest income	*5*	**(235,041)**	(195,109)
Dividend income		**(771)**	(832)
Interest expenses	*7*	**98,103**	30,734
Loss on disposal of fixed assets		**14**	–
Net charges for expected credit losses	*6*	**11,723**	14,719
Gain on disposal of a subsidiary	*5*	**(4,604)**	–
		122,572	31,883
Decrease/(increase) in other assets		**6,538**	(14,203)
Net increase in financial assets at fair value through profit or loss		**(1,422,606)**	(1,587,223)
Net increase in other financial assets		**(723,415)**	(1,131,361)
Net increase in financial liabilities at fair value through profit or loss		**1,062,324**	329,371
Increase in accounts receivable		**(322,941)**	(1,235,833)
(Increase)/decrease in loans and advances		**(2,020,450)**	335,503
Increase in prepayments, deposits and other receivables		**(471,933)**	(12,486)
Increase in obligation under repurchase agreement		**(91,817)**	–
Increase/(decrease) in contract liabilities		**1,492**	(11,586)
Decrease in other contract cost		**–**	5,000
(Increase)/decrease in bank balances held on behalf of clients		**(1,563,473)**	1,686,109
Increase/(decrease) in accounts payable		**1,258,808**	(81,919)
Increase in other payables and accruals		**139,715**	25,024
Cash used in operations		**(4,025,186)**	(1,661,721)
Hong Kong Profits Tax paid		**(47,223)**	(1,890)
Overseas taxes paid		**(335)**	(836)
Net cash flows used in operating activities		**(4,072,744)**	(1,664,447)

CONSOLIDATED CASH FLOW STATEMENT *(Cont'd)*

Year ended 31 December

	Note	2020 HK$'000	2019 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment	*13*	**(14,504)**	(5,835)
Interest received		**241,347**	165,213
Net proceeds from disposal of a subsidiary	*5*	**4,604**	–
Dividend received		**771**	832
Net cash flows generated from investing activities		**232,218**	160,210
Cash flows from financing activities			
Net proceeds from bank loans	*24(b)*	**3,494,633**	316,141
Interest paid	*24(b)*	**(94,848)**	(29,559)
Dividend paid	*11*	**(46,834)**	(31,223)
Net proceeds from issuance of shares		**–**	1,582,020
Capital element of lease rentals paid	*24(b)*	**(33,020)**	(14,908)
Interest element of lease rentals paid	*24(b)*	**(2,073)**	(1,208)
Net cash flows generated from financing activities		**3,317,858**	1,821,263
Net (decrease)/increase in cash and cash equivalents		**(522,668)**	317,026
Cash and cash equivalents at the beginning of the year		**937,597**	620,571
Cash and cash equivalents at the end of the year	*24(a)*	**414,929**	937,597

The notes on pages F-16 to F-97 form part of these financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE AND GROUP INFORMATION

Shenwan Hongyuan (H.K.) Limited ("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.

During the year, Shenwan Hongyuan (H.K.) Limited and its subsidiaries (together "the Group") were involved in the following principal activities:

— brokerage business

— corporate finance business

— asset management business

— financing and loans business

— investment 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 Shenzhen Stock Exchange (stock code: 000166) and Hong Kong Stock Exchange (stock code: 6806).

Information about subsidiaries

All of the principal subsidiaries, unless otherwise indicated, are incorporated and operate in Hong Kong. Particulars of the Company's principal subsidiaries are as follows:

Name	Issued ordinary share capital/units	Percentage of equity attributable to the Company: Direct		Indirect		Principal activities
		2020	2019	2020	2019	
Shenwan Hongyuan Securities (H.K.) Limited	HK$700,000,000	100	100	-	–	Securities brokerage and margin financing
Shenwan Hongyuan Futures (H.K.) Limited	HK$30,000,000	100	100	-	–	Futures and options brokerage
Shenwan Hongyuan Capital (H.K.) Limited	HK$20,000,000	100	100	-	–	Corporate finance

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE AND GROUP INFORMATION *(Cont'd)*

Information about subsidiaries *(Cont'd)*

Name	Issued ordinary share capital/units	Percentage of equity attributable to the Company: Direct 2020	Direct 2019	Indirect 2020	Indirect 2019	Principal activities
Shenwan Hongyuan Asset Management (Asia) Limited	HK$10,000,000	100	–	-	100	Provision of asset management services
Shenwan Hongyuan Research (H.K.) Limited	HK$300,000	100	100	-	–	Provision of securities research services
Shenwan Hongyuan Strategic Investments (H.K.) Limited	HK$10,000	100	100	-	–	Securities trading
Shenwan Hongyuan Finance (H.K.) Limited	HK$25,000,000	100	100	-	–	Provision of financial services
Shenwan Hongyuan Enterprises (H.K.) Limited	HK$15,000,000	100	100	-	–	Provision of management and treasury services
Shenwan Hongyuan Online Limited	HK$2	100	100	-	–	Leasing of computer equipment
Shenwan Hongyuan Trading (H.K.) Limited	HK$375,000	100	100	-	–	Securities trading
Sparkle Well Limited	HK$2	100	100	-	–	Property holding
Wealthy Limited	HK$2	100	100	-	–	Property holding
First Million Holdings Ltd.*	US$1	100	100	-	–	Investment holding
Shenwan Hongyuan Financial Products Company Limited*	US$1	100	100	-	–	Financing services

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE AND GROUP INFORMATION *(Cont'd)*

Information about subsidiaries *(Cont'd)*

Name	Issued ordinary share capital/units	Percentage of equity attributable to the Company Direct		Indirect		Principal activities
		2020	2019	2020	2019	
Shenwan Hongyuan Nominees (H.K.) Limited	HK$1,000	-	–	100	100	Provision of share custodian and nominee services
Shenwan Hongyuan Japan Smart 50 Strategy Fund	JPY2,000,000,000	-	–	50	–	Securities trading and investment holding

* Incorporated in the British Virgin Islands

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. The financial statements not audited by KPMG reflect total net assets and total profit before taxation constituting approximately 0.13% and 2.24% (2019: 1.13% and 2.32%) of consolidated totals.

2.1 STATEMENT OF COMPLIANCE

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 requirements of the 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 ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out in note 2.5.

The HKICPA has issued certain amendments HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2.3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2.2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except the following assets are stated at their fair value as explained in the accounting policies set out below.

— Financial assets at fair value through profit or loss (see note 2.5(g))

— Certain loans and advances to margin clients (see note 2.5(g))

— Advances to cash clients (see note 2.5(g))

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects bothcurrent and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2.3 CHANGES IN ACCOUNTING POLICY

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

- Amendments to HKFRS 3, Definition of a Business
- Amendment to HKFRS 16, Covid-19-Related Rent Concessions

Neither of these amendments to HKFRSs have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective forthe year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(a) Subsidiaries and non-controlling interests *(Cont'd)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2.5(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2.5(h)).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset ora liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by sellingit to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy with reference to the observability and significance of the inputs that are used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

For assets and liabilities that are measured at fair value and recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(c) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

—	Buildings	4%
—	Leasehold improvements	Over the lease terms
—	Furniture, fixtures and equipment	15%–33⅓%
—	Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(e) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible assets, which consist of the Stock and Futures Exchange trading rights, being the eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited with indefinite useful lives, are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of the Stock and Futures Exchange trading rights is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(f) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyedwhere the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(f) Leases *(Cont'd)*

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2.5(h)).

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(f) Leases *(Cont'd)*

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(g) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Group classifies its financial assets into the following measurement categories: amortised cost; fair value through other comprehensive income ("FVOCI"); and fair value through profit or loss ("FVPL"). When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss for which transaction costs are recognised directly in profit or loss.

All regular way purchases and sales of financial assets are recognised on the tradedate, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

All financial liabilities are recognised initially at its fair value net of directly attributable transaction costs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(g) Financial assets and financial liabilities *(Cont'd)*

(ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVPL.

Financial asset measured at amortised cost or at FVOCI

A financial asset is measured at amortised cost if it has contractual terms that give rise to cash flows that are solely payments of principal and interest ("SPPI characteristics"). Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of considerationfor the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as wellas profit margin.

Whether financial assets are held at amortised cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Group manages financial assets to generate cash flows. The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

— how the performance of the portfolio is evaluated and reported to the Group's management;

— the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

— how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

— the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets which have SPPI characteristics and that are held within a businessmodel whose objective is to hold financial assets to collect contractual cash flows ("holdto collect") are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold to collect and sell") are classified as held at FVOCI.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(g) Financial assets and financial liabilities *(Cont'd)*

(ii) Classification (Cont'd)

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

— contingent events that would change the amount and timing of cash flows;

— leverage features;

— prepayment and extension terms;

— terms that limit the Group's claim to cash flows from specified assets; and

— features that modify consideration of the time value of money (e.g. periodical reset of interest rate).

Financial asset measured at FVPL

Financial assets which are not held at amortised cost or not held at fair value through other comprehensive income are held at fair value through profit or loss. Financial assets and financial liabilities held at fair value through profit or loss are either mandatorily classified as fair value through profit or loss or irrevocably designated at fair valuethrough profit or loss at initial recognition.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(g) Financial assets and financial liabilities *(Cont'd)*

(ii) Classification (Cont'd)

Financial asset measured at FVPL *(Cont'd)*

Financial assets and financial liabilities which are mandatorily held at fair value through profit or loss are split between two sub-categories as follows:

— Trading, including financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short term and derivatives.

— Non-trading mandatorily at fair value through profit or loss, including instruments (other than trading or derivatives) in a business which has a fair value business model, hybrid financial assets that contain one or more embedded derivatives,financial asset that would otherwise be measured at amortised cost or FVOCI but which do not have SPPI characteristics and equity instruments that have not been designated as held at FVOCI.

Financial assets and financial liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis.

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

The Group's financial liabilities include accounts payable, other payables and certainaccruals and interest-bearing bank borrowings. The Group classified its financial liabilities as subsequently measured at amortised cost.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(g) Financial assets and financial liabilities *(Cont'd)*

(iii) Subsequent measurement

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in revenue from other sources line in the statement of profit or loss unless the instrument is part ofa cash flow hedging relationship. Contractual interest income on financial assets held at fair value through profit or loss is recognised as interest income in the statement of profit or loss.

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises a financial liability when its contractual obligations are discharged or expired.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(h) Credit losses and impairment of assets

(i) Credit losses from financial assets measured at amortised cost and FVOCI

Expected credit losses ("ECLs") are determined for all financial instruments that are classified at amortised cost or at FVOCI, undrawn commitments and financial guarantees. Financial assets measured at FVPL are not subject to the ECL assessment. The Group recognises a loss allowances for ECL on accounts receivable, bank balances, obligation under repurchase agreements, except for advances to cash clients, which are measured at fair value through profit or loss.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— lease receivables: discount rate used in the measurement of the lease receivable; and

— loan commitments: current risk-free rate adjusted for risks specific to the cash flows

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into accounts reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(h) Credit losses and impairment of assets *(Cont'd)*

(i) Credit losses from financial assets measured at amortised cost and FVOCI (Cont'd)

Measurement of ECLs *(Cont'd)*

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Stage 1 — Financial instruments for which credit risk has not increasedsignificantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit- impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) andfor which the loss allowance is measured at an amount equal to lifetime ECLs.

Loss allowances for accounts receivable arising from corporate finance, advisory and other services are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(h) Credit losses and impairment of assets *(Cont'd)*

(i) Credit losses from financial assets measured at amortised cost and FVOCI (Cont'd)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date ofinitial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is past due over 90 days. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost oreffort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit riskratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments indebt securities that are measured at FVOCI and accumulated in the fair value reserve (recycling).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(h) Credit losses and impairment of assets *(Cont'd)*

(i) Credit losses from financial assets measured at amortised cost and FVOCI (Cont'd)

Basis of calculation of interest income

Interest income recognised in accordance with note 2.5(p) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(h) Credit losses and impairment of assets *(Cont'd)*

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— intangible assets (other than goodwill); and

— investments in subsidiaries, in Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— **Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— **Recognition of impairment losses**

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(h) Credit losses and impairment of assets *(Cont'd)*

(ii) Impairment of other non-current assets (Cont'd)

— **Reversals of impairment losses**

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.5(p)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses in accordance with the policy set out in note 2.5(h) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2.5(p)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(j) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(k) Accounts and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2.5(i)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2.5(h)).

(l) Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and bank balances comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out in note 2.5(h)(i).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(m) Bank balances held on behalf of clients

The Group has classified clients' monies as bank balances held on behalf of clients under the current assets section of the consolidated statement of financial position and recognised a corresponding accounts payable to respective clients on grounds that the Group is liable for any loss or misappropriation of clients' monies. Bank balance held on behalf of clients are assessed for expected credit losses in accordance with the policy set out in note 2.5(h)(i).

(n) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(o) Income tax *(Cont'd)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(p) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services.

Revenue is recognised when control over service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Where the contract contains a variable consideration, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer and includes in the transaction price some or all of the variable consideration estimated, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient of in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(a) Brokerage business income

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

(b) Corporate finance business income

(i) Underwriting fee income

Underwriting fee income is recognised when the Group has fulfilled its obligations under the underwriting contract.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(p) Revenue and other income *(Cont'd)*

(b) Corporate finance business income (Cont'd)

(ii) Sponsorship fee income and financial and compliance advisory fee income

Depending on the nature and the contract terms, the income is recognised progressively over time using a method that depicts the Group's performance, or at a point in time when the advisory service is completed.

(c) Asset management fee income

Asset management fee income includes periodic management fees calculated based on assets under management and performance-based fees. The income is recognised progressively over time using a method that depicts the Group's performance, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

(d) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2.5(h)(i)).

(e) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(f) Investment income

Investment income, including realised fair value gains or losses on listed and unlisted investments trading, recognised on trade date and unrealised fair value gains or losses on changes in fair value recognised at the end of the reporting period.

(g) Other income

Other income is recognised on an accrual basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs.

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. The Group also retains its previous retirement scheme (the "ORSO Scheme") registered under the Occupational Retirement Scheme Ordinance as a top-up benefit for its employees.

Contributions are made based on a percentage of the employees' relevant income or basic salaries, whichever is greater, and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme and the ORSO Scheme. For the ORSO Scheme, when the contribution exceeds the statutory maximum requirements, the excess contribution is credited as the employer's voluntary contribution to the ORSO Scheme. The employer's mandatory contributions to the MPF Scheme vest fully with the employees when contributed into the MPF Scheme. The employer's voluntary contributions to the ORSO Scheme vest with the employees according to the vesting scale of the ORSO Scheme. Forfeited contributions in respect of employees who leave the Group before their contributions fully vest are available to the Group to offset its future voluntary contributions.

The assets of the MPF Scheme and the ORSO Scheme are held separately from those of the Group in independently administered funds.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(s) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at ruling at the transaction dates. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

When the functional currencies of overseas subsidiaries are currencies other than the Hong Kong dollar, as at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 SIGNIFICANT JUDGEMENT AND ACCOUNTING ESTIMATES

The preparation of the Group's financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Measurement of ECL

Impairment assessment under ECL for financial assets at FVOCI and financial assets at amortised cost.

The impairment assessment under ECL is an area that requires the use of models and assumptions about future economic conditions and the credit risk of the respective financial instrument.

(i) Inputs, assumptions and estimation techniques

ECL is the discounted product of expected future cash flows by using the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"), of which PD and LGD are estimates based on significant management judgement. For credit-impaired financial assets, the management considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

(ii) Forward-looking information

In measuring ECL in accordance with HKFRS 9, it should consider forward-looking information. The calculation of ECL incorporates forward-looking information through the use of publicly available economic data and forecasts based on assumptions and management judgement to reflect the qualitative factors and through the use of multiple probability weighted scenarios.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has five reportable operating segments as disclosed in the below table.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before taxation.

Segment assets exclude deferred tax assets, tax recoverable and unlisted club debentures included in other assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and tax payable as these liabilities are managed on a group basis.

	Enterprise finance						
	Corporate finance HK$'000	Principal investment HK$'000	Wealth management HK$'000	Institutional services and trading HK$'000	Asset management HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2020							
Segment revenue and other gains from external customers by timing of revenue recognition							
Point in time	25,749	5,934	390,341	387,989	-	18,585	828,598
Over time	13,091	-	-	-	12,213	-	25,304
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 taxation	(17,092)	3,077	95,551	121,684	(12,845)	18,585	208,960
Other segment information:							
Interest income	-	-	187,987	55,056	-	-	243,043
Interest expenses	-	-	40,632	56,152	1,319	-	98,103
Depreciation expenses	2,019	574	17,862	23,706	27	-	44,188
Capital expenditure	668	102	6,803	6,696	235	-	14,504

4 OPERATING SEGMENT INFORMATION *(Cont'd)*

	Enterprise finance						
	Corporate finance	Principal investment	Wealth management	Institutional services and trading	Asset management	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2019 (Restated)							
Segment revenue and other gains/(losses) from external customers by timing of revenue recognition							
Point in time	122,018	5,812	233,659	268,487	–	(13,646)	616,330
Over time	24,211	–	–	–	21,397	–	45,608
Segment revenue and other gains/(losses) from external customers	146,229	5,812	233,659	268,487	21,397	(13,646)	661,938
Segment results and profit/(loss) before taxation	23,889	2,818	46,575	97,012	1,273	(13,646)	157,921
Other segment information:							
Interest income	–	–	127,503	23,616	–	–	151,119
Interest expenses	–	–	30,734	–	–	–	30,734
Depreciation expenses	3,687	348	6,326	13,535	554	–	24,450
Capital expenditure	1,254	48	1,907	2,428	198	–	5,835

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.

Information about major customers

As the revenue from sales of goods or rendering of services attributable to the 5 largest customers combined is less than 30% of the Group's total revenue during the year, no information about major customers is presented in pursuant to Appendix 16.31 of Main Board Listing Rules.

5 REVENUE AND OTHER GAINS, NET

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

(a) Disaggregation of revenue and other gains, net

	2020 HK$'000	2019 HK$'000 (Restated)
Fee and commission income:		
Revenue from contracts with customers within the scope of HKFRS 15:		
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 income	7,229	8,222
	304,444	359,111
Income from interest-bearing transactions:		
Interest income calculated using the effective interest method:		
Interest income from banks and others	39,471	73,558
Interest income from initial public offering loans	58,375	6,223
Revenue from other sources:		
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	–
	243,043	151,119

5 REVENUE AND OTHER GAINS, NET *(Cont'd)*

(a) Disaggregation of revenue and other gains, net *(Cont'd)*

	2020 HK$'000	2019 HK$'000
Income from investment business:		
Interest income calculated using the effective interest method:		
Interest income:		
— Unlisted investments	195,570	121,551
Revenue from other sources:		
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
	287,830	165,354
	835,317	675,584
Other gains/(losses), net:		
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	–
	18,585	(13,646)

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

For corporate finance business contracts in existence as at 31 December 2020, the Group will recognise the expected revenue in future when the remaining performance obligations under the contracts are satisfied (see note 2.5(p)). The Group has applied the practical expedient in paragraph 121 of HKFRS 15, as the Group has a right to invoice, which corresponds directly to the value to the customer of the Group's performance completed to date.

6 OTHER EXPENSES

The Group's other expenses comprise the followings:

	2020 HK$'000	2019 HK$'000
System expenses and maintenance	**40,360**	32,047
General office expenses	**11,731**	4,502
Net charges for expected credit losses	**11,723**	14,719
Research expenses	**9,700**	10,000
Rent and rates	**8,054**	25,341
Legal and professional fee	**3,531**	7,173
Office utilities expenses	**10,727**	9,354
Introduction and advisory fee	**5,422**	2,422
Travelling and transportation fee	**4,158**	7,337
Public relation and entertainment fee	**3,379**	5,498
Repair and maintenance expense	**1,166**	2,214
Clearing house and custody fee	**2,792**	3,511
Others	**12,997**	9,708
	125,740	133,826

7 PROFIT BEFORE TAXATION

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

	2020 HK$'000	2019 HK$'000
Employee benefit expenses (including directors' emoluments — note 8):		
Salaries and other staff costs	268,317	240,703
Retirement benefit scheme contributions	13,415	10,722
Less: Forfeited contributions	(1,685)	(1,481)
Net retirement benefit scheme contributions*	11,730	9,241
	280,047	249,944
Other expenses		
Interest expenses on loans and overdrafts wholly repayable within five years	93,238	22,398
Interest on lease liabilities	2,073	1,208
Interest expense on financial liabilities at FVPL	–	7,128
Interest expense on obligation under repurchase agreement	2,792	–
Auditors' remuneration	3,980	2,080

* At 31 December 2020, the Group had nil forfeited contributions (2019: HK$Nil) which were included in prepayment, deposits and other receivables in the consolidated statement of financial position which is available to reduce its contributions to the retirement benefit schemes in future.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 HK$'000	2019 HK$'000 (Restated*)
Fees	540	540
Other emoluments:		
Salaries, allowances and benefits in kind	6,078**	9,560
Retirement benefit scheme contributions	–	–
	6,078	9,560
	6,618	10,100

* The amount in 2019 was restated upon completion of evaluation of the performance of the Executive Directors in 2020.

** The evaluation of the performance of the Executive Directors has not yet been completed. Thus, the amount of salaries, allowances and benefits in kind has not been determined and the final amount will be disclosed in due course.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 HK$'000	2019 HK$'000
Ng Wing Hang Patrick	180	180
Kwok Lam Kwong Larry	180	180
Chen Liqiang	180	180
	540	540

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

8 DIRECTORS' EMOLUMENTS *(Cont'd)*

(b) Executive directors and non-executive directors

The emoluments paid to executive directors and non-executive director during the year was as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
2020				
Executive directors:				
Fang Qingli *(appointed on 28 November 2020)*	–	–	–	–
Chen Xiaosheng *(resigned on 28 November 2020)*	–	–	–	–
Guo Chun	–	3,039**	–	3,039**
Qiu Yizhou	–	3,039**	–	3,039**
Zhang Jian	–	–	–	–
Wu Meng	–	–	–	–
	–	6,078	–	6,078
Non-executive director:				
Zhang Lei	–	–	–	–
	–	6,078	–	6,078

** The evaluation of the performance of the Executive Directors has not yet been completed. Thus, the amount of salaries, allowances and benefits in kind has not been determined and the final amount will be disclosed in due course.

8 DIRECTORS' EMOLUMENTS *(Cont'd)*

(b) Executive directors and non-executive directors *(Cont'd)*

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000 (Restated*)	Retirement benefit scheme contributions HK\$'000	Total emoluments HK\$'000 (Restated*)
2019				
Executive directors:				
Zhu Minjie *(resigned on 10 August 2019)*	–	–	–	–
Chen Xiaosheng	–	–	–	–
Guo Chun	–	4,053*	–	4,053*
Qiu Yizhou	–	5,507*	–	5,507*
Zhang Jian	–	–	–	–
Wu Meng *(appointed on 10 August 2019)*	–	–	–	–
	–	9,560	–	9,560
Non-executive director:				
Zhang Lei	–	–	–	–
	–	9,560	–	9,560

* The amount in 2019 was restated upon completion of evaluation of the performance of the Executive Directors in 2020.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year did not include director (2019: two directors), details of whose emoluments are set out in note 8 above. Details of the remuneration for the year of the five (2019: three) non-directors, highest paid employees are as follows:

	2020 HK$'000	2019 HK$'000 (Restated*)
Salaries, allowances and benefits in kind	**11,294**	7,285
Bonuses	**10,349****	5,428
Retirement benefit scheme contributions	**823**	650
	22,466	13,363

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019 (Restated*)
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	–
HK$3,500,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$4,500,000	**1**	1
HK$4,500,001 to HK$5,000,000	**2**	–
HK$5,000,001 to HK$5,500,000	**1**	1
	5	3

* The amount in 2019 was restated upon completion of evaluation of the performance of the employees in 2020.

** The evaluation of the performance of the employees has not yet been completed. Thus, the amount of bonuses has not been determined and the final amount will be disclosed in due course.

10 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	2020 HK$'000	2019 HK$'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)
	31,602	20,950
Current tax — Elsewhere	733	1,004
Deferred tax *(note 17)*	999	(696)
	33,334	21,258

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 jurisdictions in which the Group operates.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

A reconciliation of the tax expense applicable to profit before taxation at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense for the year at the effective tax rate is as follows:

	2020 HK$'000	2019 HK$'000
Profit before taxation	208,960	157,921
Tax at the statutory tax rate of 16.5% (2019: 16.5%)	34,478	26,057
Over-provision in respect of prior years	(1,825)	(19)
Tax effect of non-taxable income	(53,231)	(16,743)
Tax effect of non-deductible expenses	36,587	8,098
Effect of different tax rates of companies operating in other jurisdictions	22	8
Tax effect of tax losses not recognised	19,546	6,683
Recognition of deferred tax assets on prior year tax losses	(7,879)	(5,355)
Others	5,636	2,529
Tax expense for the year at the Group's effective rate (2020: 16.0%; 2019: 13.5%)	33,334	21,258

11 DIVIDEND

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2020 HK$'000	2019 HK$'000
Final dividend proposed after the end of the reporting period of HK4 cents (2019: HK3 cents) per ordinary share	62,446	46,834

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2020 HK$'000	2019 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3 cents (2019: HK2 cents) per ordinary share	46,834	31,223

12 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).

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

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2020					
At 31 December 2019 and 1 January 2020:					
Cost	4,095	27,566	66,215	2,463	100,339
Accumulated depreciation	(3,106)	(27,389)	(57,607)	(2,463)	(90,565)
Net carrying amount	989	177	8,608	-	9,774
Opening net carrying amount	989	177	8,608	-	9,774
Additions	-	13,364	1,140	-	14,504
Depreciation provided during the year	(40)	(5,578)	(5,085)	-	(10,703)
Disposal:					
— Cost	-	(792)	(419)	-	(1,211)
— Accumulated depreciation	-	792	378	-	1,170
Closing net carrying amount	949	7,963	4,622	-	13,534
At 31 December 2020:					
Cost	4,095	40,138	66,936	2,463	113,632
Accumulated depreciation	(3,146)	(32,175)	(62,314)	(2,463)	(100,098)
Net carrying amount	949	7,963	4,622	-	13,534

13 PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2019					
At 31 December 2018 and 1 January 2019:					
Cost	4,095	27,521	60,424	2,463	94,503
Accumulated depreciation	(3,051)	(25,079)	(50,760)	(2,463)	(81,353)
Net carrying amount	1,044	2,442	9,664	–	13,150
Opening net carrying amount	1,044	2,442	9,664	–	13,150
Additions	–	45	5,790	–	5,835
Depreciation provided during the year	(55)	(2,310)	(6,846)	–	(9,211)
Disposal:					
— Cost	–	–	–	–	–
— Accumulated depreciation	–	–	–	–	–
Closing net carrying amount	989	177	8,608	–	9,774
At 31 December 2019:					
Cost	4,095	27,566	66,215	2,463	100,339
Accumulated depreciation	(3,106)	(27,389)	(57,607)	(2,463)	(90,565)
Net carrying amount	989	177	8,608	–	9,774

The Group's buildings included in property, plant and equipment with a net carrying amount of HK$949,000 (2019: HK$989,000) are situated in Hong Kong and are held under a long-term lease.

14 RIGHT-OF-USE ASSETS

The analysis of carrying amount:

	Properties and equipment leased for own use carried at cost HK$'000
Cost	
At 1 January 2019	19,083
Additions	64,787
Disposal	–
At 31 December 2019 and 1 January 2020	83,870
Additions	3,666
Disposals	(1,459)
At 31 December 2020	**86,077**
Accumulated depreciation:	
At 1 January 2019	**–**
Charge for the year	**(15,239)**
At 31 December 2019 and 1 January 2020	**(15,239)**
Charge for the year	**(33,485)**
Disposals	**766**
At 31 December 2020	**(47,958)**
Net book value:	
At 31 December 2020	**38,119**
At 31 December 2019	68,631

14 RIGHT-OF-USE ASSETS *(Cont'd)*

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 HK$'000	2019 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties leased for own use	33,258	15,030
Plant, machinery and equipment	227	209
	33,485	15,239
Interest on lease liabilities *(note 24(b))*	2,073	1,208
Expense relating to short-term leases and other leases with remaining lease term ended on or before 31 December 2019	1,973	16,116
Expense relating to low-value assets	1,413	–

During the year, additions to right-of-use assets were HK$3,666,000. This amount did not include the purchase of a leasehold property, and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 24(c), 29 and 32 respectively.

15 STOCK AND FUTURES EXCHANGE TRADING RIGHTS

	2020 HK$'000	2019 HK$'000
Cost and carrying amount as at 1 January and 31 December	4,212	4,212

16 OTHER ASSETS

	2020 HK$'000	2019 HK$'000
Deposits with exchanges and clearing houses	20,866	15,184
Unlisted club debentures	2,470	2,470
Other deposits and prepayments	7,251	19,471
	30,587	37,125

None of the above assets is either past due or impaired.

17 DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

	Losses available for offsetting against future taxable profits HK$'000	Deductible temporary differences HK$'000	Credit loss allowance HK$'000	Fair value movement of financial assets at FVOCI HK$'000	Total HK$'000
Deferred tax assets					
At 1 January 2019	4,589	35	–	–	4,624
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year *(note 10)*	(1,331)	4	2,093	–	766
At 31 December 2019 and 1 January 2020	**3,258**	**39**	**2,093**	**–**	**5,390**
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year *(note 10)*	**(3,258)**	**8**	**1,076**	**738**	**(1,436)**
At 31 December 2020	**–**	**47**	**3,169**	**738**	**3,954**

	Accelerated tax depreciation HK$'000
Deferred tax liabilities	
At 1 January 2019	943
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 10)*	70
At 31 December 2019 and 1 January 2020	**1,013**
Deferred tax credited to the consolidated statement of profit or loss during the year *(note 10)*	**(437)**
At 31 December 2020	**576**

17 DEFERRED TAX *(Cont'd)*

Other than the losses available for offsetting against future taxable profits for which deferred tax assets are recognised as at 31 December 2020, the Group has unrecognised tax losses arising in Hong Kong of HK$294,694,000 (2019: HK$215,390,000), subject to agreement by the Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is uncertain whether sufficient future taxable profits will be available from these group companies against which the tax losses can be utilised. At 31 December 2020, there was no significant unrecognised deferred tax liabilities (2019: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Financial assets at fair value through profit or loss		
Unlisted debt securities	3,359,978	2,185,835
Listed equities	238,515	–
Derivative financial instruments	13,641	–
Financial guarantee contract	6,197	–
Unlisted funds	–	3,660
	3,618,331	2,189,495

19 OTHER FINANCIAL ASSETS

(a) Other financial assets comprises:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Financial assets at fair value through other comprehensive income	303,620	599,356
Financial assets at amortised cost	1,529,068	535,942
	1,832,688	1,135,298

(b) Financial assets at fair value through other comprehensive income

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Unlisted debt securities, at fair value *(Note)*	303,620	599,356
	303,620	599,356

Note: The Group has reversed expected credit losses amounted to HK$4,675,000 in the statement of profit or loss during the year (for year ended 31 December 2019: recognised HK$10,541,000). As at 31 December 2020, allowance for expected credit losses amounted HK$5,866,000 (31 December 2019: HK$10,541,000) has been included in fair value reserve (recycling).

During the year, the loss in respect of changes in fair value of the Group's financial assets at fair value through other comprehensive income recognised in other comprehensive income amounted to approximately HK$8,960,000 (31 December 2019: gain of HK$13,206,000).

Movement in expected credit losses is as follows:

	For the year ended 31 December 2020 Expected credit loss				For the year ended 31 December 2019 Expected credit loss			
	Stage1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000	Stage1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
At 1 January	10,541	–	–	10,541	–	–	–	–
Impairment losses (credited)/charged to profit or loss	(4,675)	–	–	(4,675)	10,541	–	–	10,541
At 31 December	5,866	–	–	5,866	10,541	–	–	10,541

19 OTHER FINANCIAL ASSETS *(Cont'd)*

(c) Financial assets at amortised cost

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Unlisted debt investments	**1,548,274**	538,083
Less: Impairment loss on financial assets at amortised cost	**(19,206)**	(2,141)
	1,529,068	535,942

During the year, allowance for expected credit losses of HK$17,065,000 was recognised (for the year ended 31 December 2019: HK$2,141,000) in the statement of profit or loss.

Movement in expected credit losses is as follows:

	For the year ended 31 December 2020 Expected credit loss				For the year ended 31 December 2019 Expected credit loss			
	Stage1 HK$'000	**Stage 2 HK$'000**	**Stage 3 HK$'000**	**Total HK$'000**	Stage1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
At 1 January	**2,141**	**–**	**–**	**2,141**	–	–	–	–
Impairment losses charged to profit or loss	**17,065**	**–**	**–**	**17,065**	2,141	–	–	2,141
At 31 December	**19,206**	**–**	**–**	**19,206**	2,141	–	–	2,141

20 ACCOUNTS RECEIVABLE

(a) Accounts receivable comprise:

	31 December 2020 HK$'000	31 December 2019 HK$'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
	14,552	45,554
	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 FVPL		
Accounts receivable arising from securities dealing		
— Advances to cash clients	27,790	31,684
Total	2,014,818	1,691,210

20 ACCOUNTS RECEIVABLE *(Cont'd)*

(b) Ageing analysis of accounts receivable

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

	2020 HK$'000	2019 HK$'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
	1,410,615	968,575

The ageing of accounts receivable from clearing houses, brokers and dealers are within one month and are not past due. 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 houses 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. As at 31 December 2020, balances of HK$1,403,000 (2019: HK$108,000) were over 3 months past due, balance of HK$709,000 (2019: HK$375,000) were 1 to 3 months past due, balance of HK$70,000 (2019: HK$nil) were less than 1 month past due, and balances of HK$12,370,000 (2019: HK$45,071,000) were not past due.

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 the Hong Kong dollar prime rate (2019: with reference to the Hong Kong dollar prime rate). Advances to cash clients is covered by securities deposited with the Group of total market value HK$2,384,689,000 (2019: HK$1,702,267,000).

20 ACCOUNTS RECEIVABLE *(Cont'd)*

(b) Ageing analysis of accounts receivable *(Cont'd)*

The ageing analysis of the accounts receivable from cash clients and advances to cash clients that are not individually nor collectively considered to be impaired, i.e. based on the settlement date, is as follows:

	2020 HK$'000	2019 HK$'000
Not past due	**988,552**	936,891
Less than 1 month past due	**411,628**	14,664
1 to 3 months past due	**4,276**	10,250
Over 3 months past due	**6,159**	6,770
	1,410,615	968,575

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default and are covered by securities deposited with the Group.

Receivables that were past due but not impaired relate to a large number of diversified cash clients. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as they are covered by securities deposited with the Group and there has not been a significant change in credit quality. The balances are therefore considered to be fully recoverable.

21 LOANS AND ADVANCES

	2020 HK$'000	2019 HK$'000
Loans and advances to customers:		
— at FVPL	2,355,796	872,588
— at amortised cost	537,242	–
	2,893,038	872,588

Loan and advances represent loans and advances to margin clients amounted to HK$2,355,796,000 (2019: HK$872,588,000) which are stated at fair value at the reporting date, and IPO loan amounted to HK$537,242,000 (2019: HK$ Nil) which are stated at amortised cost.

Customers are required to provide collateral to the Group for the loans and advances granted. As at 31 December 2020, the total market value of the securities pledged by customers to the Group as collateral in respect of the above loans and advances to customers was HK$9,849,838,000 (2019: HK$4,881,646,000), of which a total market value of HK$Nil (2019: HK$ Nil) of such collateral was pledged with banks to secure the Group's utilised bank loans (note 28) and unutilised bank facilities as at 31 December 2020.

The Group is allowed to dispose of the collateral in settlement of the customers' obligation to maintain the agreed level of margin and any other liability of the customers due to the Group. The Group is allowed to deposit the collateral with an authorised institution as collateral for financial accommodation provided to the Group according to the applicable legislations and regulations.

In view of the fact that the Group's loans and advances relate to a large number of diversified customers, there is no significant concentration of credit risk. Loans and advances to margin clients of HK$2,355,796,000 (2019: HK$872,588,000) bear interest at interest rates mainly with reference to the Hong Kong dollar prime rate (2019: with reference to the Hong Kong dollar prime rate).

The Group's loans and advances to customers were repayable on demand at the end of the reporting period.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Prepayments	30,193	18,083
Deposits and other receivables	515,097	61,552
	545,290	79,635

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23 BANK BALANCES HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with authorized banks to hold clients' monies in accordance with the relevant legislation. The Group is allowed to retain some or all of the interest on the clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

As at 31 December 2020, allowance for expected credit losses of HK$335,000 was recognised (2019: HK$335,000) for bank balances held on behalf of clients.

24 CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

(a) Cash and bank balances:

As at 31 December 2020, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$47,597,000 (2019: HK$22,768,000).

Cash at bank balances earn interest at floating rates based on daily bank deposit rates. Short-term time deposit is made for one week, and earns interest at the respective short-term time deposit rates. The cash and bank balances are deposited with creditworthy banks with no recent history of default.

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities	Interest-bearing bank borrowings
	(Note 29)	*(Note 28)*
	HK$'000	HK$'000
At 1 January 2020	68,937	778,900
Changes from financing cash flows:		
Net proceeds from bank loans	–	3,494,633
Interest paid	–	(94,848)
Capital element of lease rentals paid	(33,020)	–
Interest element of lease rentals paid	(2,073)	–
	(35,093)	3,399,785
Other changes:		
Increase in lease liabilities from entering into new leases during the period	3,667	–
Disposal of fixed assets	(721)	–
Interest expenses	2,073	93,238
At 31 December 2020	38,863	4,271,923

24 CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION *(Cont'd)*

(b) Reconciliation of liabilities arising from financing activities *(Cont'd)*

	Lease liabilities *(Note 29)* HK$'000	Interest-bearing bank borrowings *(Note 28)* HK$'000
At 31 December 2018	–	469,920
Impact on initial application of HKFRS 16	19,059	–
At 1 January 2019	19,059	469,920
Changes from financing cash flows:		
Net proceeds from bank loans	–	316,141
Interest paid	–	(29,559)
Capital element of lease rentals paid	(14,908)	–
Interest element of lease rentals paid	(1,208)	–
	(16,116)	286,582
Other changes:		
Increase in lease liabilities from entering into new leases during the period	64,786	–
Interest expenses	1,208	22,398
At 31 December 2019	68,937	778,900

24 CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION *(Cont'd)*

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2020 HK$'000	2019 HK$'000
Within operating cash flows	–	–
Within investing cash flows	–	–
Within financing cash flows	35,093	16,116
	35,093	16,116

These amounts relate to the following:

	2020 HK$'000	2019 HK$'000
Lease rentals paid	35,093	16,116
Purchase of leasehold property	–	–
	35,093	16,116

25 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Structured notes issued	1,251,395	313,498
Short position in unlisted debt securities	72,452	15,873
Derivative financial instruments	67,848	–
	1,391,695	329,371

26 ACCOUNTS PAYABLE AND CONTRACT LIABILITIES

(a) Accounts payable

	2020 HK$'000	2019 HK$'000
Accounts payable		
— Clients	**5,997,234**	4,449,773
— Brokers and dealers	**187,285**	550,041
— Clearing houses	**75,097**	389
	6,259,616	5,000,203

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

(b) Contract liabilities

	31 December 2020 HK$'000	31 December 2019 HK$'000
Contract liabilities		
Corporate finance contracts		
— advance consideration received	**3,050**	1,558

Movements in contract liabilities

	2020 HK$'000	2019 HK$'000
Balance at 1 January	**1,558**	13,144
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**–**	(13,144)
Increase in contract liabilities as a result of advance consideration received from corporate finance contracts	**1,492**	1,558
Balance at 31 December	**3,050**	1,558

The amount of advance consideration received from corporate finance contracts is expected to be recognised as income within one year.

27 OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Other payables	25,624	27,930
Accruals	136,516	79,280
Interest in consolidated investment fund attributable to other holders	86,246	–
	248,386	107,210

Other payables are non interest-bearing and have an average term of within one year.

28 INTEREST-BEARING BANK BORROWINGS

	2020			2019		
	Effective interest rate	Maturity	HK$'000	Effective interest rate	Maturity	HK$'000
Current liabilities						
Bank loans	London Interbank Offered Rate ("LIBOR") + 1.5%	On demand	300,000	London Interbank Offered Rate ("LIBOR") + 1.5%	On demand	77,890
	One month LIBOR + 1.38%	On demand	250,000	One month LIBOR + 1.4%	On demand	701,010
	Cost of Funding + 1.1%	On demand	205,000			
	2%	On demand	535,000			
	LIBOR + 1.75%	On demand	2,981,923			
			4,271,923			778,900

	2020 HK$'000	2019 HK$'000
Analysed into:		
Bank loans repayable within one year or on demand	4,271,923	778,900

28 INTEREST-BEARING BANK BORROWINGS *(Cont'd)*

Notes:

(a) As at 31 December 2020, the Group's bank loans of HK$755,000,000 (2019: HK$778,900,000) were secured by corporate guarantee to banks by the Company.

As at 31 December 2020 and 2019, none of the Group's bank loans utilised was secured by the marketable securities pledged by customers to the Group.

The Company had guaranteed the Group's bank loans of HK$755,000,000 (2019: HK$778,900,000), up to HK$1,939,230,000 (2019: HK$3,082,195,000), as at 31 December 2020.

(b) Certain of the Group's unutilised banking facilities are secured by guarantees given by the Company.

(c) As at 31 December 2020, borrowings are denominated in United States dollars and Hong Kong dollars (2019: United States dollars).

(d) The carrying amounts of the Group's borrowings approximate to their fair values.

29 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2020		31 December 2019	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**25,786**	**26,761**	32,473	34,498
After 1 year but within 2 years	**13,077**	**13,289**	24,540	25,442
After 2 years but within 5 years	**–**	**–**	11,924	12,122
After 5 years	**–**	**–**	–	–
	13,077	**13,289**	36,464	37,564
	38,863	**40,050**	68,937	72,062
Less: total future interest expenses		**(1,187)**		(3,125)
Present value of lease liabilities		**38,863**		68,937
Represent:				
Current		**25,786**		32,473
Non-current		**13,077**		36,464
		38,863		68,937

30 SHARE CAPITAL

	2020 HK$'000	2019 HK$'000
Issued and fully paid:		
1,561,138,689 (2019: 1,561,138,689) ordinary shares	**2,782,477**	2,782,477

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK$'000
At 1 January 2019	796,138,689	1,200,457
Ordinary shares issued during the year	765,000,000	1,582,020
At 31 December 2019 and 1 January 2020 and 31 December 2020	1,561,138,689	2,782,477

31 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The Group's general reserve represents prior year appropriations of profits which are distributable to the shareholders.

32 COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to six years (2019: one to six years).

At 31 December 2020, capital commitment outstanding not provided for in the financial statements were as follow:

	2020 HK$'000	2019 HK$'000
Within one year	**937**	1,140
In the second to fifth years, inclusive	**–**	–
	937	1,140

At 31 December 2020, the Group did not have any other significant commitments (2019: Nil).

33 RELATED PARTY TRANSACTIONS

(a) Material related party transactions

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Note	**2020 HK$'000**	2019 HK$'000
Commission expenses for brokerage services in relation to the PRC capital markets paid to a wholly-owned subsidiary of the ultimate holding Company	*(i)*	**502**	410
Research fee for supporting services in relation to research paid to a subsidiary of the ultimate holding Company	*(ii)*	**9,700**	10,000
Consultancy fee for supporting services in relation to PRC market paid to the subsidiaries of the ultimate holding Company	*(iii)*	**3,866**	3,531
Consultancy fee for supporting services in relation to Hong Kong and overseas markets paid by a wholly-owned subsidiary of the ultimate holding Company	*(iv)*	**7,810**	10,257
Consultancy fee for supporting services in connection with corporate finance business paid to the subsidiary of ultimate holding Company	*(v)*	**41**	1,911
Transaction amount of principal-to-principal trading of financial product with a wholly-owned subsidiary of the ultimate holding Company	*(vi)*	**1,036,081**	22,431
		1,058,000	48,540

33 RELATED PARTY TRANSACTIONS *(Cont'd)*

(a) Material related party transactions *(Cont'd)*

Notes:

(i) The commission expenses paid to a wholly-owned subsidiary of the ultimate holding Company were calculated based on the prescribed percentage stated in the signed cooperation agreement for clients' transaction amount in Shenzhen and Shanghai B shares.

(ii) The research fee paid to a subsidiary of the ultimate holding Company was charged at a fixed amount in accordance with the signed agreement with reference to actual cost incurred.

(iii) The consultancy fee for supporting service in relation to PRC market paid to the subsidiaries of the ultimate holding Company was charged at a fixed amount in accordance with the signed agreement with reference to actual cost incurred.

(iv) The consultancy fee for supporting service in relation to Hong Kong and overseas markets paid by a wholly-owned subsidiary of the ultimate holding Company was calculated based on a fixed percentage of the relevant commission earned by the wholly-owned subsidiary of the ultimate holding Company. The amount is included in the accounts receivable balance as at 31 December 2020 and is unsecured, interest-free and repayable on demand.

(v) The consultancy fee for supporting services in connection with corporate finance business paid to the subsidiary of ultimate holding Company were charged at a fixed amount in accordance with the signed agreement with reference to actual cost incurred. The amount is included in the accounts payable balance as at 31 December 2020 and is unsecured, interest-free and repayable on demand.

(vi) The principal-to-principal transactions between the Shenwan Hongyuan Group Co., Limited and the Group include, but are not limited to, trading of debt securities on the primary and secondary debt markets, trading of structured products including, but are not limited to, interest rate-linked notes, Over-The-Counter derivatives, equity-linked notes and total return swaps. All principal-to-principal transactions will be conducted between the Shenwan Hongyuan Group Co., Limited (via Shenwan Hongyuan Securities Co., Limited) and the Group on the basis that the Group has a back-to-back demand from its clients of the same transactions.

(vii) Included in the accounts receivable balance as at 31 December 2020 was 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. This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.

(viii) Included in the other receivable balance as at 31 December 2020 was consultancy fee receivable due from a wholly-owned subsidiary of the ultimate holding Company of HK$9,899,000 (2019: HK$6,224,000) arising from supporting services relating to Hong Kong and overseas markets. This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.

(ix) 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.

33 RELATED PARTY TRANSACTIONS *(Cont'd)*

(a) Material related party transactions *(Cont'd)*

Notes: (Cont'd)

(x) Included in the other payables and accruals balance as at 31 December 2020 was a consultancy fee payable to a wholly-owned subsidiary of the ultimate holding Company of the Company of HK$11,845,000 (2019: HK$1,911,000) arising from supporting services for PRC market. This balance is unsecured, interest-free and payable on demand.

(xi) Included in the corporate finance business revenue was an underwriting and sponsorship fee earned from the ultimate holding Company of HK$nil (2019: HK$66,479,000) arising from underwriting services for IPO project in Hong Kong market, which charged based on prescribed allocation arrangement stated in the signed underwriting agreements for underwriting and other relevant services.

(xii) Included in the corporate finance business revenue was a placement brokerage fee earned from the ultimate holding Company of HK$nil (2019: HK$31,363,000) arising from placement services for IPO project in Hong Kong market, which was charged based on prescribed allocation arrangement stated in the agreed allocation agreements and a compliance advisory fee earned from the ultimate holding Company of HK$600,000 (2019: HK$408,000) arising from compliance advisory services for IPO project in Hong Kong market, which was charged at a fixed amount according to signed agreements.

(xiii) Included in the accounts receivable as at 31 December 2020 was consultancy fee receivable due from the ultimate holding Company of HK$nil (2019: HK$31,363,000) arising from underwriting services for IPO project in Hong Kong market, which charged based on prescribed allocation arrangement stated in the signed underwriting agreements for underwriting and other relevant services.

(xiv) Included in the accounts receivable as at 31 December 2020 was consultancy fee receivable due from the ultimate holding Company of HK$108,000 (2019: HK$108,000) arising from compliance advisory services forIPO project in Hong Kong market, which charged based on prescribed allocation arrangement stated in the signed underwriting agreements for underwriting and other relevant services.

(xv) Included in the other gains/(losses) was the gain on disposal of a subsidiary of the Company from a wholly-owned subsidiary of the ultimate holding company of the Company of HK$4,604,000 (2019: HK$nil).

(xvi) Included in the accounts receivable as at 31 December 2020 was receivable due from a wholly-owned subsidiary of the ultimate holding company of the Company of HK$4,459,000 (2019: HK$nil) arising from disposal of a subsidiary of the Company.

(xvii) Included in the brokerage business revenue was a commission rebate paid to a subsidiary of the ultimate holding company of the Company of HK$973,000 (2019: HK$nil), which charged at fixed percentage of commission income based on the signed agreement.

(xviii) 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.

33 RELATED PARTY TRANSACTIONS *(Cont'd)*

(b) Compensation of key management personnel of the Group:

	2020 HK$'000	2019 HK$'000 (Restated*)
Short-term employee benefits	67,742**	55,025
Post-employment benefits	3,475	2,131
	71,217	57,156

* The compensations for key management personnel were restated as the bonus was revised upon completion of evaluation of performance of key management personnel.

** The evaluation of the performance of the key management personnel has not yet been completed. Thus, the amount of short-term employee benefits not been determined and the final amount will be disclosed in due course.

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items (a)(i-vi) above also constitute continuing connected transactions to be disclosed in annual report as defined in Chapter 14A of the Listing Rules.

34 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

	Financial assets at fair value through other comprehensive income HK$'000	Financial assets mandatorily at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Financial assets				
Other assets	–	–	30,587	30,587
Other financial assets	303,620	–	1,529,068	1,832,688
Financial assets at fair value through profit or loss	–	3,618,331	–	3,618,331
Accounts receivable	–	27,790	1,987,028	2,014,818
Loans and advances	–	2,355,796	537,242	2,893,038
Financial assets included in prepayments, deposits and other receivables	–	–	515,097*	515,097*
Bank balances held on behalf of clients	–	–	4,756,813	4,756,813
Cash and bank balances	–	–	414,929	414,929
Obligation under repurchase agreement	–	–	89,025	89,025
	303,620	6,001,917	9,859,789	16,165,326

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Financial liabilities			
Accounts payable	–	6,259,616	6,259,616
Financial liabilities included in other payables and accruals	–	245,880*	245,880*
Interest-bearing bank borrowings	–	4,271,923	4,271,923
Financial liabilities at fair value through profit or loss	1,391,695	–	1,391,695
	1,391,695	10,777,419	12,169,114

* The balance of HK$30,193,000 and HK$2,506,000 which did not meet the definition of financial assets and liabilities respectively were excluded in this disclosure.

34 FINANCIAL INSTRUMENTS BY CATEGORY *(Cont'd)*

2019

	Financial assets at fair value through other comprehensive income HK$'000	Financial assets mandatorily at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Financial assets				
Other assets	–	–	37,125	37,125
Other financial assets	599,356	–	535,942	1,135,298
Financial assets at fair value through profit or loss	–	2,189,495	–	2,189,495
Accounts receivable	–	31,684	1,659,526	1,691,210
Loans and advances	–	872,588	–	872,588
Financial assets included in prepayments, deposits and other receivables	–	–	61,591*	61,591*
Bank balances held on behalf of clients	–	–	3,193,340	3,193,340
Cash and bank balances	–	–	937,597	937,597
	599,356	3,093,767	6,425,121	10,118,244

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Financial liabilities			
Accounts payable	–	5,000,203	5,000,203
Financial liabilities included in other payables and accruals	–	105,423*	105,423*
Interest-bearing bank borrowings	–	778,900	778,900
Financial liabilities at fair value through profit or loss	329,371	–	329,371
	329,371	5,884,526	6,213,897

* The balance of HK$18,044,000 and HK$1,787,000 which did not meet the definition of financial assets and liabilities respectively were excluded in this disclosure.

35 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group currently has a legally enforceable right to set off the Continuous Net Settlement ("CNS") money obligations receivable and trade payables with Hong Kong Securities Clearing Company Limited ("HKSCC"), which are included in "accounts receivable" and "accounts payable" as presented in the consolidated statement of financial position, respectively. It intends to settle on a net basis as accounts receivable from or accounts payable to the Stock Exchange. The net amount of CNS money obligations receivable or payable with HKSCC and guarantee fund placed in HKSCC do not meet the criteria for offsetting against each other in the financial statements and the Group does not intend to settle the balances on a net basis.

	As at 31 December 2020					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Assets						
Accounts receivable	2,352,833	(338,015)	2,014,818	-	-	2,014,818
Obligation under repurchase agreement	89,025	-	89,025	(89,025)	-	-

	As at 31 December 2020					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Liabilities						
Accounts payable	6,597,631	(338,015)	6,259,616	-	-	6,259,616

35 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Cont'd)*

	As at 31 December 2019					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Assets						
Accounts receivable	1,911,208	(219,998)	1,691,210	–	–	1,691,210

	As at 31 December 2019					
				Related amounts not set off in the consolidated statement of financial position		
	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Liabilities						
Accounts payable	5,220,201	(219,998)	5,000,203	–	–	5,000,203

36 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

The following tables present the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique (see note 2.5(b)).

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurement using			
	Level 1 (Unadjusted quoted prices in active markets) HK$'000	Level 2 (Significant observable inputs) HK$'000	Level 3 (Significant unobservable inputs) HK$'000	Total HK$'000
As at 31 December 2020				
Financial assets at fair value through profit or loss:				
Listed equities	238,515	–	–	238,515
Unlisted debt investments	–	3,283,518	76,460	3,359,978
Loans and advances	–	2,355,796	–	2,355,796
Derivative financial instruments	–	13,641	–	13,641
Advances to cash clients	–	27,790	–	27,790
Financial guarantee contracts	–	–	6,197	6,197
Financial assets at fair value through other comprehensive income:				
Unlisted debt investments	–	303,620	–	303,620
	238,515	5,984,365	82,657	6,305,537
Financial liabilities at fair value through profit or loss:				
Structured note issued	–	(1,251,395)	–	(1,251,395)
Short position in unlisted debt securities	–	(72,452)	–	(72,452)
Derivative financial instruments	–	(67,848)	–	(67,848)
	–	(1,391,695)	–	(1,391,695)

36 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Cont'd)*

(a) Fair value hierarchy *(Cont'd)*

	Fair value measurement using		
	Level 1 (Unadjusted quoted prices in active markets)	Level 2 (Significant observable inputs)	Total
	HK$'000	HK$'000	HK$'000
As at 31 December 2019			
Financial assets at fair value through profit or loss:			
Unlisted debt securities	273,626	1,912,209	2,185,835
Unlisted funds	3,660	–	3,660
Loans and advances to margin clients	–	872,588	872,588
Advances to cash clients	–	31,684	31,684
Financial assets at fair value through other comprehensive income:			
Unlisted debt securities	–	599,356	599,356
	277,286	3,415,837	3,693,123
Financial liabilities at fair value through profit or loss:			
Structured note issued	–	(313,498)	(313,498)
Short position in unlisted debt securities	–	(15,873)	(15,873)
	–	(329,371)	(329,371)

During the years ended 31 December 2020 and 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

(b) Valuation techniques and inputs used in Level 2 fair value measurements

The Group measures Level 2 fair values using the following method and there is no change to the valuation technique:

Level 2 — Valuation techniques based on observable input. This category includes unlisted debt investments and unlisted investment funds valued using:

— Quoted market prices in active market for similar instruments;

— Quoted prices for similar instruments in market that are considered less than frequent; or

— Other valuation techniques where all significant inputs are directly or indirectly observable from market data

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's operating segments include brokerage business, corporate finance business, asset management business, financing and loans business, investment business and other business.

The main risks arising from the Group's normal course of business and its financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's borrowings from banks during the year are for the provision of financing and loans to customers. The bank borrowings bear interest at interest rates with reference to the HIBOR whereas loans to customers bear interest at interest rates with reference to the Hong Kong dollar prime rate. As the Hong Kong dollar prime rate basically changes in line with the HIBOR, the Group's exposure to the risk of changes in market interest rates is minimal.

The following table demonstrates the sensitivity to a reasonably possible change in Hong Kong dollar interest rate, with all other variables held constant, of the Group's profit before taxation (through the impact on floating rate borrowings, interest-bearing accounts receivable, cash and bank balances, financial assets at FVOCI and loans and advances) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before taxation HK$'000	Increase/ (decrease) in equity* HK$'000
2020			
Hong Kong dollar	**25**	**159**	**759**
Hong Kong dollar	**(25)**	**(159)**	**(759)**
2019			
Hong Kong dollar	25	3,071	1,498
Hong Kong dollar	(25)	(3,071)	(1,498)

* Excluding retained profits

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Foreign currency risk

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 RMB. The pegged exchange rate between United States dollars and Hong Kong dollars kept the Group's exchange risk exposure to a minimum and thus, no hedging was required. Exchange gains and/or losses are dealt with in the consolidated statement of profit or loss. The Group has endeavored to closely monitor its foreign currency positions and take necessary measures when the situations so justify. The Group's revenue denominated in currencies other than Hong Kong dollars and United States dollars constituted approximately 3% (2019: 3%) of the total revenue.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before taxation and the Group's equity.

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before taxation HK$'000	Increase in equity* HK$'000
2020			
If the Hong Kong dollar weakens against the RMB	8	14,650	–
If the Hong Kong dollar strengthens against the RMB	(8)	(14,650)	–
2019			
If the Hong Kong dollar weakens against the RMB	8	4,846	–
If the Hong Kong dollar strengthens against the RMB	(8)	(4,846)	–

* Excluding retained profits

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Credit risk

The Group has put in place a well-established credit policy governing the granting of credit limit to customers. Customers are generally required to deposit their securities with the Group as collateral to their borrowings. The credit department is responsible for assisting the directors in formulating the credit policy of the Group, monitoring the credit risks of customers with reference to the realisable values of the collateral, managing the concentration of credit risk by customer and recommending measures to the directors for granting credit facilities which exceed the authority limit of the credit department. There are no significant concentrations of credit risk within the Groupas it relates to a large number of diversified customers.

The credit risk of the Group's financial assets, which comprise cash and bank balances, bank balances held on behalf of clients, investments in debt securities, other assets, deposits and other receivables, loans and advances and accounts receivable, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and loans and advances are disclosed in notes 20 and 21 to the financial statements, respectively.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Liquidity risk

There is a constant need of funding for the settlement of securities transactions and for the provision of financing and loans to the customers. The source of funding is either from the Group's own capital or borrowings from financial institutions, if necessary.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both of its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

The Group's borrowings from banks during the year are for the provision of financing and loans to customers for their purchases and continuous holding of securities. The maturity of bank borrowings of the Group ranges from overnight to within one year, where the borrowings are either rolled over or repaid by the Group's own funding. In addition, for those clients who are unable to settle their settlement obligations or margin deficits, the Group may dispose of the securities collateral pledged by the customers to the Group. The Group always ensures that the securities collateral pledged by customers is able to be realised in the market within a reasonable period of time.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand HK$'000	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
2020				
Accounts payable	**4,601,897***	**1,657,719**	**–**	**6,259,616**
Financial liabilities included in other payables and accruals	**–**	**245,880**	**–**	**245,880**
Interest-bearing bank borrowings	**4,275,256#**	**–**	**–**	**4,275,256#**
Financial liabilities at FVPL	**–**	**935,247**	**456,448**	**1,391,695**
	8,877,153	**2,838,846**	**456,448**	**12,172,447**
2019				
Accounts payable	3,444,126*	1,556,077	–	5,000,203
Financial liabilities included in other payables and accruals	–	105,423	–	105,423
Interest-bearing bank borrowings	779,830#	–	–	779,830#
Financial liabilities at FVPL	–	329,371	–	329,371
	4,223,956	1,990,871	–	6,214,827

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Liquidity risk *(Cont'd)*

* Balance includes bank balances held on behalf of clients under the current asset section of the consolidated statement of financial position of HK$4,756,813,000 (2019: HK$3,193,340,000).

\# Included in interest-bearing bank borrowings were certain of the Group's bank loans in the amount of HK$4,271,923,000 (2019: HK$778,900,000), of which the loan agreements contain repayment on demand clauses giving the banks the unconditional right to call in the loans at any time. Therefore, for the purpose of the above maturity profile, the amounts are classified as "on demand".

Had the banks not called in the loan, the scheduled repayment dates of interest-bearing bank borrowing were less than 1 year from the end of the reporting period (2019: less than 1 year from the end of the reporting period).

Price risk

Price risk is the risk that the fair values or future cash flows due to changes in market prices. The Group was exposed to price risk through its financial instruments at fair value through profit or loss (notes 18 and 25) and financial instruments at fair value through other comprehensive income (note 19) as at 31 December 2020.

The following table demonstrates the sensitivity to every 1% change in the fair values of the investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Increase/ (decrease) in fair value %	Increase/ (decrease) in profit before taxation HK$'000	Increase/ (decrease) in equity* HK$'000
2020			
Unlisted investments:			
Financial assets at fair value through profit or loss:			
— Unlisted debt investments	1	765	–
	(1)	(765)	–
— Financial guarantee contract	1	62	–
	(1)	(62)	–

* Excluding retained profits

** No disclosure for 2019 as there was no level 3 investment.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Certain subsidiaries of the Group are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a gearing ratio, which is interest-bearing bank borrowings divided by total equity. The gearing ratio is reviewed and assessed regularly by the board of directors. The gearing ratios as at the end of the reporting periods were as follows:

	2020 HK$'000	2019 HK$'000
Interest-bearing bank borrowings	4,271,923	778,900
Total equity	4,038,666	3,919,317
Gearing ratio	105.8%	19.9%

The increase in gearing ratio was attributable to the increased interest-bearing bank borrowing as the Group's strategy is to expand its business including wealth management and institutional service and trading.

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Non-current assets		
Other assets	1,247	9,258
Interests in subsidiaries	804,854	765,839
	806,101	775,097
Current assets		
Amount due from subsidiaries	6,102,909	3,706,023
Prepayments, deposits and other receivables	28,848	17,049
Tax recoverable	774	–
Cash and bank balances	51,164	8,791
Total current assets	6,183,695	3,731,863
Current liabilities		
Amount due to subsidiaries	792,652	797,519
Other payables and accruals	111,918	69,107
Tax payable	–	59
Interest-bearing bank borrowings	3,231,923	778,900
	4,136,493	1,645,585
Net current assets	2,047,202	2,086,278
NET ASSETS	2,853,303	2,861,375
EQUITY		
Share capital	2,782,477	2,782,477
Other reserves	70,826	78,898
TOTAL EQUITY	2,853,303	2,861,375

Approved and authorised for issue by the board of directors on 19 March 2021.

Fang Qingli
Director

Qiu Yizhou
Director

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Cont'd)*

A summary of the Company's reserves is as follows:

	General reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2019	656	37,705	38,361
Total comprehensive income for the year	–	71,760	71,760
Dividend paid	–	(31,223)	(31,223)
At 31 December 2019 and 1 January 2020	**656**	**78,242**	**78,898**
Total comprehensive income for the year	**–**	**38,762**	**38,762**
Dividend paid	**–**	**(46,834)**	**(46,834)**
At 31 December 2020	**656**	**70,170**	**70,826**

The Company's general reserve represents prior year appropriations of profits which are distributable to the shareholders.

39 COMPARATIVE FIGURES

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

KPMG

Independent auditor's report to the members of Shenwan Hongyuan (H.K.) Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Shenwan Hongyuan (H.K.) Limited ("theCompany") and its subsidiaries (together "the Group") set out on pages F-105 to F-197, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong FinancialReporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilitiesfor the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") andwe have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition — fee and commission income

Refer to note 5 to the consolidated financial statements and the accounting policies on page 115.

The Key Audit Matter	How the matter was addressed in our audit
Fee and commission income from the corporate finance business represented 28% of the total revenue of the Group for the year ended 31 December 2019. Fee and commission income from the corporate finance business was principally derived from initial public offering, placing, underwriting, sponsorship and financial advisory. Commission income from initial public offering, placing and underwriting are recognised whenthe obligations under the agreements have been fulfilled. Sponsorship fees and financial advisory fees are recognised when the corresponding service is provided. When the service arrangement cover a range of services to be provided over time, the determination of the timing and the proportion of recognition of fee and commission income can involve significant management judgement.	Our audit procedures to assess the recognition of fee and commission income from the corporate finance business included the following: • assessing the design, implementation and operating effectiveness of key internal controls relating to revenue recognition, including deal approval, invoicing and journal entry approval; • assessing the appropriateness of the recognition of revenue for a sample of specific revenue transactions recorded during the current year by: o inspecting the executed service agreements and evaluating whether revenue was recognised in accordance with the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards; o inspecting relevant documentation such as circulars issued by listed companies and correspondence with customers toassess whether the service has been performed and completed in accordance with the terms of the executed service agreements;

Revenue recognition — fee and commission income *(Cont'd)*

Refer to note 5 to the consolidated financial statements and the accounting policies on page 115.

The Key Audit Matter	How the matter was addressed in our audit
We identified the recognition of fee and commission income from the corporate finance business as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk that the timing of revenue could be manipulated to meet specific targets or expectations and because the timing of recognition of fee and commission income requires management judgement.	o where partial fees were recognised before project completion, making enquiries of the relevant business teams to understand the basis of partial fee recognition and assessing whether the related revenue was recognised in the appropriate accounting period in accordance with the Group's revenue recognition policies; • obtaining an analysis of fee and commission income from the corporate finance business recognised after the reporting date and inspecting relevant documentation, including circulars issued by listed companies and correspondence with customers, to assess whether any income should have been recognised in the current year; and • comparing details of journal entries raised during the current year which affected revenue from the corporate finance business with underlying documentation on a sample basis.

Assessment of the fair value of financial instruments

Refer to notes 18, 19, 25 and 36 to the consolidated financial statements and the accounting policies on pages 96 and 101.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2019 the fair value of the Group's financial assets and liabilities was HK$ 3,693 million and HK$ 329 million respectively of which HK$3,416 million and HK$329 million were classified as level 2 financial instruments respectively. The valuation of the Group's financial instruments, which are stated at their fair values, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. The Group used its own model and third party model to value certain level 2 financial instruments, which involves significant judgement. We identified assessment of the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in developing its own models and in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation and independent price verification for financial instruments; • evaluating the methodology adopted by management and assessing the reasonableness of the inputs and assumptions used by management in the valuations; • engaging our internal valuation specialists to perform, on a sample basis, independent valuations of certain level 2 financial instruments and comparing these valuations with the Group's valuations. Our independent valuations included developing models, obtaining inputs independently and verifying the inputs obtained independently; and

Refer to notes 18, 19, 25 and 36 to the consolidated financial statements and the accounting policies on pages 96 and 101.

The Key Audit Matter	How the matter was addressed in our audit
	• assessing whether the disclosures in the consolidated financial statements appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and our auditor's report thereon

The directors are responsible for the other information. The other information comprises all theinformation included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong CompaniesOrdinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of theseconsolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk ofnot detecting a material misstatement resulting from fraud is higher than for one resulting from error,as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Fong Hoi Wan.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December

(Expressed in Hong Kong dollars)

	Note	2019 HK$'000	2018 *(Note)* HK$'000
Revenue	*5*	**675,584**	519,619
— Interest income calculated using the effective interest method		**195,109**	67,275
— Revenue from contracts with customers within the scope of HKFRS 15		**359,111**	342,748
— Revenue from other sources		**121,364**	109,596
Other (losses)/gains, net	*5*	**(13,646)**	2,173
Commission expenses		**(65,063)**	(89,909)
Employee benefit expenses	*7*	**(249,944)**	(193,710)
Depreciation	*13,14*	**(24,450)**	(8,677)
Interest expenses	*7*	**(30,734)**	(11,433)
Other expenses, net	*6*	**(133,826)**	(116,431)
Profit before taxation	*7*	**157,921**	101,632
Income tax	*10*	**(21,258)**	(5,406)
Profit for the year		**136,663**	96,226
Attributable to:			
Ordinary equity holders of the Company		**136,664**	96,228
Non-controlling interests		**(1)**	(2)
Profit for the year		**136,663**	96,226
Earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted	*12*	**HK9.37 cents**	HK12.09 cents

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.3.

The notes on pages F-112 to F-197 form part of these financial statements.

(Expressed in Hong Kong dollars)

	2019 HK$'000	2018 *(Note)* HK$'000
Profit for the year	**136,663**	96,226
Other comprehensive income for the year:		
Item that may be reclassified to the consolidated statement of profit or loss in subsequent periods		
Financial assets at fair value through other comprehensive income — Net movement in fair value reserve (recycling)	**23,747**	–
Other comprehensive income, net of tax	**23,747**	–
Total comprehensive income for the year	**160,410**	96,226
Attributable to:		
Ordinary equity holders of the Company	**160,411**	96,228
Non-controlling interests	**(1)**	(2)
Total comprehensive income for the year	**160,410**	96,226

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.3.

The notes on pages F-112 to F-197 form part of these financial statements. Details of dividends payable toequity shareholders of the Company attributable to the profit for the year are set out in note 11.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December

(Expressed in Hong Kong dollars)

	Note	As at 31 December 2019 HK$'000	As at 31 December 2018 *(Note)* HK$'000
Non-current assets			
Property, plant and equipment	*13*	**9,774**	13,150
Stock and Futures Exchange trading rights	*15*	**4,212**	4,212
Other assets	*16*	**37,125**	22,922
Other financial assets	*19*	**1,135,298**	–
Right-of-use assets	*14*	**68,631**	–
Deferred tax assets	*17*	**5,390**	4,624
Total non-current assets		**1,260,430**	44,908
Current assets			
Investments at fair value through profit or loss	*18*	**2,189,495**	602,272
Accounts receivable	*20*	**1,691,210**	457,414
Other contract costs		**–**	5,000
Loans and advances	*21*	**872,588**	1,208,091
Prepayments, deposits and other receivables	*22*	**79,635**	37,277
Tax recoverable		**7,404**	8,674
Bank balances held on behalf of clients	*23*	**3,193,340**	4,879,449
Cash and bank balances	*24*	**937,597**	620,571
Total current assets		**8,971,269**	7,818,748
Current liabilities			
Financial liabilities at fair value through profit or loss	*25*	**329,371**	–
Accounts payable	*26*	**5,000,203**	5,082,122
Contract liabilities	*26*	**1,558**	13,144
Other payables and accruals	*27*	**107,210**	82,185
Interest-bearing bank borrowings	*28*	**778,900**	469,920
Lease liabilities	*29*	**32,473**	–
Tax payable		**25,190**	7,232
Total current liabilities		**6,274,905**	5,654,603
Net current assets		**2,696,364**	2,164,145
Total assets less current liabilities		**3,956,794**	2,209,053

	Note	As at 31 December 2019 HK$'000	As at 31 December 2018 *(Note)* HK$'000
Non-current liabilities			
Deferred tax liability	*17*	**1,013**	943
Lease liabilities	*29*	**36,464**	–
Total non-current liabilities		**37,477**	943
NET ASSETS		**3,919,317**	2,208,110
EQUITY			
Equity attributable to ordinary equity shareholders of the Company			
Share capital	*30*	**2,782,477**	1,200,457
Other reserves	*31*	**1,134,214**	1,005,026
		3,916,691	2,205,483
Non-controlling interests		**2,626**	2,627
TOTAL EQUITY		**3,919,317**	2,208,110

Approved and authorised for issue by the board of directors on 23 March 2020.

Chen Xiaosheng
Director

Qiu Yizhou
Director

The notes on pages F-112 to F-197 form part of these financial statements.

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.3.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

(Expressed in Hong Kong dollars)

	Note	Attributable to ordinary equity holders of the Company						Non-controlling interests	Total equity
		Share Capital (Note 30)	Capital reserve	General reserve	Revaluation reserve (Recycling)	Retained profits	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Note)	HK$'000	HK$'000	HK$'000
At 31 December 2017		1,200,457	15	138	–	960,284	2,160,894	2,629	2,163,523
Impact on initial application on HKFRS 15		–	–	–	–	(2,656)	(2,656)	–	(2,656)
Impact on initial application of HKFRS 9		–	–	–	–	(1,215)	(1,215)	–	(1,215)
Adjusted balance at 1 January 2018		1,200,457	15	138	–	956,413	2,157,023	2,629	2,159,652
Profit for the year		–	–	–	–	96,228	96,228	(2)	96,226
Final 2017 dividend declared and paid		–	–	–	–	(47,768)	(47,768)	–	(47,768)
At 31 December 2018		1,200,457	15	138	–	1,004,873	2,205,483	2,627	2,208,110
Profit for the year		–	–	–	–	136,664	136,664	(1)	136,663
Other comprehensive income:									
Financial assets at fair value through other comprehensive income — Net movement in fair value reserve (recycling)		–	–	–	23,747	–	23,747	–	23,747
Total comprehensive income		–	–	–	23,747	136,664	160,411	(1)	160,410
Issuance of new shares		1,582,020	–	–	–	–	1,582,020	–	1,582,020
Final 2018 dividend declared and paid	11	–	–	–	–	(31,223)	(31,223)	–	(31,223)
At 31 December 2019		2,782,477	15*	138*	23,747*	1,110,314*	3,916,691	2,626	3,919,317

* These reserve accounts comprise the other reserves of HK$1,134,214,000 (2018: HK$1,005,026,000) in the consolidated statement of financial position.

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.3.

The notes on pages F-112 to F-197 form part of these financial statements.

(Expressed in Hong Kong dollars)

	Note	2019 HK$'000	2018 *(Note)* HK$'000
Cash flows from operating activities			
Profit before taxation		157,921	101,632
Adjustments for:			
Depreciation	13,14	24,450	8,677
Interest income	5	(195,109)	(67,275)
Dividend income		(832)	(794)
Interest expenses		30,734	11,433
Charges for expected credit losses		14,719	956
Loss on disposal of property, plant and equipment		–	44
		31,883	54,673
(Increase)/decrease in other assets		(14,203)	8,304
Net increase in investments at fair value through profit or loss		(1,587,223)	(453,494)
Net increase in other financial assets		(1,131,361)	–
Net increase in financial liabilities at fair value through profit or loss		329,371	–
(Increase)/decrease in accounts receivable		(1,235,833)	219,699
Decrease in loans and advances		335,503	1,082,798
Increase in prepayments, deposits and other receivables		(12,486)	(5,327)
(Decrease)/increase in contract liabilities		(11,586)	9,964
Decrease/(increase) in other contract cost		5,000	(5,000)
Decrease/(increase) in bank balances held on behalf of clients		1,686,109	(814,562)
(Decrease)/increase in accounts payable		(81,919)	494,056
Increase/(decrease) in other payables and accruals		25,024	(3,902)
Cash (used in)/generated from operations		(1,661,721)	587,209
Hong Kong profits tax (paid)/refunded		(1,890)	3,336
Overseas taxes paid		(836)	(287)
Net cash flows (used in)/generated from operating activities		(1,664,447)	590,258

	Note	2019 HK$'000	2018 *(Note)* HK$'000
Cash flow from investing activities			
Purchases of property, plant and equipment	*13*	**(5,835)**	(4,735)
Interest received		**165,213**	61,078
Dividend received		**832**	794
Net cash flows generated from investing activities		**160,210**	57,137
Cash flows from financing activities			
Net proceeds from/(repayment to) bank loans	*24(b)*	**316,141**	(375,012)
Interest paid	*24(b)*	**(29,559)**	(11,501)
Dividend paid	*11*	**(31,223)**	(47,768)
Net proceeds from issuance of shares		**1,582,020**	–
Capital element of lease rentals paid	*24(b)*	**(14,908)**	–
Interest element of lease rentals paid	*24(b)*	**(1,208)**	–
Net cash flows generated from/(used in) financing activities		**1,821,263**	(434,281)
Net increase in cash and cash equivalents		**317,026**	213,114
Cash and cash equivalents at the beginning of year		**620,571**	407,457
Cash and cash equivalents at the end of year	*24(a)*	**937,597**	620,571

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.3.

The notes on pages F-112 to F-197 form part of these financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE AND GROUP INFORMATION

Shenwan Hongyuan (H.K.) Limited ("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.

During the year, Shenwan Hongyuan (H.K.) Limited and its subsidiaries (together "the Group") were involved in the following principal activities:

— brokerage business

— corporate finance business

— asset management business

— financing and loans business

— investment 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 Shenzhen Stock Exchange (stock code: 000166) and Hong Kong Stock Exchange (stock code: 6806).

Information about subsidiaries

All of the principal subsidiaries, unless otherwise indicated, are incorporated and operate in Hong Kong. Particulars of the Company's principal subsidiaries are as follows:

Name	Issued ordinary share capital/units	Percentage of equity attributable to the Company				Principal activities
		Direct		Indirect		
		2019	2018	2019	2018	
Shenwan Hongyuan Securities (H.K.) Limited	HK$700,000,000	100	100	–	–	Securities brokerage and margin financing
Shenwan Hongyuan Futures (H.K.) Limited	HK$30,000,000	100	100	–	–	Futures and options brokerage
Shenwan Hongyuan Capital (H.K.) Limited	HK$20,000,000	100	100	–	–	Corporate finance

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE AND GROUP INFORMATION *(Cont'd)*

Name	Issued ordinary share capital/units	Percentage of equity attributable to the Company: Direct 2019	Direct 2018	Indirect 2019	Indirect 2018	Principal activities
Shenwan Hongyuan Asset Management (Asia) Limited	HK$10,000,000	–	–	100	100	Provision of asset management services
Shenwan Hongyuan Research (H.K.) Limited	HK$300,000	100	100	–	–	Provision of securities research services
Shenwan Hongyuan Strategic Investments (H.K.) Limited	HK$10,000	100	100	–	–	Securities trading and investment holding
Shenwan Hongyuan Finance (H.K.) Limited	HK$25,000,000	100	100	–	–	Provision of financial services
Shenwan Hongyuan Enterprises (H.K.) Limited	HK$15,000,000	100	100	–	–	Provision of management and treasury services
Shenwan Hongyuan Online Limited	HK$2	100	100	–	–	Leasing of computer equipment
Shenwan Hongyuan Trading (H.K.) Limited	HK$375,000	100	100	–	–	Securities trading
Sparkle Well Limited	HK$2	100	100	–	–	Property holding
Wealthy Limited	HK$2	100	100	–	–	Property holding

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE AND GROUP INFORMATION *(Cont'd)*

Name	Issued ordinary share capital/units	Percentage of equity attributable to the Company				Principal activities
		Dir ct		Indirect		
		2019	2018	2019	2018	
Shenwan Hongyuan (Asia) Limited	HK$2	100	100	–	–	Investment holding
First Million Holdings Ltd*	US$1	100	100	–	–	Investment holding
Crux Assets Limited*	US$1	–	–	100	100	Investment holding
Shenwan Hongyuan Financial Products Company Limited (formerly known as "Polymax Assets Limited")*	US$1	100	100	–	–	Financing services
Shenwan Hongyuan Nominees (H.K.) Limited	HK$1,000	–	–	100	100	Provision of share custodian and nominee services
Shenyin Wanguo Online Broker (H.K.) Limited	HK$10,000,000	60	60	–	–	Dormant
Shenwan Hongyuan Singapore Private Limited#	SG$2,500,000	–	–	100	100	Securities brokerage

* Incorporated in the British Virgin Islands

\# Incorporated in the Republic of Singapore

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. The financial statements not audited by KPMG reflect total net assets and total profit before taxation constituting approximately 1.13% and 2.32% (2018: 1.9% and 10.6%) of consolidated totals.

2.1 STATEMENT OF COMPLIANCE

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 requirements of the 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 ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out in note 2.5.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2.3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2.2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except the following assets are stated at their fair value as explained in the accounting policies set out below.

— Investments at fair value through profit or loss (see note 2.5(g))

— Loans and advances (see note 2.5(g))

— Advances to cash clients (see note 2.5(g))

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects bothcurrent and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2.3 CHANGES IN ACCOUNTING POLICY

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective forthe current accounting period.

HKFRS 16, *Leases*

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

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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

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

a. New definition of a lease

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

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leasesunder HKFRS 16 and contracts previously assessed as non-lease service arrangements continueto be accounted for as executory contracts.

2.3 CHANGES IN ACCOUNTING POLICY *(Cont'd)*

b. Lessee accounting and transitional impact

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

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining leasepayments was 4.0%.

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

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

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

2.3 CHANGES IN ACCOUNTING POLICY *(Cont'd)*

b. Lessee accounting and transitional impact *(Cont'd)*

The following table reconciles the operating lease commitments as disclosed in note 32 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 HK$'000
Operating lease commitments at 31 December 2018	82,857
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(63,047)
	19,810
Less: total future interest expenses	(751)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	19,059

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

2.3 CHANGES IN ACCOUNTING POLICY *(Cont'd)*

b. Lessee accounting and transitional impact *(Cont'd)*

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

	Carrying amount at 31 December 2018 HK$'000	Capitalisation of operating lease contracts HK$'000	**Carrying amount at 1 January 2019 HK$'000**
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Right-of-use assets	–	19,083	**19,083**
Total non-current assets	44,908	19,083	**63,991**
Prepayments, deposits and other receivables	37,277	(24)	**37,253**
Current assets	7,818,748	(24)	**7,818,724**
Lease liabilities	–	8,564	**8,564**
Current liabilities	5,654,603	8,564	**5,663,167**
Net current assets	2,164,145	(8,588)	**2,155,557**
Total assets less current liabilities	2,209,053	10,495	**2,219,548**
Lease liabilities	–	10,495	**10,495**
Total non-current liabilities	943	10,495	**11,438**
Net assets	2,208,110	–	**2,208,110**

2.3 CHANGES IN ACCOUNTING POLICY *(Cont'd)*

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 hadbeen applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 29). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case foroperating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 24(b)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A) HK$'000	Add back: HKFRS 16 depreciation and interest expense (B) HK$'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C) HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Depreciation	(24,450)	15,239	-	(9,211)	(8,677)
Interest expenses	(30,734)	1,208	-	(29,526)	(11,433)
Other expenses	(133,826)	-	16,116	(149,942)	(116,431)
Profit before taxation	157,921	16,447	16,116	158,252	101,632

2.3 CHANGES IN ACCOUNTING POLICY *(Cont'd)*

c. Impact on the financial result, segment results and cash flows of the Group *(Cont'd)*

	2019			2018
	Amounts reported under HKFRS 16 (A) HK$'000	Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B) HK$'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) HK$'000	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash (used in)/generated from operations	(1,661,721)	(16,116)	(1,677,837)	587,209
Net cash (used in)/generated from operating activities	(1,664,447)	(16,116)	(1,680,563)	590,258
Capital element of lease rentals paid	(14,908)	14,908	–	–
Interest element of lease rentals paid	(1,208)	1,208	–	–
Net cash generated from/(used in) financing activities	239,243	16,116	255,359	(434,281)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

2.4 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIvE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of theconsolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensiveincome for the year between non-controlling interests and the equity shareholders of the Company.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(a) Subsidiaries and non-controlling interests *(Cont'd)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2.5(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2.5(h)).

(b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by sellingit to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(b) Fair value measurement *(Cont'd)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy with reference to the observability and significance of the inputs that are used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs

For assets and liabilities that are measured at fair value and recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurredbetween levels in the hierarchy by reassessing categorisation at the end of each reporting period.

(c) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of theasset as a replacement. Where significant parts of property, plant and equipment are requiredto be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

—	Buildings	4%
—	Leasehold improvements	Over the lease terms
—	Furniture, fixtures and equipment	15%–33$^{1}/_{3}$%
—	Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(e) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible assets, which consist of the Stock and Futures Exchange trading rights, being the eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited with indefinite useful lives, are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of the Stock and Futures Exchange trading rights is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(f) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(f) Leases *(Cont'd)*

(A) Policy applicable from 1 January 2019

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised asan expense on a systematic basis over the lease term.

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs todismantle and remove the underlying asset or to restore the underlying asset or the site onwhich it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2.5(h)).

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(f) Leases *(Cont'd)*

(B) Policy applicable prior to 1 January 2019

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, were accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset was capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, were included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases were charged to the consolidated statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership are not transferred to the leasee were accounted for as operating leases. Where the Group was the lessee, rentals payable under operating leases net of any incentives received from the lessor werecharged to the statement of profit or loss on the straight-line basis over the lease terms.

(g) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Group classifies its financial assets into the following measurement categories: amortised cost; fair value through other comprehensive income (FVOCI); and fair value through profit or loss (FVPL). When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss for which transaction costs are recognised directly in profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

All financial liabilities are recognised initially at its fair value net of directly attributable transaction costs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(g) Financial assets and financial liabilities *(Cont'd)*

(ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVPL.

Financial asset measured at amortised cost or at FVOCI

A financial asset is measured at amortised cost if it has contractual terms that give rise to cash flows that are solely payments of principal and interest ("SPP characteristics"). Principal is the fair value of the financial asset at initial recognition but this may changeover the life of the instrument as amounts are repaid. Interest consists of consideration forthe time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as wellas profit margin.

Whether financial assets are held at amortised cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Group manages financial assets to generate cash flows. The Group makes an assessment of the objective of a business model in which an asset is held at a portfoliolevel because this best reflects the way the business is managed and information is provided to management. The information considered includes:

— how the performance of the portfolio is evaluated and reported to the Group's management;

— the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

— how managers of the business are compensated (e.g. whether compensation isbased on the fair value of the assets managed or the contractual cash flows collected); and

— the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets which have SPPI characteristics and that are held within a businessmodel whose objective is to hold financial assets to collect contractual cash flows ("holdto collect") are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold to collect and sell") are classified as held at FVOCI.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(g) Financial assets and financial liabilities *(Cont'd)*

(ii) Classification (Cont'd)

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

— contingent events that would change the amount and timing of cash flows;

— leverage features;

— prepayment and extension terms;

— terms that limit the Group's claim to cash flows from specified assets; and

— features that modify consideration of the time value of money (e.g. periodical reset of interest rate).

Financial asset measured at FVPL

Financial assets which are not held at amortised cost or not held at fair value through other comprehensive income are held at fair value through profit or loss. Financial assets and financial liabilities held at fair value through profit or loss are either mandatorily classified as fair value through profit or loss or irrevocably designated at fair valuethrough profit or loss at initial recognition.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(g) Financial assets and financial liabilities *(Cont'd)*

(ii) Classification (Cont'd)

Financial asset measured at FVPL *(Cont'd)*

Financial assets and financial liabilities which are mandatorily held at fair value through profit or loss are split between two sub-categories as follows:

— Trading, including financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short-term and derivatives.

— Non-trading mandatorily at fair value through profit or loss, including instruments (other than trading or derivatives) in a business which has a fair value business model, hybrid financial assets that contain one or more embedded derivatives,financial asset that would otherwise be measured at amortised cost of FVOCI but which do not have SPPI characteristics and equity instruments that have not been designated as held at FVOCI.

Financial assets and financial liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis.

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

The Group's financial liabilities include accounts payable, other payables and certainaccruals and interest-bearing bank borrowings. The Group classified its financial liabilities as subsequently measured at amortised cost.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(g) Financial assets and financial liabilities *(Cont'd)*

(iii) Subsequent measurement

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the net trading income line in the income statement unless the instrument is part of a cash flow hedging relationship. Contractual interest income on financial assets held at fair value through profit or loss is recognised as interest income in the income statement.

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership ofthe financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of thefinancial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and- repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises a financial liability when its contractual obligations are discharged or expired.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(h) Credit losses and impairment of assets

(i) Credit losses from financial assets measured at amortised cost and FVOCI

Expected credit losses (ECLs) are determined for all financial instruments that are classified at amortised cost or at FVOCI, undrawn commitments and financial guarantees. Financial assets measured at FVPL are not subject to the ECL assessment. The Group recognises a loss allowances for ECL on accounts receivable, except for advances to cash clients, which are measured at fair value through profit or loss.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— lease receivables: discount rate used in the measurement of the lease receivable; and

— loan commitments: current risk-free rate adjusted for risks specific to the cash flows

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into accounts reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(h) Credit losses and impairment of assets *(Cont'd)*

(i) Credit losses from financial assets measured at amortised cost and FVOCI (Cont'd)

Measurement of ECLs *(Cont'd)*

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Loss allowances for accounts receivable arising from corporate finance, advisory and other services are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(h) Credit losses and impairment of assets *(Cont'd)*

(i) Credit losses from financial assets measured at amortised cost and FVOCI (Cont'd)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is past due over 90 days. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis.When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit riskratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI and accumulated in the fair value reserve (recycling).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(h) Credit losses and impairment of assets *(Cont'd)*

(i) Credit losses from financial assets measured at amortised cost and FVOCI (Cont'd)

Basis of calculation of interest income

Interest income recognised in accordance with note 2.5(q) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(h) Credit losses and impairment of assets *(Cont'd)*

(i) Impairment of other non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— intangible assets (other than goodwill); and

— investments in subsidiaries, in Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— **Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— **Recognition of impairment losses**

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(h) Credit losses and impairment of assets *(Cont'd)*

(ii) Impairment of other non-financial assets (Cont'd)

— **Reversals of impairment losses**

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as property, plant and equipment or intangible assets.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, commission expense). Other costs of fulfilling a contract, which are not capitalised as property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contractcost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set outin note 2.5(q).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.5(q)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2.5(h) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2.5(q)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2.5(q)).

(k) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(l) Accounts and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2.5(j)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2.5(h)).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(m) Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and bank balances comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2.5(h)(i).

(n) Bank balances held on behalf of clients

The Group has classified clients' monies as bank balances held on behalf of clients under the current assets section of the consolidated statement of financial position and recognised a corresponding accounts payable to respective clients on grounds that the Group is liable for any loss or misappropriation of clients' monies. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2.5(h)(i).

(o) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(p) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

— when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

— when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(p) Income tax *(Cont'd)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(q) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services.

Revenue is recognised when control over service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Where the contract contains a variable consideration, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer and includes in the transaction price some or all of the variable consideration estimated, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(q) Revenue and other income *(Cont'd)*

Further details of the Group's revenue and other income recognition policies are as follows:

(a) Brokerage business income

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

(b) Corporate finance business income

(i) Underwriting fee income

Underwriting fee income is recognised when the Group has fulfilled its obligations under the underwriting contract.

(ii) Sponsorship fee income and financial and compliance advisory fee income

Depending on the nature and the contract terms, the income is recognised progressively over time using a method that depicts the Group's performance, or at a point in time when the advisory service is completed.

(c) Asset management fee income

Asset management fee income includes periodic management fees calculated based on assets under management and performance-based fees. The income is recognised progressively over time using a method that depicts the Group's performance, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

(d) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2.5(h)(i)).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(q) Revenue and other income *(Cont'd)*

(e) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(f) Investment income

Investment income including realised fair value gains or losses on listed and unlisted investments trading, on a trade date basis and unrealised fair value gains or losses on changes in fair value at the end of the reporting period.

(g) Other income

Other income is recognised on an accrual basis.

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost usingthe effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs.

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. The Group also retains its previous retirement scheme (the "ORSO Scheme") registered under the Occupational Retirement Scheme Ordinance as a top-up benefit for its employees.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(s) Employee benefits *(Cont'd)*

(i) Short-term employee benefits and contributions to defined contribution retirement plans (Cont'd)

Contributions are made based on a percentage of the employees' relevant income or basic salaries, whichever is greater, and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme and the ORSO Scheme. For the ORSO Scheme, when the contribution exceeds the statutory maximum requirements, the excess contribution is credited as the employer's voluntary contribution to the ORSO Scheme. The employer's mandatory contributions to the MPF Scheme vest fully with the employees when contributed into the MPF Scheme. The employer's voluntary contributions to the ORSO Scheme vest with the employees according to the vesting scale of the ORSO Scheme. Forfeited contributions in respect of employees who leave the Group before their contributions fully vest are available to the Group to offset its future voluntary contributions.

The assets of the MPF Scheme and the ORSO Scheme are held separately from those of the Group in independently administered funds.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency anditems included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

The functional currencies of the overseas subsidiaries are determined as Hong Kong dollar and Renminbi.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(t) Foreign currencies *(Cont'd)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at ruling at the transaction dates. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in othercomprehensive income or profit or loss, respectively).

When the functional currencies of overseas subsidiaries are currencies other than the Hong Kong dollar, as at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's mostsenior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the natureof the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 SIGNIFICANT JUDGEMENT AND ACCOUNTING ESTIMATES

The preparation of the Group's financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affectedin the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Determining the lease term

As explained in policy note 2.5(f), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

Provision for impairment loss of financial assets measured at amortised cost and at FVOCI

In determining expected credit loss for financial assets measured at amortised cost and FVOCI, the most significant judgements relate to defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. A high degree of uncertainty is involved in making estimations using assumptions that are highly subjective and very sensitive to the risk factors. Management reviews the provision on a regular basis.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has five reportable operating segments as follows:

(a) Enterprise finance;

(b) Personal finance and wealth management;

(c) Institutional services and trading;

(d) Investment management; and

(e) Others.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax.

4 OPERATING SEGMENT INFORMATION *(Cont'd)*

	Enterprise finance						
	Corporate finance HK$'000	Principal investment HK$'000	Personal finance and wealth management HK$'000	Institutional services and trading HK$'000	Investment management HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2019							
Segment revenue from external customers and other losses	**152,252**	**5,812**	**213,857**	**282,266**	**21,397**	**(13,646)**	**661,938**
Segment results and profit/(loss) before tax	**26,809**	**2,818**	**37,040**	**103,627**	**1,273**	**(13,646)**	**157,921**
Other segment information:							
Interest expenses	**–**	**–**	**30,734**	**–**	**–**	**–**	**30,734**
Depreciation expenses	**3,687**	**348**	**6,326**	**13,535**	**554**	**–**	**24,450**
Capital expenditure	**1,254**	**48**	**1,907**	**2,428**	**198**	**–**	**5,835**

	Enterprise finance						
	Corporate finance HK$'000	Principal investment HK$'000	Personal finance and wealth management HK$'000	Institutional services and trading HK$'000	Investment management HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2018							
Segment revenue from external customers and other gains	76,146	(6,812)	287,245	122,195	40,845	2,173	521,792
Segment results and profit/(loss) before tax	10,078	(8,217)	71,103	23,109	3,386	2,173	101,632
Other segment information:							
Interest expenses	–	–	11,433	–	–	–	11,433
Depreciation expenses	1,006	–	4,778	2,307	586	–	8,677
Capital expenditure	683	44	2,656	929	423	–	4,735

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.3.

4 OPERATING SEGMENT INFORMATION *(Cont'd)*

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.

Information about major customers

As the revenue from sales of goods or rendering of services attributable to the 5 largest customers combined is less than 30% of the Group's total revenue during the year, no information about major customers is presented.

5 REVENUE AND OTHER GAINS, NET

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

(a) Disaggregation of revenue and other gains, net

	2019 HK$'000	2018 (restated) HK$'000
Fee and commission income:		
Revenue from contracts with customers within the scope of HKFRS 15:		
Commission on securities dealing		
— Hong Kong securities	**91,513**	151,024
— Other than Hong Kong securities	**26,900**	32,755
Commission on futures and options contracts dealing	**13,968**	18,581
Initial public offering, placing, underwriting and sub-underwriting commission	**163,665**	54,399
Financial advisory, compliance advisory, sponsorship fee income and others	**28,135**	21,747
Management fee, investment advisory fee income and performance fee income	**21,397**	40,845
Handling fee income	**5,311**	10,613
Research fee income and other service fee income	**8,222**	12,784
	359,111	342,748
Income from interest-bearing transactions:		
Interest income calculated using the effective interest method:		
Interest income from banks and others	**73,558**	67,275
Revenue from other sources:		
Interest income from loans to cash clients and margin clients	**76,439**	114,374
Interest income from initial public offering loans	**6,223**	4,979
Interest income from structured products	**2,674**	–
Unrealised fair value losses on margin loans	**(7,775)**	–
	151,119	186,628

5 REVENUE AND OTHER GAINS, NET *(Cont'd)*

(a) Disaggregation of revenue and other gains, net *(Cont'd)*

	2019 HK$'000	2018 (restated) HK$'000
Income from investment business:		
Interest income calculated using the effective interest method:		
Interest income		
— Unlisted investments	121,551	–
Revenue from other sources:		
Net realised and unrealised gains/(losses) on financial instruments:		
— Listed investments	2,475	(1,541)
— Unlisted investments	2,403	(14,067)
Dividend income and interest income:		
— Listed investments	–	235
— Unlisted investments	38,925	5,616
	165,354	(9,757)
	675,584	519,619
Other (losses)/gains, net:		
Exchange (losses)/gains, net	(13,646)	2,217
Loss on disposal of property, plant and equipment	–	(44)
	(13,646)	2,173

Note: Information relating to comparative periods has been restated to align with the presentation of the ultimate holding company.

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of HKFRS 15. For corporate finance business contracts in existence as at 31 December 2019, the Group will recognise the expected revenue in future when the remaining performance obligations under the contracts are satisfied (see note 2.5(q)). All of these contracts had an original expected duration of one year or less.

6 OTHER EXPENSES

The Group's other expenses comprise the followings:

	2019 HK$'000	2018 HK$'000
Rent and rates	25,341	33,619
System expenses and maintenance	32,047	28,244
Office utilities expenses	9,354	8,900
Research expenses	10,000	3,695
General office expenses	4,502	7,589
Legal and professional fee	7,173	7,413
Travelling and transportation fee	7,337	5,012
Public relation and entertainment fee	5,498	4,601
Clearing house and custody fee	3,511	3,792
Repair and maintenance expense	2,214	2,839
Introduction and advisory fee	2,422	1,500
Charges for expected credit losses	14,719	956
Others	9,708	8,271
	133,826	116,431

7 PROFIT BEFORE TAXATION

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

	2019 HK$'000	2018 HK$'000
Employee benefit expenses (including directors' emoluments — note 8):		
Salaries and other staff costs	**240,703**	185,213
Retirement benefit scheme contributions	**10,722**	9,776
Less: Forfeited contributions	**(1,481)**	(1,279)
Net retirement benefit scheme contributions*	**9,241**	8,497
	249,944	193,710
Interest expenses on loans and overdrafts wholly repayable within five years	**22,398**	11,433
Interest on lease liabilities	**1,208**	–
Interest expense on financial liabilities at FVPL	**7,128**	–
Total minimum lease payments for leases previously classified as operating lease under HKAS 17^	**–**	29,297
Auditors' remuneration	**2,080**	1,961

* At 31 December 2019, no forfeited contributions (2018: HK$13,000) was included in prepayment, deposits and other receivables in the consolidated statement of financial position which is available to reduce the Group's contributions to the retirement benefit schemes in future.

^ The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lesseeis required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.3.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 HK$'000	2018 HK$'000 (Restated)
Fees	**540**	525
Other emoluments:		
Salaries, allowances and benefits in kind	**6,048****	7,890*
Retirement benefit scheme contributions	**–**	–
	6,048	7,890
	6,588	8,415

* The amount in 2018 was restated upon completion of evaluation of the performance of the Executive Directors in 2019.

** The evaluation of the performance of the Executive Directors has not yet been completed. Thus, the amount of salaries, allowances and benefits in kind has not been determined and the final amount will be disclosed in due course.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2019 HK$'000	2018 HK$'000
Ng Wing Hang Patrick	**180**	180
Kwok Lam Kwong Larry	**180**	180
Zhuo Fumin (retired on 4 September 2018)	**–**	135
Chen Liqiang (appointed on 28 November 2018)	**180**	30
	540	525

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

8 DIRECTORS' EMOLUMENTS *(Cont'd)*

(b) Executive directors and non-executive directors

The emoluments paid to executive directors and non-executive director during the year was as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
2019				
Executive directors:				
Zhu Minjie (resigned on 10 August 2019)	–	–	–	–
Chen Xiaosheng	–	–	–	–
Guo Chun	–	3,048**	–	3,048
Qiu Yizhou	–	3,000**	–	3,000
Zhang Jian	–	–	–	–
Wu Meng (appointed on 10 August 2019)	–	–	–	–
	–	6,048	–	6,048
Non-executive director:				
Zhang Lei	–	–	–	–
	–	6,048	–	6,048

** The evaluation of the performance of the Executive Directors has not yet been completed. Thus, the amount of salaries, allowances and benefits in kind has not been determined and the final amount will be disclosed in due course.

8 DIRECTORS' EMOLUMENTS *(Cont'd)*

(b) Executive directors and non-executive directors *(Cont'd)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total emoluments HK$'000
2018 *(Restated)*				
Executive directors:				
Zhu Minjie	–	–	–	–
Chen Xiaosheng	–	–	–	–
Guo Chun	–	3,923*	–	3,923
Qiu Yizhou	–	3,967*	–	3,967
Zhang Jian (appointed on 28 November 2018)	–	–	–	–
	–	7,890	–	7,890
Non-executive director:				
Zhang Lei	–	–	–	–
	–	7,890	–	7,890

* The amount in 2018 was restated upon completion of evaluation of the performance of the Executive Directors in 2019.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2018: two directors), details of whose emoluments are set out in note 8 above. Details of the remuneration for the year of the remaining four (2018: three) non-directors, highest paid employees are as follows:

	2019 HK$'000	2018 (Restated) HK$'000
Salaries, allowances and benefits in kind	10,598	7,713
Bonuses	4,112**	4,387*
Retirement benefit scheme contributions	877	511
	15,587	12,611

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees*	
	2019	2018 (Restated)
HK$2,500,001 to HK$3,000,000	–	1
HK$3,000,001 to HK$3,500,000	1	–
HK$3,500,001 to HK$4,000,000	2	–
HK$4,000,001 to HK$4,500,000	–	–
HK$4,500,001 to HK$5,000,000	–	1
HK$5,000,001 to HK$5,500,000	1	1
	4	3

* The amount in 2018 was restated upon completion of evaluation of the performance of the employees in 2019.

** The evaluation of the performance of the employees has not yet been completed. Thus, the amount of bonuses has not been determined and the final amount will be disclosed in due course.

10 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	2019 HK$'000	2018 HK$'000
Current tax — Hong Kong Profits tax		
Provision for the year	20,969	5,415
(Over-)/under-provision in respect of prior years	(19)	110
	20,950	5,525
Current tax — Elsewhere	1,004	82
Deferred tax *(note 17)*	(696)	(201)
	21,258	5,406

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

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

A reconciliation of the tax expense applicable to profit before taxation at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense for the year at the effective tax rate is as follows:

	2019 HK$'000	2018 HK$'000
Profit before taxation	157,921	101,632
Tax at the statutory tax rate of 16.5% (2018: 16.5%)	26,057	16,769
(Over)/under provision in respect of prior years	(19)	110
Tax effect of non-taxable income	(16,743)	(19,773)
Tax effect of non-deductible expenses	8,098	6,983
Effect of different tax rates of companies operating in other jurisdictions	8	103
Tax effect of unused tax losses not recognised	1,328	351
Others	2,529	863
Tax expense for the year at the Group's effective rate (2019: 13.5%; 2018: 5.3%)	21,258	5,406

11 DIVIDEND

	2019 HK$'000	2018 HK$'000
Proposed final — HK3 cents (2018: HK2 cents) per ordinary share	**46,834**	31,223

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and has not been recognised as a liability at the end of the reporting period.

12 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The Group had no potentially dilutive ordinary shares in issue during those years. As at 31 December 2019, the total number of the issued ordinary shares was 1,561,138,689 shares (2018: 796,138,689 shares).

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

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2019					
At 31 December 2018 and 1 January 2019:					
Cost	4,095	27,521	60,424	2,463	94,503
Accumulated depreciation	(3,051)	(25,079)	(50,760)	(2,463)	(81,353)
Net carrying amount	1,044	2,442	9,664	–	13,150
Opening net carrying amount	1,044	2,442	9,664	–	13,150
Additions	–	45	5,790	–	5,835
Depreciation provided during the year	(55)	(2,310)	(6,846)	–	(9,211)
Disposal:					
— Cost	–	–	–	–	–
— Accumulated depreciation	–	–	–	–	–
Closing net carrying amount	989	177	8,608	–	9,774
At 31 December 2019:					
Cost	4,095	27,566	66,215	2,463	100,339
Accumulated depreciation	(3,106)	(27,389)	(57,607)	(2,463)	(90,565)
Net carrying amount	989	177	8,608	–	9,774

13 PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2018					
At 31 December 2017 and 1 January 2018:					
Cost	4,095	26,541	58,310	2,463	91,409
Accumulated depreciation	(2,928)	(22,724)	(46,158)	(2,463)	(74,273)
Net carrying amount	1,167	3,817	12,152	–	17,136
Opening net carrying amount	1,167	3,817	12,152	–	17,136
Additions	–	1,316	3,419	–	4,735
Depreciation provided during the year	(123)	(2,686)	(5,868)	–	(8,677)
Disposal:					
— Cost	–	(336)	(1,305)	–	(1,641)
— Accumulated depreciation	–	331	1,266	–	1,597
Closing net carrying amount	1,044	2,442	9,664	–	13,150
At 31 December 2018:					
Cost	4,095	27,521	60,424	2,463	94,503
Accumulated depreciation	(3,051)	(25,079)	(50,760)	(2,463)	(81,353)
Net carrying amount	1,044	2,442	9,664	–	13,150

The Group's buildings included in property, plant and equipment with a net carrying amount of HK$989,000 (2018: HK$1,044,000) are situated in Hong Kong and are held under a long-term lease.

14 RIGHT-OF-USE ASSETS

The analysis of carrying amount:

	Properties and equipment leased for own use carried at cost HK$'000
Cost	
At 31 December 2018	–
Impact on initial application of HKFRS 16 *(Note)*	19,083
At 1 January 2019	19,083
Additions	64,787
Disposal	–
At 31 December 2019	**83,870**
Accumulated depreciation:	
At 1 January 2019	**–**
Charge for the year	**(15,239)**
At 31 December 2019	**(15,239)**
Net book value:	
At 31 December 2019	**68,631**

Note: The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.3.

14 RIGHT-OF-USE ASSETS *(Cont'd)*

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 HK$'000	2018 *(Note)* HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties leased for own use	15,030	–
Plant, machinery and equipment	209	–
	15,239	–
Interest on lease liabilities (note 24(b))	1,208	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	16,116	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	–	29,297

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lesseeis required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.3.

During the year, additions to right-of-use assets were HK$64,787,000 which is primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 24(c) and 29 respectively.

15 STOCK AND FUTURES EXCHANGE TRADING RIGHTS

	2019 HK$'000	2018 HK$'000
Cost and carrying amount as at 1 January and 31 December	**4,212**	4,212

16 OTHER ASSETS

	2019 HK$'000	2018 HK$'000
Deposits with exchanges and clearing houses	**15,184**	13,565
Unlisted club debentures	**2,470**	2,470
Other deposits and prepayments	**19,471**	6,887
	37,125	22,922

None of the above assets is either past due or impaired.

17 DEFERRED TAX

The movements in deferred tax assets and liability during the year are as follows:

	Losses available for offsetting against future taxable profits HK$'000	**Deductible temporary differences** HK$'000	**Credit loss allowance** HK$'000	**Total** HK$'000
Deferred tax assets				
At 1 January 2018	4,589	52	–	4,641
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 10)*	–	(17)	–	(17)
At 31 December 2018 and 1 January 2019	**4,589**	**35**	**–**	**4,624**
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year *(note 10)*	**(1,331)**	**4**	**2,093**	**766**
At 31 December 2019	**3,258**	**39**	**2,093**	**5,390**

17 DEFERRED TAX *(Cont'd)*

	Accelerated tax depreciation HK$'000
Deferred tax liability	
At 1 January 2018	1,161
Deferred tax credited to the consolidated statement of profit or loss during the year (note 10)	(218)
At 31 December 2018 and 1 January 2019	**943**
Deferred tax charged to the consolidated statement of profit or loss during the year *(note 10)*	**70**
At 31 December 2019	**1,013**

Other than the losses available for offsetting against future taxable profits for which deferred tax assets are recognised as at 31 December 2019, the Group has unrecognised tax losses arising in Hong Kong of HK$214,205,000 (2018: HK$206,159,000), subject to agreement by the Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is uncertain whether sufficient future taxable profits will be available from these group companies against which the tax losses can be utilised. At 31 December 2019, there was no significant unrecognised deferred tax liability (2018: Nil) that would be payable on the unremitted earnings of certain of the Group's subsidiaries.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Investments at fair value through profit or loss		
Unlisted funds	3,660	3,670
Unlisted debt securities	2,185,835	598,602
	2,189,495	602,272

19 OTHER FINANCIAL ASSETS

(a) Other financial assets comprises:

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Financial assets at fair value through other comprehensive income	599,356	–
Financial assets at amortised cost	535,942	–
	1,135,298	–

(b) Financial assets at fair value through other comprehensive income

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Unlisted debt securities, at fair value *(Note)*	599,356	–
	599,356	–

Note: The Group has recognised expected credit losses amounted to HK$10,541,000 in the statement of profit or loss during the year (for year ended 31 December 2018: Nil). As at 31 December 2019, allowance for expected credit losses amounted HK$10,541,000 (31 December 2018: Nil) has been included in fair value reserve (recycling).

During the year, the gain in respect of changes in fair value of the Group's financial assets at fair value through other comprehensive income recognised in other comprehensive income amounted to approximately HK$13,206,000 (31 December 2018: Nil).

19 OTHER FINANCIAL ASSETS *(Cont'd)*

(b) Financial assets at fair value through other comprehensive income *(Cont'd)*

Movement in expected credit losses is as follows:

	For the year ended 31 December 2019 Expected credit loss				For the year ended 31 December 2018 Expected credit loss			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
At 1 January	–	–	–	–	–	–	–	–
Impairment losses charged to profit or loss	10,541	–	–	10,541	–	–	–	–
At 31 December	10,541	–	–	10,541	–	–	–	–

(c) Financial assets at amortised cost

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Unlisted debt securities	538,083	–
Less: Impairment loss on financial assets at amortised cost	(2,141)	–
	535,942	–

During the year, allowance for expected credit losses of HK$2,141,000 was recognised (for the year ended 31 December 2018: Nil) in the statement of profit or loss.

Movement in expected credit losses is as follows:

	For the year ended 31 December 2019 Expected credit loss				For the year ended 31 December 2018 Expected credit loss			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
At 1 January	–	–	–	–	–	–	–	–
Impairment losses charged to profit or loss	2,141	–	–	2,141	–	–	–	–
At 31 December	2,141	–	–	2,141	–	–	–	–

20 ACCOUNTS RECEIVABLE

(a) Accounts receivable comprise:

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

20 ACCOUNTS RECEIVABLE *(Cont'd)*

(b) Ageing analysis of accounts receivable

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

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

The ageing of accounts receivable from clearing houses, brokers and dealers are within one month and are not past due. 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 houses 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. As at 31 December 2019, balances of HK$108,000 (2018: HK$1,000,000) were over 3 months past due, balance of HK$375,000 (2018: HK$274,000) were over 1 month past due, and balances of HK$45,071,000 (2018: HK$24,222,000) were not past due.

As at 31 December 2018, the accounts receivable past due over 3 months of HK$1,000,000 was written-off in 2019.

Save for the credit period allowed by the Group, the accounts receivable from cash clients shall be due on the settlement dates of the respective securities and futures contract transactions. In view of the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Although the Group does not hold any collaterals or other credit enhancements over its accounts receivable from cash clients, the Group is allowed to dispose of the securities deposited by the customers with the Group to settle any overdue amounts. Advances to cash clients of HK$31,684,000 (2018: HK$35,052,000) bear interest at interest rates mainly with reference to the Hong Kong dollar prime rate (2018: with reference to the Hong Kong dollar prime rate). Advances to cash clients is covered by securities deposited with the Group of total market value HK$1,702,267,000 (2018: HK$947,776,000).

20 ACCOUNTS RECEIVABLE *(Cont'd)*

The ageing analysis of the accounts receivable from cash clients and advances to cash clients that are not individually nor collectively considered to be impaired, i.e. based on the settlement date, is as follows:

	2019 HK$'000	2018 HK$'000
Not past due	936,891	121,726
Less than 1 month past due	14,664	10,784
1 to 3 months past due	10,250	6,559
Over 3 months past due	6,770	17,709
	968,575	156,778

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default and are covered by securities deposited with the Group.

Receivables that were past due but not impaired relate to a large number of diversified cash clients that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as they are covered by securities deposited with the Group and there has not been a significant change in credit quality. The balances are therefore considered to be fully recoverable.

21 LOANS AND ADVANCES

	2019 HK$'000	2018 HK$'000
Loans and advances to margin clients:		
— at FVPL	872,588	1,208,091
	872,588	1,208,091

Customers are required to provide collateral to the Group for the loans and advances granted. As at 31 December 2019, the total market value of the securities pledged by customers to the Group as collateral in respect of the above loans and advances to customers was HK$4,881,646,000 (2018: HK$5,800,322,000), none of which was pledged with banks to secure certain of the Group's utilised bank loans (see note 28) and HK$Nil (2018: HK$1,164,270,000) of such collateral was pledged with banks to secure certain of the Group's unutilised bank facilities as at 31 December 2019.

21 LOANS AND ADVANCES *(Cont'd)*

The Group is allowed to dispose of the collateral in settlement of the customers' obligation to maintain the agreed level of margin and any other liability of the customers due to the Group. The Group is allowed to deposit the collateral with an authorised institution as collateral for financial accommodation provided to the Group according to the applicable legislations and regulations.

In view of the fact that the Group's loans and advances relate to a large number of diversified customers, there is no significant concentration of credit risk. Loans and advances to margin clients of HK$872,588,000 (2018: HK$1,208,091,000) bear interest at interest rates mainly with reference to the Hong Kong dollar prime rate (2018: with reference to the Hong Kong dollar prime rate).

The Group's loans and advances to customers were repayable on demand at the end of the reporting period.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Prepayments	**18,083**	11,675
Deposits and other receivables	**61,552**	25,602
	79,635	37,277

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23 BANK BALANCES HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with authorized banks to hold clients' monies in accordance with the relevant legislation. The Group is allowed to retain some or all of the interest on the clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

24 CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION

(a) Cash and bank balances comprise:

	2019 HK$'000	2018 HK$'000
Cash and bank balances	937,932	620,571
Less: Impairment loss on cash and bank balances	(335)	–
	937,597	620,571

As at 31 December 2019, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$22,768,000 (2018: HK$5,005,000)

Cash at bank balances earn interest at floating rates based on daily bank deposit rates. Short-term time deposit is made for one week, and earns interest at the respective short-term time deposit rates. The cash and bank balances are deposited with creditworthy banks with no recent history of default.

During the year, allowance for expected credit losses of HK$335,000 was recognised (for the year ended 31 December 2018: Nil) in the statement of profit or loss.

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities *(Note 29)* HK$'000	Interest-bearing bank borrowings *(Note 28)* HK$'000
At 31 December 2018	–	469,920
Impact on initial application of HKFRS 16 *(Note)*	19,059	–
At 1 January 2019	19,059	469,920
Changes from financing cash flows:		
Net proceeds from bank loans	–	316,141
Interest paid	–	(29,559)
Capital element of lease rentals paid	(14,908)	–
Interest element of lease rentals paid	(1,208)	–
	(16,116)	286,582
Other changes:		
Increase in lease liabilities from entering into new leases during the period	64,786	–
Interest expenses	1,208	22,398
At 31 December 2019	68,937	778,900

24 CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION *(Cont'd)*

(b) Reconciliation of liabilities arising from financing activities *(Cont'd)*

	Interest-bearing bank borrowings *(Note 28)* HK$'000
At 1 January 2018	845,000
Changes from financing cash flows:	
Net payments from bank loans	(375,012)
Interest paid	(11,501)
	(386,513)
Other change:	
Interest expenses	11,433
At 31 December 2018	469,920

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See notes 2.3 and 29.

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019 **HK$'000**	2018 *(Note)* HK$'000
Within operating cash flows	**–**	–
Within investing cash flows	**–**	–
Within financing cash flows	**16,116**	–
	16,116	–

Note: As explained in note 2.3, the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

24 CASH AND BANK BALANCES AND OTHER CASH FLOW INFORMATION *(Cont'd)*

(c) Total cash outflow for leases *(Cont'd)*

These amounts relate to the following:

	2019 HK$'000	2018 HK$'000
Lease rentals paid	**16,116**	–
Purchase of leasehold property	**–**	–
	16,116	–

25 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
Structured note issued	**313,498**	–
Short position in unlisted debt securities	**15,873**	–
	329,371	–

26 ACCOUNTS PAYABLE AND CONTRACT LIABILITIES

(a) Accounts payable

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

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

26 ACCOUNTS PAYABLE AND CONTRACT LIABILITIES *(Cont'd)*

(b) Contract liabilities

	31 December 2019 HK$'000	31 December 2018 HK$'000
Contract liabilities		
Corporate finance contracts		
— advance consideration received	**1,558**	13,144

Movements in contract liabilities

	2019 HK$'000	2018 HK$'000
Balance at 1 January	**13,144**	3,180
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(13,144)**	(3,180)
Increase in contract liabilities as a result of advance consideration received from corporate finance contracts	**1,558**	13,144
Balance at 31 December	**1,558**	13,144

The amount of advance consideration received from corporate finance contracts is expected to be recognised as income within one year.

27 OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Other payables	**27,930**	23,768
Accruals	**79,280**	58,417
	107,210	82,185

Other payables are non-interest-bearing and have an average term of within one year.

28 INTEREST-BEARING BANK BORROWINGS

	2019			2018		
	Effective interest rate	Maturity	HK$'000	Effective interest rate	Maturity	HK$'000
Current liabilities						
Bank loans	London Interbank Offered Rate ("LIBOR") + 1.5%	On demand	77,890	London Interbank Offered Rate ("LIBOR") + 1.5%	On demand	156,640
	One month LIBOR + 1.4%	On demand	701,010	One month LIBOR + 1.4%	On demand	313,280
			778,900			469,920

	2019 HK$'000	2018 HK$'000
Analysed into:		
Bank loans repayable within one year or on demand	778,900	469,920

Notes:

(a) As at 31 December 2019, the Group's bank loans of HK$778,900,000 (2018: HK$156,640,000) were secured by corporate guarantee to banks by the Company.

As at 31 December 2019 and 2018, none of the Group's bank loans utilised was secured by the marketable securities pledged by customers to the Group.

The Company had guaranteed the Group's bank loans of HK$778,900,000 (2018: HK$156,640,000), up to HK$3,082,195,000 (2018: HK$1,123,250,000), as at 31 December 2019.

(b) Certain of the Group's unutilised banking facilities are secured by guarantees given by the Company.

(c) As at 31 December 2019, all borrowings are denominated in United States dollars (2018: United States dollars).

(d) The carrying amounts of the Group's borrowings approximate to their fair values.

29 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2019		1 January 2019 *(Note)*	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	32,473	34,498	9,360	9,903
After 1 year but within 2 years	24,540	25,442	8,236	8,424
After 2 years but within 5 years	11,924	12,122	1,463	1,483
After 5 years	–	–	–	–
	36,464	37,564	9,699	9,907
	68,937	72,062	19,059	19,810
Less: total future interest expenses		(3,125)		(751)
Present value of lease liabilities		68,937		19,059
Represent:				
Current		32,473		8,564
Non-current		36,464		10,495
		68,937		19,059

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS16 are set out in note 2.3.

30 SHARE CAPITAL

	2019 HK$'000	2018 HK$'000
Issued and fully paid:		
1,561,138,689 (2018: 796,138,689) ordinary shares	2,782,477	1,200,457

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK$'000	Total HK$'000
At 1 January and 31 December 2018	796,138,689	1,200,457	1,200,457
Ordinary shares issued during the year	765,000,000	1,582,020	1,582,020
At 31 December 2019	1,561,138,689	2,782,477	2,782,477

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

31 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The Group's general reserve represents prior year appropriations of profits which are distributable to the shareholders.

The Group's revaluation reserve (recycling) represents the cumulative net charge in the fair value and provision for expected credit losses of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period.

32 COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to six years (2018: one to six years).

At 31 December 2019, operating lease commitment outstanding not provided for in the financial statements were as follow:

	2019 HK$'000	2018 HK$'000
Within one year	1,140	34,284
In the second to fifth years, inclusive	–	48,573
	1,140	82,857

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2.3). From1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.5(f), and the details regarding the Group's future lease payments are disclosed in note 29.

At 31 December 2019, the Group did not have any other significant commitments (2018: Nil).

33 RELATED PARTY TRANSACTIONS

(a) Material related party transactions

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Note	2019 HK$'000	2018 HK$'000
Commission expenses for brokerage services in relation to the PRC capital markets paid to a wholly-owned subsidiary of the ultimate holding company	*(i)*	**410**	718
Research fee for supporting services in relation to research paid to a subsidiary of the ultimate holding company	*(ii)*	**10,000**	3,500
Consultancy fee for supporting services in relation to PRC market paid to the subsidiaries of the ultimate holding company	*(iii)*	**3,531**	3,343
Consultancy fee for supporting services in relation to Hong Kong and overseas markets paid by a wholly-owned subsidiary of the ultimate holding company	*(iv)*	**10,257**	13,948
Consultancy fee for supporting services in connection with corporate finance business paid by a wholly-owned subsidiary of the ultimate holding company	*(v)*	**–**	1,425
Consultancy fee for supporting services in connection with corporate finance business paid to the subsidiary of ultimate holding company	*(vi)*	**1,911**	–
Principal-to-principal trading of financial products with a wholly-owned subsidiary of the ultimate holding company	*(vii)*	**22,431**	–
Consultancy fee for supporting services in connection with corporate finance business paid by the ultimate holding company	*(viii)*	**–**	274
		48,540	23,208

Notes:

(i) The commission expenses paid to a wholly-owned subsidiary of the ultimate holding company were calculated based on the prescribed percentage stated in the signed cooperation agreement for clients' transaction amount in Shenzhen and Shanghai B shares.

(ii) The research fee paid to a subsidiary of the ultimate holding company was charged at a fixed amount in accordance with the signed agreement with reference to actual cost incurred.

33 RELATED PARTY TRANSACTIONS *(Cont'd)*

(a) Material related party transactions *(Cont'd)*

Notes: (Cont'd)

(iii) The consultancy fee for supporting service in relation to PRC market paid to the subsidiaries of the ultimate holding company was charged at a fixed amount in accordance with the signed agreement with reference to actual cost incurred.

(iv) The consultancy fee for supporting service in relation to Hong Kong and overseas markets paid by a wholly-owned subsidiary of the ultimate holding company was calculated based on a fixed percentage of the relevant commission earned by the wholly-owned subsidiary of the ultimate holding company. The amount is included in the accounts receivable balance as at 31 December 2019 and is unsecured, interest-free and repayable on demand.

(v) The consultancy fee for supporting services in connection with corporate finance business paid by a wholly-owned subsidiary of the ultimate holding company was calculated based on prescribed percentage stated in the signed corporation agreement for relevant financial advisory fee earned by a wholly-owned subsidiary of the ultimate holding company.

(vi) The consultancy fee for supporting services in connection with corporate finance business paid to the subsidiary of ultimate holding company were charged at a fixed amount in accordance with the signed agreement with reference to actual cost incurred. The amount is included in the accounts payable balance as at 31 December 2019 and is unsecured, interest-free and repayable on demand.

(vii) The principal-to-principal transactions between the Shenwan Hongyuan Group Co., Limited and the Group include, but are not limited to, trading of debt securities on the primary and secondary debt market. All principal-to-principal transactions will be conducted between the Shenwan Hongyuan Group Co., Limited (via Shenwan Hongyuan Securities Co., Limited) and the Group on the basis that the Group has a back-to-back demand from its clients of the same transactions.

(viii) The consultancy fee for supporting services in connection with corporate finance business paid by the ultimate holding company was calculated based on prescribed percentage stated in the signed corporation agreement for relevant financial advisory fee earned by a wholly-owned subsidiary of the ultimate holding company.

(ix) Included in the accounts receivable balance as at 31 December 2019 was a receivable due from a wholly-owned subsidiary of the ultimate holding company of HK$5,139,000 (2018: HK$3,933,000) arising from brokerage services relating to the PRC capital markets. This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.

(x) Included in the accounts receivable balance as at 31 December 2019 was consultancy fee receivable due from a wholly-owned subsidiary of the ultimate holding company of HK$6,224,000 (2018: HK$6,002,000) arising from supporting services relating to Hong Kong and overseas markets. This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.

(xi) Included in the accounts payable balance as at 31 December 2019 was a payable to a wholly-owned subsidiary of the ultimate holding company of the Company of HK$3,539,000 (2018: HK$1,177,000) arising from brokerage services relating to the PRC capital markets. This balance is unsecured, interest-free and payable on the settlement date of the relevant transactions.

(xii) Included in the other payables and accruals balance as at 31 December 2019 was a consultancy fee payable to a wholly-owned subsidiary of the ultimate holding company of the Company of HK$1,911,000 (2018: HK$2,517,000) arising from supporting services for PRC market. This balance is unsecured, interest-free and payable on demand.

(xiii) Included in the corporate finance business revenue was an underwriting and sponsorship fee earned from the ultimate holding company of HK$66,479,000 (2018: Nil) arising from underwriting services for IPO project in Hong Kong market, which charged based on prescribed allocation arrangement stated in the signed underwriting agreements for underwriting and other relevant services.

33 RELATED PARTY TRANSACTIONS *(Cont'd)*

(a) Material related party transactions *(Cont'd)*

Notes: (Cont'd)

(xiv) Included in the corporate finance business revenue a placement brokerage fee earned from the ultimate holding company of HK$31,363,000 (2018: Nil) arising from placement services for IPO project in Hong Kong market, which was charged based on prescribed allocation arrangement stated in the agreed allocation agreements and a compliance advisory fee earned from the ultimate holding company of HK$408,000 (2018: Nil) arising from compliance advisory services for IPO project in Hong Kong market, which was charged at a fixed amount according to signed agreements.

(xv) Included in the accounts receivable as at 31 December 2019 was placement brokerage fee receivable due from the ultimate holding company of HK$31,363,000 (2018: Nil) arising from placement services for IPO project in Hong Kong market, which charged based on prescribed allocation arrangement stated in the agreed allocation agreements.

(xvi) Included in the accounts receivable as at 31 December 2019 was consultancy fee receivable due from the ultimate holding company of HK$108,000 (2018: Nil) arising from compliance advisory services for IPO projectin Hong Kong market, which charged based on prescribed allocation arrangement stated in the signed underwriting agreements for underwriting and other relevant services.

(b) Compensation of key management personnel of the Group:

	2019 HK$'000	2018 (Restated) HK$'000
Short-term employee benefits	48,947**	45,187*
Post-employment benefits	2,131	2,052
	51,078	47,239

* The compensations for key management personnel were restated as the bonus was revised upon completion of evaluation of performance of key management personnel.

** The evaluation of the performance of the key management personnel has not yet been completed. Thus, the amount of short-term employee benefits not been determined and the final amount will be disclosed in due course

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items (a)(i-vii) above also constitute continuing connected transactions to be disclosed in annual report as defined in Chapter 14A of the Listing Rules.

34 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

	Financial assets at fair value through other comprehensive income HK$'000	Financial assets at fair value through profit or loss HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Financial assets				
Other assets	–	–	37,125	37,125
Other financial assets	599,356	–	535,942	1,135,298
Investments at fair value through profit or loss	–	2,189,495	–	2,189,495
Accounts receivable	–	31,684	1,659,526	1,691,210
Loans and advances	–	872,588	–	872,588
Financial assets included in prepayments, deposits and other receivables	–	–	61,591*	61,591*
Bank balances held on behalf of clients	–	–	3,193,340	3,193,340
Cash and bank balances	–	–	937,597	937,597
	599,356	3,093,767	6,425,121	10,118,244

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Financial liabilities			
Accounts payable	–	5,000,203	5,000,203
Financial liabilities included in other payables and accruals	–	105,423*	105,423*
Interest-bearing bank borrowings	–	778,900	778,900
Financial liabilities at fair value through profit or loss	329,371	–	329,371
	329,371	5,884,526	6,213,897

* The balance of HK$18,044,000 and HK$1,787,000 which did not meet the definition of financial assets and liabilities were excluded in this disclosure.

34 FINANCIAL INSTRUMENTS BY CATEGORY *(Cont'd)*

2018

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	HK$'000	HK$'000	HK$'000
Financial assets			
Other assets	–	22,922	22,922
Investments at fair value through profit or loss	602,272	–	602,272
Accounts receivable	35,052	422,362	457,414
Loans and advances	1,208,091	–	1,208,091
Financial assets included in prepayments, deposits and other receivables	–	25,602*	25,602*
Bank balances held on behalf of clients	–	4,879,449	4,879,449
Cash and bank balances	–	620,571	620,571
	1,845,415	5,970,906	7,816,321

	Financial liabilities at amortised cost
	HK$'000
Financial liabilities	
Accounts payable	5,082,122
Financial liabilities included in other payables and accruals	71,437*
Interest-bearing bank borrowings	469,920
	5,623,479

* The balance of HK$11,675,000 and HK$10,748,000 which did not meet the definition of financial assets and liabilities were excluded in this disclosure.

35 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group currently has a legally enforceable right to set off the Continuous Net Settlement ("CNS") money obligations receivable and trade payables with Hong Kong Securities Clearing Company Limited ("HKSCC"), which are included in "accounts receivable" and "accounts payable" as presented in the consolidated statement of financial position, respectively. It intends to settle on a net basis as accounts receivable from or accounts payable to the Stock Exchange. The net amount of CNS money obligations receivable or payable with HKSCC and guarantee fund placed in HKSCC do not meet the criteria for offsetting against each other in the financial statements and the Group does not intend to settle the balances on a net basis.

	As at 31 December 2019					
	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Cash collateral received HK$'000	Net amount HK$'000
Assets						
Accounts receivable	1,911,208	(219,998)	1,691,210	–	–	1,691,210

	As at 31 December 2019					
	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged HK$'000	Net amount HK$'000
Liabilities						
Accounts payable	5,220,201	(219,998)	5,000,203	–	–	5,000,203

35 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Cont'd)*

	As at 31 December 2018					
	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Cash collateral received HK$'000	Net amount HK$'000
Assets						
Accounts receivable	583,274	(125,860)	457,414	–	–	457,414

	As at 31 December 2018					
	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged HK$'000	Net amount HK$'000
Liabilities						
Accounts payable	5,207,982	(125,860)	5,082,122	–	–	5,082,122

36 FAIR vALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

The following tables present the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique (see note 2.5(b)).

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurement using		
	Level 1 (Unadjusted quoted prices in active markets) HK$'000	Level 2 (Significant observable inputs) HK$'000	Total HK$'000
As at 31 December 2019			
Investments at fair value through profit or loss:			
Unlisted debt securities	273,626	1,912,209	2,185,835
Unlisted funds	3,660	–	3,660
Loans and advances to margin clients	–	872,588	872,588
Advances to cash clients	–	31,684	31,684
Financial assets at fair value through other comprehensive income:			
Unlisted debt securities	–	599,356	599,356
	277,286	3,415,837	3,693,123
Financial liabilities at fair value through profit or loss:			
Structured note issued	–	(313,498)	(313,498)
Short position in unlisted debt securities	–	(15,873)	(15,873)
	–	(329,371)	(329,371)

36 FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Cont'd)*

(a) Fair value hierarchy *(Cont'd)*

	Fair value measurement using Level 1 (Unadjusted quoted prices in active markets)	Level 2 (Significant observable inputs)	Total
	HK$'000	HK$'000	HK$'000
As at 31 December 2018			
Investments at fair value through profit or loss:			
Unlisted debt securities	–	598,602	598,602
Unlisted funds	3,670	–	3,670
Loans and advances to margin clients	–	1,208,091	1,208,091
Advances to cash clients	–	35,052	35,052
	3,670	1,841,745	1,845,415

During the years ended 31 December 2019 and 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

(b) valuation techniques and inputs used in Level 2 fair value measurements

The Group measures Level 2 fair values using the following method and there is no change to the valuation technique:

Level 2 — Valuation techniques based on observable input. This category includes unlisted debt securities and unlisted funds valued using:

— Quoted market prices in active market for similar instruments;

— Quoted prices for similar instruments in market that are considered less than frequent; or

— Other valuation techniques where all significant inputs are directly or indirectly observable from market data

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's operating segments include brokerage business, corporate finance business, asset management business, financing and loans business, investment business and other business.

The main risks arising from the Group's normal course of business and its financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's borrowings from banks during the year are for the provision of financing and loans to customers. The bank borrowings bear interest at interest rates with reference to the HIBOR whereas loans to customers bear interest at interest rates with reference to the Hong Kong dollar prime rate. As the Hong Kong dollar prime rate basically changes in line with the HIBOR, the Group's exposure to the risk of changes in market interest rates is minimal.

The following table demonstrates the sensitivity to a reasonably possible change in Hong Kong dollar interest rate, with all other variables held constant, of the Group's profit before taxation (through the impact on floating rate borrowings, interest-bearing accounts receivable, cash and bank balances and loans and advances) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before taxation HK$'000	Increase/ (decrease) in equity* HK$'000
2019			
Hong Kong dollar	**25**	**3,071**	**–**
Hong Kong dollar	**(25)**	**(3,071)**	**–**
2018			
Hong Kong dollar	25	4,127	–
Hong Kong dollar	(25)	(4,127)	–

* Excluding retained profits

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Foreign currency risk

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 RMB. 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. The Group's revenue denominated in currencies other than Hong Kong dollars and United States dollars constituted approximately 3% (2018: 3%) of the total revenue.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before taxation and the Group's equity.

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before taxation HK$'000	Increase/ (decrease) in equity* HK$'000
2019			
If the Hong Kong dollar weakens against the RMB	**8**	**4,846**	**–**
If the Hong Kong dollar strengthens against the RMB	**(8)**	**(4,846)**	**–**
2018			
If the Hong Kong dollar weakens against the RMB	8	3,499	–
If the Hong Kong dollar strengthens against the RMB	(8)	(3,499)	–

* Excluding retained profits

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Credit risk

The Group has put in place a well-established credit policy governing the granting of credit limit to customers. Customers are generally required to deposit their securities with the Group as collateral to their borrowings. The credit department is responsible for assisting the directors in formulating the credit policy of the Group, monitoring the credit risks of customers with reference to the realisable values of the collateral, managing the concentration of credit risk by customer and recommending measures to the directors for granting credit facilities which exceed the authority limit of the credit department. There are no significant concentrations of credit risk within the Groupas it relates to a large number of diversified customers.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, bank balances held on behalf of clients, investments at fair value through profit or loss, other assets, and deposits and other receivables, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and loans and advances are disclosed in notes 20 and 21 to the financial statements, respectively.

Liquidity risk

There is a constant need of funding for the settlement of securities transactions and for the provision of financing and loans to the customers. The source of funding is either from the Group's own capital or borrowings from financial institutions, if necessary.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both of its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

The Group's borrowings from banks during the year are for the provision of financing and loans to customers for their purchases and continuous holding of securities. The maturity of bank borrowings of the Group ranges from overnight to within one year, where the borrowings are either rolled over or repaid by the Group's own funding. In addition, for those clients who are unable to settle their settlement obligations or margin deficits, the Group may dispose of the securities collateral pledged by the customers to the Group. The Group always ensures that the securities collateral pledged by customers is able to be realised in the market within a reasonable period of time.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand HK$'000	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
2019				
Accounts payable	3,444,126*	1,556,077	–	5,000,203
Financial liabilities included in other payables and accruals	–	105,423	–	105,423
Interest-bearing bank borrowings	779,830#	–	–	779,830#
Lease liabilities *(Note)*	–	34,498	37,564	72,062
Tax payable	–	25,190	–	25,190
Financial liabilities at FVPL	–	329,371	–	329,371
	4,223,956	2,050,559	37,564	6,312,079

	On demand HK$'000	Less than 1 year HK$'000	Total HK$'000
2018			
Accounts payable	4,888,190*	193,932	5,082,122
Financial liabilities included in other payables and accruals	–	71,437	71,437
Interest-bearing bank borrowings	471,405#	–	471,405#
Tax payable	–	7,232	7,232
	5,359,595	272,601	5,632,196

* Balance includes bank balances held on behalf of clients under the current asset section of the consolidated statementof financial position of HK$3,193,340,000 (2018: HK$4,879,449,000).

\# Included in interest-bearing bank borrowings were certain of the Group's bank loans in the amount of HK$778,900,000 (2018: HK$469,920,000), of which the loan agreements contain repayment on demand clauses giving the banks the unconditional right to call in the loans at any time. Therefore, for the purpose of the above maturity profile, the amounts are classified as "on demand".

Had the banks not called in the loan, the scheduled repayment dates of interest-bearing bank borrowing were less than 1 year from the end of the reporting period (2018: within 1 year from the end of the reporting period).

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 2.3.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Price risk

Price risk is the risk that the fair values or future cash flows due to changes in market prices. The Group was exposed to price risk through its financial instruments at fair value through profit or loss (notes 18 and 25) and financial instruments at fair value through other comprehensive income (note 19) as at 31 December 2019.

The following table demonstrates the sensitivity to every 1% change in the fair values of the investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Increase/ (decrease) in fair value %	Increase/ (decrease) in profit before taxation HK$'000	Increase/ (decrease) in equity* HK$'000
2019			
Unlisted investments:			
Investments at fair value through profit or loss:			
— Investment funds	**1**	**37**	**–**
	(1)	**(37)**	**–**
— Debt securities	**1**	**21,858**	**–**
	(1)	**(21,858)**	**–**
Financial assets at fair value through other comprehensive income			
— Debt securities	**1**	**–**	**5,994**
	(1)	**–**	**(5,994)**
Financial liabilities at fair value through profit or loss:			
— Structured note issued	**1**	**(3,135)**	**–**
	(1)	**3,135**	**–**
— Short position in debt securities	**1**	**(159)**	**–**
	(1)	**159**	**–**
2018			
Unlisted investments:			
Investments at fair value through profit of loss:			
— Investment funds	1	37	–
	(1)	(37)	–
— Debt securities	1	5,986	–
	(1)	(5,986)	–

* Excluding retained profits

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Certain subsidiaries of the Group are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

The Group monitors capital using a gearing ratio, which is interest-bearing bank borrowings divided by total equity. The gearing ratio is reviewed and assessed regularly by the board of directors. The gearing ratios as at the end of the reporting periods were as follows:

	2019 HK$'000	2018 HK$'000
Interest-bearing bank borrowings	**778,900**	469,920
Total equity	**3,919,317**	2,208,110
Gearing ratio	**19.9%**	21.3%

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000 *(Note)*
Non-current assets		
Other assets	9,258	70
Interests in subsidiaries	765,839	765,839
	775,097	765,909
Current assets		
Amounts due from subsidiaries	3,706,023	1,118,357
Prepayments, deposits and other receivables	17,049	11,797
Tax receivable	–	810
Cash and bank balances	8,791	9,447
Total current assets	3,731,863	1,140,411
Current liabilities		
Amounts due to subsidiaries	797,519	310,438
Other payables and accruals	69,107	43,784
Tax payable	59	–
Interest-bearing bank borrowings	778,900	313,280
	1,645,585	667,502
Net current assets	2,086,278	472,909
NET ASSETS	2,861,375	1,238,818
EQUITY		
Share capital	2,782,477	1,200,457
Other reserves	78,898	38,361
TOTAL EQUITY	2,861,375	1,238,818

Approved and authorised for issue by the board of directors on 23 March 2020.

Chen Xiaosheng
Director

Qiu Yizhou
Director

38 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Cont'd)*

Note: The Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.3.

A summary of the Company's reserves is as follows:

	General reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2018	656	80,612	81,268
Total comprehensive income for the year	–	4,861	4,861
Dividend paid	–	(47,768)	(47,768)
At 31 December 2018	**656**	**37,705**	**38,361**
Total comprehensive income for the year	**–**	**71,760**	**71,760**
Dividend paid	**–**	**(31,223)**	**(31,223)**
At 31 December 2019	**656**	**78,242**	**78,898**

The Company's general reserve represents prior year appropriations of profits which are distributable to the shareholders.

39 EVENT AFTER THE REPORTING PERIOD

The proposed final dividend for the year set out in note 11 to the financial statement has been approved by the directors on 23 March 2020 and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and has not been recognised as a liability at the end of the reporting period.

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

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

40 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.3.

ISSUER

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