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SHENWAN HONGYUAN (H.K.) LIMITED
申萬宏源(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 218)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

RESULTS

The board of directors (the “Board”) of Shenwan Hongyuan (H.K.) Limited (the “Company”) are pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023 together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 December	
		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	4	618,215	426,340
- Interest income calculated using the effective interest method		200,307	97,141
- Revenue from contracts with customers within the scope of HKFRS 15		224,862	235,506
- Revenue from other sources		193,046	93,693
Other losses, net	4	(43,868)	(119,535)
Commission expenses		(31,290)	(56,006)
Employee benefit expenses		(248,925)	(297,992)
Depreciation		(54,858)	(66,197)
Interest expenses		(127,978)	(108,118)
Net charges for expected credit loss		(129,381)	(536,855)
- from financial assets at amortised cost		(116,306)	(458,249)
- from financial assets at fair value through other comprehensive income		(13,075)	(78,606)
Other expenses		(106,442)	(112,742)
LOSS BEFORE TAXATION	5	(124,527)	(871,105)
Income tax	6	(67,927)	(8,819)
LOSS FOR THE YEAR		(192,454)	(879,924)
Attributable to:			
Ordinary equity holders of the Company		(192,454)	(879,924)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (BASIC AND DILUTED)	7	HK(12.33) cents	HK(56.36) cents
DIVIDEND PER SHARE	8	-	-

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(192,454)</u>	<u>(879,924)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR:		
Items that may be reclassified to the consolidated statement of profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income - net movement in fair value reserve (recycling)	22,550	(4,704)
Exchange gain /(loss) on translation of financial statements of foreign operations	<u>199</u>	<u>(7,522)</u>
OTHER COMPREHENSIVE INCOME, NET OF TAX	<u>22,749</u>	<u>(12,226)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>(169,705)</u></u>	<u><u>(892,150)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2023 HK\$'000	As at 31 December 2022 HK\$'000
	<i>Notes</i>	
<u>NON-CURRENT ASSETS</u>		
Property, plant and equipment	9,882	5,977
Right-of-use assets	76,608	108,557
Stock and Futures Exchange trading rights	4,212	4,212
Other assets	71,857	26,395
Other financial assets	216,096	391,462
Deferred tax assets	26,743	89,326
	405,398	625,929
<u>CURRENT ASSETS</u>		
Financial assets at fair value through profit or loss	3,663,108	3,739,178
Other financial assets	70,352	346,516
Accounts receivable	2,697,520	2,835,339
Loans and advances	1,073,842	1,308,845
Prepayments, deposits and other receivables	213,224	275,171
Reverse repurchase agreement	172,462	901,633
Tax recoverable	12,734	45,942
Bank balances held on behalf of clients	3,255,979	5,199,634
Cash and bank balances	1,287,243	1,238,496
	12,446,464	15,890,754
<u>CURRENT LIABILITIES</u>		
Financial liabilities at fair value through profit or loss	3,002,192	2,950,371
Accounts payable	5,945,953	6,523,725
Contract liabilities	837	1,745
Other payables and accruals	362,924	670,584
Repurchase agreement	-	173,706
Interest-bearing bank borrowings	234,360	1,489,227
Notes issued	416,547	-
Bond issued	-	1,559,400
Lease liabilities	48,953	48,464
Tax payable	2,989	62,919
	10,014,755	13,480,141
<i>NET CURRENT ASSETS</i>	2,431,709	2,410,613
<i>TOTAL ASSETS LESS CURRENT LIABILITIES</i>	2,837,107	3,036,542

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	As at 31 December 2023 <i>HK\$'000</i>	As at 31 December 2022 HK\$'000
<u>NON-CURRENT LIABILITIES</u>		
Deferred tax liabilities	546	662
Lease liabilities	<u>46,383</u>	<u>75,997</u>
Total non-current liabilities	<u>46,929</u>	<u>76,659</u>
NET ASSETS	<u>2,790,178</u>	<u>2,959,883</u>
 <u>EQUITY</u>		
Equity attributable to ordinary equity shareholders of the Company		
Share capital	2,782,477	2,782,477
Other reserves	<u>7,701</u>	<u>177,406</u>
TOTAL EQUITY	<u>2,790,178</u>	<u>2,959,883</u>

NOTES:

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong. The registered office of the Company is situated at Level 6, Three Pacific Place, 1 Queen's Road East, Hong Kong.

The Group was involved in wealth management, enterprise finance, institutional services and trading, asset management and other business.

The Company is a subsidiary of Shenwan Hongyuan (International) Holdings Limited, a company incorporated in Hong Kong with limited liability. In the opinion of the directors, the ultimate holding company of the Company is Shenwan Hongyuan Group Co., Ltd., which was incorporated in the People's Republic of China (the "PRC") and listed on The Stock Exchange of Hong Kong Limited (the "Exchange") (stock code: 6806) and Shenzhen Stock Exchange (stock code: 000166).

The unaudited financial information relating to the year ended 31 December 2023 and the financial information relating to the year ended 31 December 2022 included in this preliminary announcement of 2023 annual results does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 2022, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The financial statements for the year ended 31 December 2023 have yet to be reported by the Company's auditor and will be delivered to the Registrar of Companies in due course.

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on these financial statements for the year ended 31 December 2022. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES

These financial information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. CHANGES IN ACCOUNTING POLICIES (Continued)

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of accounting policies</i>
Amendments to HKAS 8	<i>Definition of accounting estimates</i>
Amendments to HKAS 12	<i>Deferred tax related to assets and liabilities arising from a single transaction</i>

The adoption of the revised HKFRS has had no material effect on these financial statements.

HKFRSs that have been issued but are not yet effective

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

Amendments to HKAS 1	<i>Classification of liabilities as current or non-current¹</i>
Amendments to HKAS 1	<i>Presentation of financial statements: Non-current liabilities with covenants¹</i>
Amendments to HKFRS 16	<i>Lease Liabilities in a Sale and Leaseback¹</i>
Amendments to HKAS 7 and HKFRS 7	<i>Statement of cash flows and Financial instruments: Disclosures: Supplier finance arrangements¹</i>
Amendments to HKAS 21	<i>The effects of changes in foreign exchange rates: Lack of exchangeability²</i>

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

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

	Enterprise finance		Wealth	Institutional	Asset	Others	Segment total
	Corporate	Principal	management	services and	management		
	finance	investment		trading			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 December 2023							
Segment revenue from external customers	70,025	101,428	301,249	127,136	18,377	-	618,215
other losses	-	(51,273)	-	-	-	7,405	(43,868)
Segment revenue and other losses from external customers	70,025	50,155	301,249	127,136	18,377	7,405	574,347
Segment results and loss before tax	(13,070)	18,136	90,292	(191,401)	(35,889)	7,405	(124,527)
For the year ended 31 December 2022 (restated)							
Segment revenue from external customers	46,995	(11,914)	273,140	99,440	18,679	-	426,340
other losses	-	34,269	-	-	-	(153,804)	(119,535)
Segment revenue and other losses from external customers	46,995	22,355	273,140	99,440	18,679	(153,804)	306,805
Segment results and loss before tax	(46,859)	22,355	(15,691)	(641,998)	(35,108)	(153,804)	(871,105)

Geographical information

The Group's operations are substantially located in Hong Kong and substantially all non-current assets of the Group are located in Hong Kong. Therefore, no further analysis of geographical information is presented.

4. REVENUE AND OTHER LOSSES, NET

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

	For the year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Fee and commission income:		
Revenue from contracts with customers within the scope of HKFRS 15:		
Commission on securities dealing in		
– Hong Kong securities	59,701	90,941
– Other than Hong Kong securities	26,249	32,420
Commission on futures and options contracts dealing	13,817	15,821
Initial public offering, placing, underwriting and sub-underwriting commission	58,509	37,446
Financial advisory, compliance advisory, sponsorship fee income and others	12,189	22,081
Management fee, investment advisory fee income and performance fee income	18,377	18,679
Handling fee income	7,944	2,337
Research fee income and other service fee income	28,076	15,781
	224,862	235,506
Income from interest-bearing transactions:		
Interest income calculated using the effective interest method:		
Interest income from banks and others	173,691	82,114
Interest income from initial public offering loans	170	111
Interest income from other sources:		
Interest income from loans to cash clients and margin clients	97,765	114,820
	271,626	197,045
Income from investment business:		
Interest income calculated using the effective interest method:		
Interest income from debt securities	26,446	14,916
Income from other sources:		
Net gains/(losses) on financial instruments:		
– Equities and futures	102,714	20,051
– Debt securities and derivatives	(406,106)	(623,168)
– Structured products	398,716	580,285
Dividend income from listed equities	-	1,277
Unrealised fair value (losses)/gains on a financial guarantee contract	(43)	428
	121,727	(6,211)
	618,215	426,340
Other losses, net:		
Exchange gains/(losses), net	7,405	(141,051)
Change in net assets value attributable to other holders of a consolidated investment fund	(51,273)	34,269
Loss on disposal of consolidated investment funds	-	(15,153)
Employment Support Scheme subsidy	-	2,400
	(43,868)	(119,535)

5. LOSS BEFORE TAXATION

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

	For the year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Interest expenses on loans and overdrafts wholly repayable within five years	<u>72,293</u>	<u>66,347</u>

6. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the appropriate current rates of tax prevailing in the jurisdiction in which the Group operates.

	For the year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	1,139	1,619
Under-/(Over-)provision in respect of prior years	6,895	(24,239)
Current tax – Other jurisdictions	70	3,343
Deferred tax	<u>59,823</u>	<u>28,096</u>
	<u>67,927</u>	<u>8,819</u>

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic loss per share is calculated by dividing the loss 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 2023, the total number of the issued ordinary shares was 1,561,138,689 shares (2022: 1,561,138,689 shares).

	For the year ended 31 December	
	2023	2022
Loss for the year attributable to ordinary equity holders of the Company (HK\$'000)	<u>(192,454)</u>	<u>(879,924)</u>
Weighted average number of ordinary shares in issue (in thousands)	<u>1,561,139</u>	<u>1,561,139</u>
Loss per share, basic and diluted (HK cents per share)	<u>(12.33)</u>	<u>(56.36)</u>

8. DIVIDEND

	For the year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Proposed final – HK nil cents (2022: HK nil cents) per ordinary share	-	-

9. ACCOUNTS RECEIVABLE

	As at 31 December 2023 HK\$'000	As at 31 December 2022 HK\$'000
Accounts receivable arising from securities dealing:		
- Advances to cash clients	21,521	39,491
- Cash clients	1,384,099	1,136,930
- Brokers and dealers	435,694	1,206,653
- Clearing houses	463,959	256,037
	<u>2,305,273</u>	2,639,111
Accounts receivable arising from corporate finance, advisory and other services:		
- Corporate clients	1,009,647	649,404
	<u>3,314,920</u>	3,288,515
Less: Expected credit losses (Stage 1)	(3,827)	(1,399)
Less: Expected credit losses (Stage 3)	(613,573)	(451,777)
	<u>(617,400)</u>	<u>(903,176)</u>
Total	<u>2,697,520</u>	<u>2,835,339</u>

9. ACCOUNTS RECEIVABLE (Continued)

Save for the credit period allowed by the Group, the accounts receivable from cash clients shall be due on the settlement dates of the respective securities and futures contract transactions. In view of the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Although the Group does not hold any collaterals or other credit enhancements over its accounts receivable from cash clients, the Group is allowed to dispose of the securities deposited by the customers with the Group to settle any overdue amounts. Advances to cash clients of HK\$21,521,000 (2022: HK\$39,491,000) bear interest at interest rates mainly with reference to Hong Kong dollar prime rate.

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

	As at 31 December 2023 HK\$'000	As at 31 December 2022 HK\$'000
Within 1 month	1,381,521	1,154,444
1 to 2 months	5,512	520
2 to 3 months	147	127
Over 3 months	18,440	21,330
	<u>1,405,620</u>	<u>1,176,421</u>

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

Included in the accounts receivable balance as at 31 December 2023 were (1) a receivable due from a wholly-owned subsidiary of the ultimate holding company of HK\$14,297,000 (2022: HK\$5,939,000) arising from brokerage services relating to the PRC capital markets, (2) a receivable due from a wholly-owned subsidiary of the ultimate holding company of HK\$1,875,000 (2022: HK\$1,836,000) arising from underwriting business, (3) a consultancy fee receivable due from the ultimate holding company arising from supporting services in connection with asset management business of HK\$3,469,000 (2022: HK\$3,296,000), which balance is unsecured, interest-free and repayable on demand.

10. ACCOUNTS PAYABLE

	As at 31 December 2023 HK\$'000	As at 31 December 2022 HK\$'000
Accounts payable		
- Clients	5,780,823	6,334,669
- Brokers and dealers	119,414	110,699
- Clearing houses	45,716	78,357
	<u>5,945,953</u>	<u>6,523,725</u>

Included in the accounts payable balance as at 31 December 2023 was a payable to a wholly-owned subsidiary of the ultimate holding company of the Company of HK\$248,000 (2022: HK\$nil) arising from brokerage services relating to the PRC capital markets. This balance is unsecured, interest-free and payable on the settlement date of the relevant transactions.

Included in the accounts payable balance as at 31 December 2023 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK\$15,206,000 (2022: HK\$71,039,000). This balance is unsecured, bears interest at the bank deposit rate and is payable on demand.

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

DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2023 (2022: HK nil cents per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 17 May 2024 to Friday, 24 May 2024, both days inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for attending and voting at the 2024 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 16 May 2024.

2023 MARKET REVIEW

From the perspective of global macro environment, the market theme in 2023 was the continued tightening of overseas monetary policy, with the US and European central banks entering the middle and latter stages of their interest rate hike process. Although the inflation rate entered a downward path as expected, the high interest rates led to the impairment of the value of bonds held by large banks, and dampened financing activities, and led to a shift in residents' deposits to the money market funds with higher yields. As a result, a number of regional banks in the US collapsed due to bank runs, and Credit Suisse was acquired due to mismanagement, which triggered sharp market fluctuations. Under the high interest rate environment, the US and European economies have diverged. In the US, through the fiscal power, residents formed excessive savings, and the interest rates of most mortgages are locked in the period of low interest rates, strong consumption support provides resilience to the economy; while in the Europe, the manufacturing sector was more affected by high interest rates, with the PMI remaining below the 50 threshold in 2023 and continuing to weaken.

From the perspective of macro environment in Chinese Mainland, the rebound in consumption after the pandemic became the main drive for the weak recovery in the first half of 2023. Besides, in the context of lower financing costs and the restructuring of the Mainland economy, investment in the manufacturing sector has shown resilience, with an annual growth rate of 6.5%, and the strength of the fiscal policy has led to infrastructure investment to support "growth stabilisation". In terms of imports and exports, the trade structure continued to be optimised, with the total value of imports and exports of goods trade increasing compared with that of 2022. However, real estate sales and investment continued to fall. The rebound in consumption was curbed in the second half of 2023 due to the double impact of the risks in the real estate sector and the decline in residents' expected income. The annual retail sales of consumer goods grew by 7.2% year-on-year, which is still lower than the pre-pandemic level. As a result of the above factors, annual GDP grew by 5.2% year-on-year, with the overall recovery on a more favorable trend.

The capital market in Chinese Mainland displayed a downward fluctuation in 2023. The Shanghai Composite Index, Shenzhen Composite Index and GEM Index fell by 4.54%, 14.32% and 19.74% respectively throughout the year. The A-share IPO market was relatively active in 2023, with a total of 313 IPOs raising RMB356.4 billion, representing a year-on-year decline of 39.2% in fund raising amount due to the high base in 2022.

In Hong Kong, the economy continued to recover, and the year-on-year GDP growth rates of the four quarters of 2023 were higher than those of the same period last year. However, due to the interest rate hike from the US Federal Reserve and the impact of capital flows, the overall performance of Hong Kong shares was below expectation, with the Hang Seng Index falling by 13.82% throughout the year. The net inflow of southbound capital for the year was HK\$318.8 billion, representing a decrease of 17.5% from HK\$386.4 billion in 2022. The number of newly listed companies in Hong Kong throughout the year was 73, and the total amount of funds raised was HK\$46.3 billion, representing a year-on-year decrease of 18.9% and 55.7% respectively compared with 2022.

MANAGEMENT DISCUSSION & ANALYSIS OF PERFORMANCE

REVIEW OF OPERATIONS

In 2023, the Group thoroughly served the national strategy, actively promoted the transformation and development of light capital business, vigorously deepened the application of technology in business development and operation management, and provided professional and efficient financial services to customers. The Group capitalised on the market opportunities arising from the macro environment and policy adjustments, actively developed new products and new businesses, and continued to deepen cross-border business synergies to enhance its comprehensive service capabilities. The Group continued to enhance its risk management capabilities and strengthened its efforts in risk identification, assessment, measurement and decision-making support. The Group also strengthened its system construction, improved its internal control system, taken various measures to strengthen budget management, improved cost control and enhanced management efficiency.

In 2023, the revenue of the Group increased by 45% year-on-year to HK\$618 million from HK\$426 million in 2022. In 2023, the Group recorded loss before taxation of HK\$125 million and loss attributable to shareholders of HK\$192 million, while loss before taxation and loss attributable to shareholders were HK\$871 million and HK\$880 million respectively in 2022. The loss during the reporting period was mainly due to the expected credit loss provision of fixed income products in the institutional services and trading business. The expected credit loss provision is not a realised loss. As the Group has taken a series of risk control measures during the year, the amount of expected credit losses provided in 2023 decreased compared with that in 2022. The business of the Group operates as usual and the overall financial, business and operating positions of the Group remain sound.

	2023		2022	
	HK\$'000	%	HK\$'000	%
Fee and commission income	224,862	36%	235,506	55%
Interest income	271,626	44%	197,045	46%
Income from investment business	121,727	20%	(6,211)	(1%)
	618,215	100%	426,340	100%

During the year under review, the brokerage business was affected by the tightening of regulatory policies on cross-border business and the sharp fluctuation in the securities market. The fee and commission income decreased by 5% year-on-year to HK\$225 million. As the US Federal Reserve continued to raise interest rates, the interest income increased by 38% year-on-year to HK\$272 million. The investment business turned from loss to revenue of HK\$122 million through business transformation and development in the face of significant decrease in the amount of expected credit losses provided.

Wealth Management Business

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

	2023	2022	%
	HK\$'000	HK\$'000	
Fee and commission income	65,583	101,430	(35%)
Interest income	235,737	171,305	38%
- Loans to clients	91,011	105,530	(14%)
- Others	144,726	65,775	120%
Income from investment business	(71)	405	(118%)
	301,249	273,140	10%

In 2023, a number of major economies continued to maintain high inflation level, and factors such as geopolitical conflicts affected economic development. The Hang Seng Index showed a fluctuation range of approximately 6,700 points during the year. The total trading volume and the average daily trading volume of the Hong Kong stock market, and the average daily trading volume of HSMSI declined significantly year-on-year. The IPO of H shares slowed down in general.

During the year under review, the income from wealth management business of the Group increased by 10%, with the fee and commission income from wealth management business amounting to HK\$65.58 million, a decrease of 35% compared to HK\$101 million in 2022. As for interest income, the total interest income from customer loans for the year amounted to HK\$91.01 million, representing a decrease of 14% from HK\$106 million in 2022, while the total interest income increased significantly by 38% compared with 2022.

The Group has adhered to the customer-focused business philosophy, deeply promoted the transformation and development of wealth management business, accumulated external expansion momentum through internal management upgrading, and continuously improved the comprehensive service experience of customers. The Group horizontally broadened its business types and financial technology platform, and realised comprehensive upgrading of the Internet stock trading system and multi-level optimisation of the “one-stop” service platform for wealth management. The Group vertically optimised the brand service systems and service response mechanisms of “Wynner” and “Wynner League” in wealth management to persistently provide customers with efficient, convenient and high-quality wealth management services, and to continuously improve its own service level.

Enterprise Finance Business

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

	2023	2022	%
	HK\$'000	HK\$'000	
Fee and commission income	70,025	46,995	49%
Income from investment business	101,428	(11,914)	951%
	171,453	35,081	389%

In 2023, the Hong Kong IPOs market continued to face a slowdown, and the scale of US dollar bond issuance significantly declined. The Group actively expanded its businesses and overcoming objective difficulties. The fee and commission income of the enterprise finance business increased by 49% year-on-year to HK\$70.03 million during the year under review. In addition, the Group utilised its own funds to make investments and recorded an investment income of HK\$101 million.

—Sponsorship and underwriting and financial advisory

In 2023, the Hong Kong primary stock market continued the downturn. With the support of our parent company, the Group formed a certain number of sponsorship and underwriting project reserves through internationalisation and domestic and international integration strategies, and added and completed more than ten financial advisory projects. The Group will proactively broaden sponsorship and underwriting project reserves and transformation, participate in more financial advisory projects related to acquisitions and mergers, and strengthen the collaboration with domestic teams of our parent company, so as to increase potential client coverage in the enterprise financing business.

—Equity capital market

In 2023, the equity capital market team participated in 11 IPO underwriting projects, 2 global depositary receipt issuance projects and one placement project in a relatively sluggish market environment. The equity capital market team will continue to actively position itself in selected key sectors, and serve more quality companies to be listed in Hong Kong. In response to the changes in regulatory policies, the Group will deeply explore business opportunities, expand sales network, strengthen the construction of equity capital market team, and enhance cooperation with domestic and overseas business teams through high-quality comprehensive financial services, to provide better and more comprehensive services to clients.

—Debt capital market

During the year under review, the Group benefitted from the collaboration of domestic and overseas teams and the accumulation of projects, and completed a total of 126 bond projects (including 124 underwriting projects and 2 financial advisory projects). In the face of the ever-changing offshore US dollar bond market, the Group will continue to explore overseas bond issuance projects for quality enterprises, such as large-scale government-controlled enterprises and state-owned conglomerates, and further enhance the collaboration capabilities of domestic and overseas teams. The teams will grow and progress together to form a strong team synergy. The Group will continue to recruit talents to improve the business capacity of the team, in an effort to increase its market share and revenue.

Institutional Services and Trading Business

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

	Fee and commission income		Interest income		Income from investment business		Total		%
	2023	2022	2023	2022	2023	2022	2023	2022	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Fixed income, currencies and commodities	-	-	-	-	10,894	278	10,894	278	3819%
Structured products	-	-	-	-	9,476	5,020	9,476	5,020	89%
Stock business	70,877	68,402	35,889	25,740	-	-	106,766	94,142	13%
	70,877	68,402	35,889	25,740	20,370	5,298	127,136	99,440	28%

In 2023, the frequent geopolitical events, volatile US interest rates, together with the impact of bankruptcy crisis of SME banks in the US, the acquisition of Credit Suisse and the high interest rate of the US dollar and other factors, the US dollar bond market continued to weaken, and its issuance and trading gradually decreased. In the face of the severe market environment, the Group continued to adopt a more conservative defensive strategy, expanded the bond agency trading business, continued to reduce the portfolio size, significantly increased the overall position ratio of investment-grade bonds, dispersed the regional distribution of portfolios, effectively hedged interest rate risks, and reduced the volatility of portfolio income. During the period under review, the Group expanded macro transactions such as foreign exchange and interest rates, and promoted the development of CDS products to meet the diversified investment needs of clients with more diversified product lines. Through the transition to agency trading, the Group's fixed income sales rose against the market. During the period under review, the trading volume of bonds agency trading reached US\$2.55 billion, representing a year-on-year increase of 59%, and expanded to over 400 domestic and international investors. In addition, the Group vigorously carried out foreign exchange transactions, note issuance and other businesses to further enrich products and expand customer coverage.

During the year under review, the financial product team continued to control the risks of existing projects under complicated and volatile market conditions, and also promoted the steady growth of notes, share options and treasury bonds futures and other businesses, creating new revenue growth points. Additionally, the team also proactively balanced the customer base structure and devoted itself to designing products to meet the different product needs of each customer base.

During the year under review, the institutional services and trading business recorded a revenue of HK\$20 million from investment business, representing a year-on-year increase of 284%,

Institutional Services and Trading Business (continued)

In respect of equity trading, major overseas stock markets showed an upward momentum during the year under review, except that the mainland market and Hong Kong market fluctuated downward. In the face of the complex investment environment, the revenue from the Group's equity trading business grew by 13% year-on-year to HK\$107 million. Accommodating the market condition and business development needs, the team of institutional sales, trading and corporate relations focused on serving key clients, actively exploring new clients, and providing clients with more diversified and comprehensive research resources, broadening the institutional business product lines, optimising customer trading experience and improving customer stickiness by trading system upgrades, organizing corporate and analyst exchange events and deepening collaboration with domestic and international teams. The equity sales and trading team will further consolidate the fundamental of institutional spot bond business, increase coverage of Chinese and foreign long-term and hedge funds in Hong Kong, penetrate into the client scoring system with in-depth industry research on A-shares, explore the Asia-Pacific, Europe, US and other overseas stock markets, and strengthen the innovation of business model and service system. The equity sales and trading team will identify in-depth business synergy opportunities, cooperate with other business teams to provide clients with diversified, professional and differentiated comprehensive services.

Asset Management Business

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

	2023	2022	%
	HK\$'000	HK\$'000	
Fee and commission income	18,377	18,679	(2%)

In 2023, due to complex changes in the external environment and shrinking business demand, the overall market scale has been shrinking, and fund raising has become more difficult. The Group has made steady progress, accelerated the pace of product issuance, strictly managed investment risks, and the AUM under actively managed funds continued to grow. However, due to the closure of some passively managed funds, the fee and commission income from the asset management business decreased slightly. In 2023, guided by regulatory policies, the Group comprehensively promoted layout optimisation and business model upgrading. Under the principle of upholding the bottom line of compliance and risk, the Group focused on enhancing the acquisition ability of high-quality projects, develop ability of high-quality strategies and fundraising ability for clients. On the basis of sustainable development of cross-border business, the Group expanded product richness and explored the breakthrough of differentiated competition through private equity and innovative business.

In respect of cross-border business, the Group continuously improved the business efficiency, actively seized market share, and consolidated and enhanced the cross-border business brand awareness; in terms of private equity business, the Group continued to deepen and focus on exploring high-quality enterprises in industries such as new energy, integrated circuits and medical technology, and focused on developing new business scenarios; and in terms of alternative business, the Group focused on promoting investment strategies such as FOF strategy of renowned hedge funds in the world, valuation system strategy of socialism with Chinese characteristics and direct investment mode of inter-bank bond market, and provided clients with diversified and personalised global allocation investment strategies.

FUTURE PLANS & PROSPECTS

From the perspective of the global financial market environment, the overseas monetary policies may ease in 2024, and the spillover effects of monetary tightening policies of developed countries on emerging markets are expected to slow down marginally. In the US, residential consumption is expected to slow down under the impact of the depletion of residents' excessive savings and the marginal weakening of personal tax incentives. However, the investment may lead to the US Federal Reserve lowering the interest rate less than the market expectation, and there is uncertainty about the level of monetary policy easing.

In Chinese Mainland, in 2024, the mainland government will intensify its growth stabilisation policies, and the economy will rebound steadily. Housing prices are expected to rise as a result of supply clears, and residential consumption is expected to recover moderately; the real estate chain may still be a drag on GDP, but the rate of decline is expected to narrow, and investment in infrastructure and manufacturing will continue to play a supporting role; the narrowing of supply and demand gaps in developed countries is expected to lead to an upturn in import growth. Real GDP growth in 2024 is expected to be 4.5% to 5.0%.

In Hong Kong, the US Federal Reserve may restart its quantitative monetary easing policy in 2024, which will improve the external liquidity conditions of the market, and as the growth stabilisation policies implemented in Chinese Mainland continue to gain momentum, the probability of the Chinese Mainland economy stabilising in the medium term will increase, and the fundamentals of Hong Kong shares will be supported by the recovery of the Chinese Mainland economy. Overall, in 2024, the earnings of Hong Kong listed companies are expected to bottom out, and index valuations are poised to recover.

In 2024, the development of global macro economy is still uncertain. The Group will continue to pay close attention to the macro-economic and regulatory development trends, accelerate business expansion pace to strive for stable and rapid development, strengthen its core competitiveness, and enhance its revenue-generating capacity and profitability. The Group will actively implement its national strategy and contribute to the development of the real economy; continue to optimise its integrated service capabilities, enhance customer loyalty and promote fee-based income growth; actively explore new businesses and develop new products within the scope of the risk management framework to continuously strengthen its business characteristics and create a stable source of income; continue to promote domestic and overseas synergies and cooperation to capitalise on the strengths of its brands and resources in the PRC to drive our business development; further improve its risk management system, conduct risk assessments and early warnings for different asset types and profit models, and strengthen the monitoring of core risk limit indicators, underlying assets of major investment and financing projects and counterparties; enhance the application of financial technology to improve the efficiency of business development and operation and management by means of information technology, improve the capability of operation protection, and accelerate the automation and standardisation of operations; strengthen the construction of human resources, further optimise the human resources structure, improve the core human resources system, and strive to become an integrated financial services provider with market recognition and international competitiveness.

CAPITAL STRUCTURE

As at 31 December 2023, the total number of the issued ordinary shares was 1,561,138,689 shares and total equity attributable to ordinary equity holders was approximately HK\$2.790 billion (31 December 2022: HK\$2.960 billion).

DEBENTURES ISSUED

On 27 January 2022, the Company issued unsecured and unguaranteed bonds in a principal amount of US\$200 million which was listed on The Stock Exchange of Hong Kong Limited. The bond carried a fixed interest rate of 1.5% per annum with a maturity period of 364 days. Please refer to the Company's announcements on 21, 27 and 28 January 2022 for details of the bonds.

The unsecured and unguaranteed bonds were redeemed and cancelled on 26 January 2023 in accordance with the terms and conditions of the unsecured and unguaranteed bonds.

TREASURY POLICIES

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

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2023, the Group had a cash holding of HK\$1,287 million (2022: HK\$1,238 million) and financial assets at fair value through profit or loss of HK\$3,663 million (2022: HK\$3,739 million). As at 31 December 2023, the Group's total unutilised banking facilities amounted to HK\$8,001 million (2022: HK\$9,381 million), of which HK\$8,001 million (2022: HK\$9,381 million) could be drawn down without the need of notice period or completion of condition precedent.

As at 31 December 2023, the Group had outstanding short-term bank borrowings, notes issued and bond issued amounting to HK\$234 million (2022: HK\$1,489 million), HK\$417 million (2022: HK\$818 million) and HK\$nil million (2022: HK\$1,559 million) respectively. The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 31 December 2023 were 124% (2022: 118%) and 23% (2022: 50%) respectively.

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

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

During the year, the Group did not hold any significant investment and did not have any material acquisition or disposal.

CHARGES ON THE GROUP'S ASSET

No asset of the Group was subject to any charge as at 31 December 2023.

RISK MANAGEMENT

The Group has properly put in place credit management policies which cover the examination of the approval of clients' trading and credit limits, regular reviews of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

The management closely monitors the market condition so that precautionary measures will be taken to eliminate any risk that the Group may encounter. As at 31 December 2023, the advances to customers were overdue accounts receivable from cash clients, margin financing and structured products.

As at 31 December 2023, the balance of accounts receivable from cash clients and margin financing measured at fair value through profit or loss amounted to HK\$22 million (2022: HK\$39 million) and HK\$1,074 million (2022: HK\$1,309 million), respectively.

42% (2022: 35%) of margin financing was attributable to corporate customers with the rest attributable to individual customers.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group's principal operations are transacted and recorded in Hong Kong dollar and US dollar. The Group is not exposed to material foreign exchange risk because Hong Kong dollar is pegged with US dollar. Other foreign currency exposure is relatively minimal to its total assets and liabilities. The Group has endeavored to closely monitor its foreign currency positions and take measures when necessary.

CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 December 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Except the future plans as disclosed in the paragraph of "Future Plan & Prospects", the Group had no other future plans for material investments or capital assets as at 31 December 2023.

EMPLOYEES

As at 31 December 2023, the total number of full-time employees was 283 (2022: 315). The total staff costs for the year amounted to approximately HK\$249 million (2022: HK\$298 million).

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 24 May 2024. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting, which will be published and issued to the shareholders in due course.

CODE ON CORPORATE GOVERNANCE PRACTICES

To improve the Company's transparency and accountability to the shareholders, the Company is, so far as practicable, committed to maintaining high standard of corporate governance. The Company has met all applicable code provisions as set out in part 2 of the Corporate Governance Code (the "Code") contained in the Appendix 14 of the "Listing Rules" for the year ended 31 December 2023.

REVIEW BY AUDIT COMMITTEE

The final results for the year ended 31 December 2023 of the Group have been reviewed by the audit committee.

SCOPE OF WORK OF KPMG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (“HKEx”) at <http://www.hkexnews.hk> and the Company’s website at <http://www.swhyhk.com>. The 2023 annual report will be dispatched to the shareholders and will be published on the websites of HKEx and the Company in due course.

On behalf of the Board
Shenwan Hongyuan (H.K.) Limited
Wu Meng
Chairman

Hong Kong, 25 March 2024

As at the date of this announcement, the Board of the Company comprises 8 directors, of which Ms. Wu Meng, Mr. Tan Weijun, Mr. Liang Jun and Mr. Hu Jing are the executive directors, Mr. Zhang Lei and Mr. Ren Xiaotao are the non-executive directors; Mr. Ng Wing Hang Patrick and Mr. Kwok Lam Kwong Larry are the independent non-executive directors.