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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 2022

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 2022 together with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	For the year ended 31 December	
		2022	2021
		HK\$'000	HK\$'000
REVENUE	4	426,340	730,287
- Interest income calculated using the effective interest method		97,141	170,061
- Revenue from contracts with customers within the scope of HKFRS 15		235,506	409,191
- Revenue from other sources		93,693	151,035
Other (losses)/gains, net	4	(119,535)	12,092
Commission expenses		(56,006)	(150,541)
Employee benefit expenses		(297,992)	(265,890)
Depreciation		(66,197)	(53,110)
Interest expenses		(108,118)	(94,794)
Net charges for expected credit loss		(536,855)	(186,826)
- from financial assets at amortised cost		(458,249)	(23,993)
- from financial assets at fair value through other comprehensive income		(78,606)	(162,833)
Other expenses		(112,742)	(109,386)
LOSS BEFORE TAXATION	5	(871,105)	(118,168)
Income tax	6	(8,819)	22,418
LOSS FOR THE YEAR		(879,924)	(95,750)
Attributable to:			
Ordinary equity holders of the Company		(879,924)	(95,750)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (BASIC AND DILUTED)	7	HK(56.36) cents	HK(6.13) cents
DIVIDEND PER SHARE	8	-	-

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

2022 2021

HK\$'000 *HK\$'000*

LOSS FOR THE YEAR (879,924) (95,750)

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) (4,704) (28,939)

Exchange (loss)/gain on translation of financial statements of foreign
operations (7,522) 3,128

OTHER COMPREHENSIVE INCOME, NET OF TAX (12,226) (25,811)

TOTAL COMPREHENSIVE INCOME FOR THE YEAR (892,150) (121,561)

Attributable to:

Ordinary equity holders of the Company (892,150) (121,561)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000
	<i>Notes</i>	
<u>NON-CURRENT ASSETS</u>		
Property, plant and equipment	5,977	11,360
Stock and Futures Exchange trading rights	4,212	4,212
Other assets	26,395	23,125
Other financial assets	391,462	791,263
Right-of-use assets	108,557	149,227
Deferred tax assets	89,326	116,646
	625,929	1,095,833
Total non-current assets		
<u>CURRENT ASSETS</u>		
Financial assets at fair value through profit or loss	3,739,178	6,106,058
Other financial assets	346,516	991,448
Accounts receivable	2,835,339	4,894,775
Loans and advances	1,308,845	2,556,416
Prepayments, deposits and other receivables	275,171	1,158,863
Reverse repurchase agreement	901,633	809,294
Tax recoverable	45,942	42,138
Bank balances held on behalf of clients	5,199,634	4,675,752
Cash and bank balances	1,238,496	576,706
	15,890,754	21,811,450
Total current assets		
<u>CURRENT LIABILITIES</u>		
Financial liabilities at fair value through profit or loss	2,950,371	5,400,052
Accounts payable	6,523,725	8,333,954
Contract liabilities	1,745	1,560
Other payables and accruals	670,584	774,949
Repurchase agreement	173,706	798,717
Interest-bearing bank borrowings	1,489,227	3,500,796
Bond issued	1,559,400	-
Lease liabilities	48,464	60,237
Tax payable	62,919	74,995
	13,480,141	18,945,260
Total current liabilities		
<i>NET CURRENT ASSETS</i>	2,410,613	2,866,190
<i>TOTAL ASSETS LESS CURRENT LIABILITIES</i>	3,036,542	3,962,023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000
<u>NON-CURRENT LIABILITIES</u>		
Deferred tax liabilities	662	803
Lease liabilities	<u>75,997</u>	<u>106,561</u>
Total non-current liabilities	<u>76,659</u>	<u>107,364</u>
NET ASSETS	<u>2,959,883</u>	<u>3,854,659</u>
<u>EQUITY</u>		
Equity attributable to ordinary equity shareholders of the Company		
Share capital	2,782,477	2,782,477
Other reserves	<u>177,406</u>	<u>1,069,556</u>
	2,959,883	3,852,033
Non-controlling interests	<u>-</u>	<u>2,626</u>
TOTAL EQUITY	<u>2,959,883</u>	<u>3,854,659</u>

NOTES:

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong. The registered office of the Company is situated at Level 19, 28 Hennessy Road, Hong Kong.

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

The Company is a subsidiary of Shenwan Hongyuan (International) Holdings Limited, a company incorporated in Hong Kong with limited liability. In the opinion of the directors, the ultimate holding company of the Company is Shenwan Hongyuan Group Co., Ltd., which was 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 2022 and the financial information relating to the year ended 31 December 2021 included in this preliminary announcement of 2022 annual results does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 2021, 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 2022 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 2021 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 2021. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES

These financial information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 16, Property, plant and equipment: Proceeds before intended use
- Amendments to HKAS 37, Onerous contracts — cost of fulfilling a contract

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 and HKFRS Practice Statement 2	<i>Disclosure of accounting policies¹</i>
Amendments to HKAS 8	<i>Definition of accounting estimates¹</i>
Amendments to HKAS 12	<i>Deferred tax related to assets and liabilities arising from a single transaction¹</i>
Amendments to HKFRS 17	<i>Insurance contracts¹</i>

¹ Effective for annual periods beginning on or after 1 January 2023

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

3. OPERATING SEGMENT INFORMATION

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

	Enterprise finance		Wealth management	Institutional services and trading	Asset management	Others	Segment total
	Corporate finance	Principal investment					
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 31 December 2022							
Segment revenue and other gains from external customers	46,995	(11,914)	273,140	99,440	18,679	(119,535)	306,805
Segment results and loss before tax	(46,859)	(11,914)	(15,691)	(641,998)	(35,108)	(119,535)	(871,105)
	Enterprise finance		Wealth management	Institutional services and trading	Asset management	Others	Segment total
	Corporate finance	Principal investment					
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 31 December 2021							
Segment revenue and other gains from external customers	99,488	1,320	366,699	233,971	28,809	12,092	742,379
Segment results and profit/(loss) before tax	15,253	946	56,022	(191,410)	(11,071)	12,092	(118,168)

Geographical information

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

4. REVENUE AND OTHER GAINS, NET

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

	For the year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
<i>Fee and commission income:</i>		
Revenue from contracts with customers within the scope of HKFRS 15:		
Commission on securities dealing		
– Hong Kong securities	90,941	154,736
– Other than Hong Kong securities	32,420	43,954
Commission on futures and options contracts dealing	15,821	21,445
Initial public offering, placing, underwriting and sub-underwriting commission	37,446	53,632
Financial advisory, compliance advisory, sponsorship fee income and others	22,081	75,338
Management fee, investment advisory fee income and performance fee income	18,679	28,809
Handling fee income	2,337	6,060
Research fee income and other service fee income	15,781	25,217
	<u>235,506</u>	<u>409,191</u>
<i>Income from interest-bearing transactions:</i>		
Interest income calculated using the effective interest method:		
Interest income from banks and others	82,114	14,877
Interest income from initial public offering loans	111	32,319
Revenue from other sources:		
Interest income from loans to cash clients and margin clients	114,820	158,626
	<u>197,045</u>	<u>205,822</u>
<i>Income from investment business:</i>		
Interest income calculated using the effective interest method:		
Interest income:		
– Debt securities	14,916	122,865
Revenue from other sources:		
Net realised and unrealised (losses)/gains on financial instruments:		
– Listed equities and futures	20,051	24,736
– Debt securities and derivatives	(623,168)	(435,274)
– Structured products	580,285	397,226
Dividend income:		
– Listed equities	1,277	5,582
Unrealised fair value gains on a financial guarantee contract	428	139
	<u>(6,211)</u>	<u>115,274</u>
	<u>426,340</u>	<u>730,287</u>
Other (losses)/gains, net:		
Exchange (losses)/gains, net	(141,051)	1,253
Change in net assets value attributable to other holders of a consolidated investment fund	34,269	10,839
Loss on disposal of consolidated investment funds	(15,153)	-
Employment Support Scheme subsidy	2,400	-
	<u>(119,535)</u>	<u>12,092</u>

5. LOSS BEFORE TAXATION

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

	For the year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Interest expenses on loans and overdrafts wholly repayable within five years	<u>66,347</u>	<u>79,291</u>

6. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 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	
	2022	2021
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	1,619	77,431
Under-/(Over-)provision in respect of prior years	(24,239)	10,799
Current tax – Other jurisdictions	3,343	8
Deferred tax	<u>28,096</u>	<u>(110,656)</u>
	<u>8,819</u>	<u>(22,418)</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 2022, the total number of the issued ordinary shares was 1,561,138,689 shares (2021: 1,561,138,689 shares).

	For the year ended 31 December	
	2022	2021
Loss for the year attributable to ordinary equity holders of the Company (HK\$'000)	<u>(879,924)</u>	<u>(95,750)</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>(56.36)</u>	<u>(6.13)</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\$39,491,000 (2021: HK\$27,110,000) 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 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Within 1 month	1,154,444	2,660,210
1 to 2 months	520	2,921
2 to 3 months	127	1,102
Over 3 months	<u>21,330</u>	<u>13,477</u>
	<u><u>1,176,421</u></u>	<u><u>2,677,710</u></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 2022 were (1) a receivable due from a wholly-owned subsidiary of the ultimate holding company of HK\$5,939,000 (2021: HK\$1,690,000) arising from brokerage services relating to the PRC capital markets, (2) a consultancy fee receivable due from the ultimate holding company arising from supporting services in connection with asset management business of HK\$3,296,000 (2021: HK\$ 8,026,000), which balance is unsecured, interest-free and repayable on demand.

10. ACCOUNTS PAYABLE

	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000
Accounts payable		
- Clients	6,334,669	6,842,694
- Brokers and dealers	110,699	1,296,653
- Clearing houses	78,357	194,607
	<u>6,523,725</u>	<u>8,333,954</u>

Included in the accounts payable balance as at 31 December 2022 was a payable to a wholly-owned subsidiary of the ultimate holding company of the Company of HK\$nil (2021: HK\$664,000) arising from brokerage services relating to the PRC capital markets. This balance is unsecured, interest-free and payable on the settlement date of the relevant transactions.

Included in the accounts payable balance as at 31 December 2022 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK\$71,039,000 (2021: HK\$32,463,000). 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 2022 (2021: HK nil cents per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 19 May 2023 to Thursday, 25 May 2023, 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 2023 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, 18 May 2023.

MANAGEMENT DISCUSSION & ANALYSIS OF PERFORMANCE

2022 MARKET REVIEW

From the perspective of the global environment, the year of 2022 was dominated by a deepening of stagflation overseas and substantial contraction in developed countries. The Russia-Ukraine conflict has had a huge impact on the global supply chain, pushing up energy prices, leading to higher-than-expected inflation in developed countries in the first half of the year. Major overseas developed countries implemented tight monetary and fiscal policies during the year. The US Federal Reserve started to raise the interest rate in March 2022, the pace of tightening accelerated rapidly thereafter, with accumulative increase of 425 basis points in the interest rate during the year. Monetary tightening, coupled with the Russia-Ukraine conflict and other factors, has led to increased expectations of economic recession in overseas developed countries.

From the perspective of the macro economy in Chinese Mainland, the exports remained relatively stable in 2022. The investment in manufacturing industry has grown rapidly driven by policies, and fiscal and policy banks have made efforts in infrastructure investment. However, the real estate industry chain has continued to weaken. Coupled with the impact of the pandemic, the total retail sales of social consumer goods increased at a rate of only -0.1% throughout the year, and the real GDP growth fell to 3.0% year-on-year. In terms of price level, CPI growth was relatively moderate (2.0% for the year), and the overall inflation pressure in China was significantly lower than overseas, which was relatively controllable. The capital market in Chinese Mainland fluctuated in a downward trend throughout the year. The Shanghai Composite Index, Shenzhen Composite Index and GEM Index fell by 15.13%, 25.85% and 29.37% respectively. However, the A-share IPO market was relatively active. According to Wind data, the annual fundraising amount reached RMB586.9 billion, representing a year-on-year increase of 8.2%, recording a new high.

In Hong Kong, the resurgence of pandemic in early 2022 led to economic downturn. After the third quarter, with the stabilization of the pandemic, the Hong Kong economy is gradually recovering. In view of the aggressive interest rate increase by the US Federal Reserve, the performance of Hong Kong stock index was lower than expected at the beginning of the year, and the Hang Seng Index fell 15.5% throughout the year. The net inflow of southbound capital for the year was HK\$336.4 billion, representing a slight decrease from 2021. The new share market in Hong Kong also continued the cooling trend in 2021. According to the 2022 annual market statistics of the Exchange, the number of newly listed companies for the year was 90 (including one company that was transferred from GEM to the Main Board), and the total amount of funds raised was HK\$104.6 billion, representing a year-on-year decrease of 8% and 68% respectively compared with 2021.

REVIEW OF OPERATIONS

In 2022, the Group continued to deepen and consolidate business transformation, actively explored new business models, continuously improved professional level of all businesses, enriched the means of serving customers, actively leveraged the synergies within the Group and between the Group and its parent company, and provided customers with diversified comprehensive financial services. On the one hand, in the face of huge fluctuations in the Chinese Mainland and Hong Kong stock markets, as well as the credit events in the Chinese US dollar bond market, the Group actively and calmly responded, effectively managed the risks, took various risk mitigation measures, and actively resolved existing risks. On the other hand, in the face of increasingly fierce market competition and increasingly strengthened supervision, the Group timely researched and judged on the market development trend, actively sought development opportunities in challenges, and shaped the connotative growth competitiveness through improving service level and working efficiency, process optimization, system construction and other refining management efforts.

In 2022, the revenue of the Group decreased by 42% year-on-year to HK\$426 million from HK\$730 million in 2021, which was mainly due to the sluggish Chinese-issued US Dollar bond market and sharp fluctuation in the securities market which dragged down the enterprise finance and wealth management businesses. In 2022, the Group recorded loss before taxation of HK\$871 million and loss attributable to shareholders of HK\$880 million, while loss before taxation and loss attributable to shareholders were HK\$118 million and HK\$96 million respectively in 2021. It was mainly due to an increase in the expected credit loss provision of fixed income products in the institutional services and trading business. The expected credit loss provision is not a realized loss. The business of the Group operates as usual and the overall financial, business and operating positions of the Group remain sound.

	2022	%	2021	%
	HK\$'000		HK\$'000	
Fee and commission income	235,506	55%	409,191	56%
Interest income	197,045	46%	205,822	28%
Income from investment business	(6,211)	-1%	115,274	16%
	426,340	100%	730,287	100%

During the year under review, the frequent interest rate hiking by Federal Reserve and the sharp fluctuation in the securities market affected the bond underwriting and placement, equity underwriting and placement as well as the trading businesses in the securities market, the fee and commission income decreased by 42% year-on-year to HK\$236 million. Affected by the highly volatile securities market, the interest income also decreased by 4% year-on-year to HK\$197 million. The fixed income trading business was affected by the huge volatility in the offshore US dollar bond market, dragging the revenue of the investment business by 105% year-on-year to a loss of HK\$6 million.

Wealth Management Business

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

	2022	2021	%
	HK\$'000	HK\$'000	
Fee and commission income	101,430	181,092	(44%)
Interest income	171,305	185,471	(8%)
- Loans to clients	105,530	174,692	(40%)
- Others	65,775	10,779	510%
Income from investment business	405	136	198%
	273,140	366,699	(26%)

In 2022, the global economy continued to face severe challenges. Central banks of multiple countries raised interest rates to cope with stubborn high inflation, together with the geopolitical conflicts and the continuing COVID-19 and other factors hindered the economic development. The Hang Seng Index showed a volatility of nearly 10,000 points during the year, and once dropped to the historical low since 2009. The total trading volume of the Hong Kong stock market, the average daily trading volume and the average daily trading volume of HSMSI declined significantly year-on-year. The IPO of H shares slowed down in general. According to the 2022 annual market statistics of the Exchange, the scale of IPO in the Hong Kong stock market in 2022 was HK\$251.9 billion, representing a significant decrease of 67% compared to the amount of HK\$773.3 billion in 2021. During the year under review, the income from wealth management business of the Group decreased by 26%, with the fee and commission income from wealth management business amounting to HK\$101 million, a decrease of 44% compared to HK\$181 million in 2021. As for interest income, the total interest income from customer loans for the year amounted to HK\$106 million, representing a decrease of 40% from HK\$175 million in 2021.

The Group has adhered to customer service as the core and constantly deepened the transformation and development of wealth management business. As the negative impact of the COVID-19 pandemic has gradually diminished, the wealth management team took it as an opportunity to continuously strengthen the client and investment acquisition, broaden the profile of clients and assets, continuously strengthen business collaboration, and create a high-quality and sustainable wealth management business model. In the direction of expanding the diversified product platform, the Group continued to improve the brand building of “Wynner” and “Wynner League”, increase the variety of transactions so as to cover more transaction markets, further enhance the trading service capability, provide integrated, one-stop wealth management services for high net worth clients and strategic clients, and improve the comprehensive service level.

On the basis of maintaining risk control and previous good control of financing business, the Group will proactively conduct stock margin financing business and other interest income businesses, promote high-quality margin financing business on the track of sound progress, and improve the level of interest income. In addition, the Group will further strengthen the development of financial technology, introduce the advanced information technology system in the industry and establish its own financial technology research and development team, comprehensively upgrade the existing internet stock trading system, provide clients with a competitive stock trading system in the industry, create a “one-stop” service platform for stock trading and wealth management, and strive to rank among the leading players in the market. The Group will continue to improve the business expansion capability, strengthen the construction of retail client service system, strengthen fundamental services and continue to improve the professional operation capability.

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.

	2022 HK\$'000	2021 HK\$'000	%
Fee and commission income	46,995	99,488	(53%)
Income from investment business	(11,914)	1,320	(1003%)
	35,081	100,808	(65%)

In 2022, the Group's sponsorship and underwriting business was impacted by the slowdown in the Hong Kong IPOs and offshore US Dollar bond market, and the fee and commission income of the enterprise finance business decreased by 53% year-on-year to HK\$47 million during the year under review. In addition, the Group utilized its own funds to make investments and recorded an investment loss of HK\$12 million.

—Sponsorship and underwriting and financial advisory

In 2022, the Group completed 2 sole sponsorship projects in the face of the severe market environment and the sharp decrease in the overall primary market issuance. This reflected that our enterprise financing team's project execution capability in the capital market was improving. Among which, the Group, as the sole sponsor, assisted Huaxin Cement Co., Ltd. to be successfully listed on the Main Board of the Exchange by way of introduction. As the first B-share to H-share conversion project on Shanghai Stock Exchange (i.e. listing of domestic listed foreign capital shares switching to the Exchange), the listing project is highly innovative and exemplary in China's securities market, and has received strong support from both the Hong Kong and Chinese Mainland regulators. With the support of our parent company, the Group will resolutely implement its strategies of internationalization and domestic/overseas integration, and strengthen the collaboration with domestic teams of our parent company, increase potential client coverage in the enterprise financing business, continue to broaden sponsorship and underwriting project reserves, as well as proactively participate in financial advisory projects relate to acquisitions and mergers so as to diversify the source of income.

—Equity capital market

In 2022, the equity capital market team participated in 10 IPO underwriting projects and one B to H listing project in a volatile market. The team will continue to actively position itself in selected key sectors, and serve quality companies to be listed in Hong Kong. In response to the impact of changes in regulatory policies on business development, the Group will explore business opportunities, expand its sales network, strengthen its equity capital market team, and enhance cooperation with domestic and overseas business teams to provide better and more comprehensive services to clients.

—Debt capital market

Benefitted from the collaboration of domestic and overseas teams and the accumulation of projects in 2022, the Group completed a total of 119 bond projects (including 116 underwriting projects and 3 financial advisory projects) during the year under review. As for overseas market, in the face of the challenges and opportunities arising from 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, continue to enhance the collaboration capabilities of its domestic and overseas teams, and 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 utilizes 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		%
	2022	2021	2022	2021	2022	2021	2022	2021	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Fixed income, currencies and commodities	-	-	-	-	278	34,555	278	34,555	(99%)
Structured products	-	-	-	-	5,020	79,263	5,020	79,263	(94%)
Stock business	68,402	99,802	25,740	20,351	-	-	94,142	120,153	(22%)
	68,402	99,802	25,740	20,351	5,298	113,818	99,440	233,971	(57%)

In 2022, the US dollar bond market continued to weaken due to geopolitical and US interest rate fluctuations. In the face of the severe market environment, the Group adopted a more conservative and defensive trading strategy, continued to reduce its real estate position and increased its overall investment grade position, actively diversified the portfolio's geographical distribution, effectively hedged interest rate risk, and reduced the volatility of portfolio income. During the year under review, the Group expanded its foreign exchange, interest rate and other macro transactions, and added CDS products to meet the diversified investment needs of customers with a richer product line. In order to strengthen fixed income sales, the Group re-established its fixed income sales team and expanded to over 300 domestic and international investors, laid a foundation for future business development. The secondary bond market achieved a breakthrough in customer sales, with a significant increase in customer trading activity.

During the year under review, the financial products team actively controlled the risks of the existing projects while promoting business transformation and expanding back-to-back business. The Group launched several back-to-back notes with a number of innovative terms, and the back-to-back off-market A-share option business was actively traded, becoming a new revenue growth point for the financial innovation business. The Group has been actively promoting the implementation of new businesses. During the year under review, the Group launched the fixed income repurchase/reverse repurchase business and expects to extend the business to other suitable counterparties in the market in 2023. In addition, the Group further expanded its client coverage, such as overseas asset management institutions/funds, corporate and professional individual investors, laid a solid foundation for the business transformation and development.

During the year under review, the institutional services and trading business recorded a revenue of HK\$5 million from investment business, representing a year-on-year decrease of 95%, mainly due to the unsatisfactory performance of the trading portfolio.

Institutional Services and Trading Business (continued)

In respect of equity trading, the significant volatility in global equity markets during the year under review resulted in a significant decline in trading volume in major equity markets, which directly affected the revenue of the equity business. During the year under review, the institutional services and trading business reported revenue of HK\$68 million from equity business, representing a year-on-year decrease of 31%. Nonetheless, teams of institutional sales, trading and corporate relations of the Group continued to actively enhance their services and development of key clients during the year. By promoting trading system upgrades, organizing various corporate and analyst exchange events and deepening collaboration with domestic and international teams, the Group gradually built up a more loyal institutional client base and broadened its institutional product lines, and provided clients with more diversified and comprehensive research resources, investment products and trading experience. Looking ahead to 2023, the equity sales and trading team will continue to consolidate the fundamental of institutional spot bond business, increase coverage of Chinese and foreign long-term and hedge funds in Hong Kong, and penetrate into the client scoring system with in-depth industry research on A-shares. In line with the Group's business transformation objectives, the equity sales team will explore in-depth business synergy opportunities with the corporate finance and financial innovation teams to provide customers with more comprehensive equity trading and financing solutions.

Asset Management Business

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

	2022	2021	
	HK\$'000	HK\$'000	%
Fee and commission income	18,679	28,809	(35%)

In 2022, the Group proactively deployed private equity investment business and launched a number of private equity funds with accumulated proceeds exceeding HK\$500 million, gradually enhancing its brand influence and core competitiveness in generating revenue and profit. The Group continued to pay attention to regulatory policies and clients' demand for cross-border asset management, and persisted in business innovation. With excellent product design capabilities, the Group established a cross-border real estate investment trust fund and successfully raised USD200 million, further strengthened its cross-border business advantages, expanded its product range, which effectively drove business growth.

During the year under review, the asset management business maintained steady growth in fees and commissions, with a compound growth rate of 24% over the past three years.

The Group will continue to seize the policy opportunities, taking Hong Kong as an entry point to the Greater Bay Area, while maintaining its strength in cross-border business and actively expand its business scope, so as to develop private equity business to meet the needs of clients in different markets. At the same time, we will further broaden our sales channels, realize the linkage of different business segments, expand our asset management scale, and strive to become the preferred cross-border asset management service provider for our clients.

FUTURE PLANS & PROSPECTS

From the perspective of the global financial market environment, the overseas monetary tightening will come to an end in 2023, and the US Federal Reserve may start cutting interest rates in the second half of the year. Due to greater impact of the Russia-Ukraine conflict on the Eurozone economy, the European Central Bank may face greater constraints of economic recession in raising the interest rate. On the whole, emerging market countries are expected to be marginally mitigated by the spillover of monetary tightening by central banks of overseas developed countries in 2023. However, as the Russia-Ukraine conflict has not yet come to a decisive end, the risks are still not negligible.

In Chinese Mainland, although the exports are expected to decline with external demand in 2023, the industrial upgrading and iteration will continue, and net exports can still make a positive contribution to annual growth. As the credit, bonds and equity financing policies are released to stabilize real estate financing, the decline of real estate investment is expected to narrow. After the enhancement of prevention and control measures, consumer consumption of goods and services has moderately and steadily recovered. The real GDP growth rate is expected to return to approximate 5.2% to 5.3% in 2023, avoiding short-term overheat and long-term expected chaos.

In Hong Kong, the economy has started to recover in the second half of 2022. As the monetary tightening process of the US Federal Reserve comes to an end in 2023, the macro liquidity environment faced by Hong Kong stocks will tend to ease. In addition, the pandemic prevention policy in Chinese Mainland will continue to be improved, the real estate policy will ease, and the fundamentals of Hong Kong stocks will also be supported. From the perspective of the market, in the context of economic recovery, the valuation of Hong Kong stocks is expected to rise, and the Hong Kong stocks are expected to switch to the Beta market trend driven by deep decline rebound and valuation repair.

In 2023, the global macro economy is still uncertain. The Group will continue to pay close attention to the macro-economic and regulatory development trends, proactively respond to such changes, accelerate business expansion pace to strive for stable and rapid development. Under the new development pattern of Guangdong-Hong Kong-Macao Greater Bay Area, as the important business center and execution platform of overseas business and cross-border business of Shenwan Hongyuan Group, the Group, based in Hong Kong, will continue to fully utilize the advantages and competitiveness of overseas resources, actively respond to the national development strategy, vigorously develop cross-border business, and further enhance market influence. The Group will continue to strengthen business transformation, focus on the capital-light business as the core, and build an overseas integrated financial service platform. The Group will further improve the construction of risk control system, gradually implement risk-adjusted income assessment, regularly carry out risk and income analysis, and assess the risk status of overall asset allocation. The Group will vigorously promote business collaboration, further improve incentive mechanism, optimize business process and improve customer experience. The Group will promote the construction of operation system, empower business development with financial technology, and improve the level of business support. The Group will also accelerate the pace of talent structure optimization, introduce professional talents, improve the level of human resources management and professional ability by improving the core system of human resources, and strive to become an integrated financial services provider with market recognition and international competitiveness.

CAPITAL STRUCTURE

As at 31 December 2022, 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\$2.960 billion (31 December 2021: HK\$3.855 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 Group's banking facilities are mainly renewable on a yearly basis and are on floating interest rates basis. In addition, it has been the policy of the Group to maintain adequate liquidity at all times to meet its liabilities as and when they fall due.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2022, the Group had a cash holding of HK\$1,238 million (2021: HK\$577 million) and financial assets at fair value through profit or loss of HK\$3,739 million (2021: HK\$6,106 million). As at 31 December 2022, the Group's total unutilised banking facilities amounted to HK\$9,381 million (2021: HK\$7,353 million), of which HK\$9,381 million (2021: HK\$7,353 million) could be drawn down without the need of notice period or completion of condition precedent.

As at 31 December 2022, the Group had outstanding short-term bank borrowings amounting to HK\$1,489 million (2021: HK\$3,501 million). The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 31 December 2022 were 118% (2021: 115%) and 50% (2021: 91%) 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 2022.

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 2022, the advances to customers were overdue accounts receivable from cash clients, margin financing and structured products.

As at 31 December 2022, the balance of accounts receivable from cash clients and margin financing measured at fair value through profit or loss amounted to HK\$39 million (2021: HK\$27 million) and HK\$1,309 million (2021: HK\$2,556 million), respectively.

35% (2021: 43%) 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 2022.

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 2022.

EMPLOYEES

As at 31 December 2022, the total number of full-time employees was 315 (2021: 303). The total staff costs for the year amounted to approximately HK\$298 million (2021: HK\$266 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 Thursday, 25 May 2023. 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 2022.

REVIEW BY AUDIT COMMITTEE

The final results for the year ended 31 December 2022 of the Group have been reviewed by the audit committee.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by KPMG on this announcement.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (“HKEx”) at <http://www.hkexnews.hk> and the Company’s website at <http://www.swwhyhk.com>. The 2022 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, 27 March 2023

As at the date of this announcement, the Board of the Company comprises 9 directors, of which Ms. Wu Meng, Mr. Zhang Jian, Mr. Tan Weijun, Mr. Liang Jun and Mr. Hu Jing 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.