西南證券 (600369 SH)
控股公司
西證國際

Southwest Securities International Securities Limited
西證國際證券股份有限公司*

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

Stock Code 股份代號 : 812

2019
Interim Report 中期報告

* For identification purpose only 僅供識別

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CORPORATE INFORMATION

Board of Directors	*Executive Directors* Mr. WU Jian *(Chairman)* Mr. PU Rui *(Chief Executive Officer)* Dr. ZHAO Mingxun *(appointed on 23 August 2019)* Mr. LUO Yi *(resigned on 28 February 2019)* Ms. ZHAO Dongmei *(resigned on 30 April 2019)* Ms. WANG Huiyun Mr. XIONG Xiaoqiang *Independent Non-executive Directors* Professor WU Jun Mr. MENG Gaoyuan Dr. GUAN Wenwei
Audit Committee	Mr. MENG Gaoyuan *(Chairman)* Professor WU Jun Dr. GUAN Wenwei
Remuneration Committee	Professor WU Jun *(Chairman)* Mr. WU Jian Mr. MENG Gaoyuan Dr. GUAN Wenwei
Nomination Committee	Mr. WU Jian *(Chairman)* Professor WU Jun Mr. MENG Gaoyuan Dr. GUAN Wenwei
Authorised Representatives	Mr. PU Rui Ms. TAM Lai Kwan Terry
Company Secretary	Ms. TAM Lai Kwan Terry
Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda

CORPORATE INFORMATION

Head Office and Principal Place of Business in Hong Kong	40/F., Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Bermuda Principal Share Registrar	MUFG Fund Services (Bermuda) Limited 4th floor North Cedar House 41 Cedar Avenue Hamilton HM12 Bermuda
Branch Share Registrar in Hong Kong	Computershare Hong Kong Investor Services Limited 17M Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Auditor	Ernst & Young
Legal Adviser as to Hong Kong Law	Norton Rose Fulbright Hong Kong
Principal Banker	Standard Chartered Bank (Hong Kong) Limited
Listing Information	The Stock Exchange of Hong Kong Limited Stock Code: 812
Website	www.swsc.hk

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Southwest Securities International Securities Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 together with the comparative figures for the six months ended 30 June 2018 as set out on pages 14 to 52 to this report.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 *(six months ended 30 June 2018: HK$ Nil)*.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Macro Environment

In the first half of 2019, the major events that lingered through 2018 had not been fully resolved, and it remained uncertain whether they will be settled in the second half of the year.

To start with, the Sino-U.S. trade talks suddenly took a turn for the worse again in May. The leaders met at the G20 summit and later the two sides resumed a new round of trade talks, but there is still a long way to go before the two countries can finally reach a trade agreement to end the trade war. The European Parliament election was held in May. The traditional major parties suffered a setback, while the number of far-right and Eurosceptic seats increased, albeit insignificantly. The former German defense minister was elected as the president of the European Commission with a low vote count, reflecting a hidden concern about her ability to unite the EU in the future given her low popularity. Theresa May announced her resignation due to Brexit mess, and the Brexit deadline was further postponed to the end of October, leaving the hot potato to the new Prime Minister Johnson. Although the Brexit plan may be finalised in the second half of the year, the risk of no-deal Brexit is still mounting. Italian Prime Minister's resignation which leads to political instability might reignite the debt crisis. In Japan, Emperor Akihito abdicated and Naruhito took the throne with the new Reiwa era beginning. In early July, Japan imposed strict restrictions on semiconductor exports to South Korea, worsening the diplomatic ties between the two countries. The relationship between North Korea and the U.S. is also very delicate. At the end of February, Trump-Kim summit concluded without reaching any agreement, though the two leaders met again in Panmunjom at the end of June. The crisis of two presidents in Venezuela has remained unresolved for more than half a year and has evolved into a struggle between the West (Europe and the U.S.) and the East (China and Russia). In terms of crude oil, though Russia reportedly opposed the extension of the oil-cut agreement, OPEC ultimately agreed to extend the deal until the end of next March to stabilise oil prices.

MANAGEMENT DISCUSSION AND ANALYSIS

As to the economic front, as the world is faced with the concern of slowing growth, many countries, including the U.S., Australia, New Zealand, India, Malaysia, the Philippines and Thailand, are shifting from the rate hike cycle to rate cuts. The U.S. government shutdown ended at the end of January, and the Fed announced to end its balance sheet shrinking. China's GDP growth, despite a slowdown in the second quarter, basically met expectations for the first half of the year. But due to the impact of the Sino-U.S. trade war, its manufacturing PMI fell below the threshold that separates contraction from expansion. China's VAT reform caused its second-quarter economic data to fluctuate, with the overall data far worse than expected for April but better than expected for June. However, the overall data for July slightly deteriorated.

Hong Kong Market

The Hang Seng Index surged in the first quarter of 2019 and rose above 30,000 again in April, but fell nearly 10% in May due to the sudden deterioration of Sino-U.S. trade talks. Given the rising expectations of U.S. rate cuts and the meeting between the heads of state of China and the U.S. at the G20 summit, the Index rebounded more than 5% in June and closed at 28,543 at the end of June, up 10.4% compared with the end of December 2018. The Hang Seng China Enterprises Index closed at 10,882 at the end of June, up 7.5% from the end of December 2018. In the first half of 2019, the average daily turnover of the Hong Kong stock market was HK$97.9 billion, representing a year-on-year decrease of 22.7% and a period-on-period increase of 10.3%. In the first half of 2019, the average daily turnover of Southbound Trading under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect was HK$11.2 billion, a decrease of 31.6% year on year. Southbound Trading accounted for 5.7% of the total turnover of the Hong Kong market, a year-on-year decrease of 0.75 percentage point and a period-on-period increase of 0.54 percentage point. At the end of June 2019, the number of listed companies on the Main Board and GEM reached 2,382 (including 1,996 listed companies on the Main Board, a period-on-period increase of 70 or 3.6%), a period-on-period increase of 67 or 2.9%, while the total market capitalization of the stock market increased by 9.4% to HK$32.7 trillion on a period-on-period basis. In the first half of 2019, there were a total of 84 newly listed companies (including 8 companies which transferred from the GEM to the Main Board), a year-on-year decrease of 24 or 22.2%, mainly due to the fact that the number of companies newly listed on the GEM during the period was only 6, a significant year-on-year decrease of 44 or 88.0%. As a result, in the first half of 2019, though the number of newly listed companies declined, total proceeds raised from IPOs on the Hong Kong stock market increased by 34.7% year on year to HK$69.5 billion due to the higher number of companies newly listed on the Main Board. Nevertheless, as new economy giants prefer to be listed on the New York Stock Exchange or the NASDAQ, the Hong Kong Stock Exchange slipped in global IPO rankings from first place last year to third place in the first half of 2019. Given that Budweiser Asia Pacific suspended its IPO plan last month, it is difficult for the Hong Kong Stock Exchange to defend its first place in global IPO rankings this year, though Alibaba is expected to go public in Hong Kong in the second half of the year. In the first half of 2019, the market share of Category A participants (Position 1 to 14) on the Stock Exchange rose more than 1.5 percentage points year on year, while the market share of Category B (Position 15 to 65) decreased slightly by 0.5 percentage point and that of Category C (Position ranking after 65) slipped by about 1 percentage point year on year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's principal business includes brokerage and margin financing, corporate finance, asset management and proprietary trading. During the period under review, the Group recorded total revenue and other income and gains and reversal of allowance for doubtful debts of HK$153.732 million *(six months ended 30 June 2018: HK$77.208 million)* and a loss before tax of HK$60.252 million *(six months ended 30 June 2018: a loss before tax of HK$80.916 million)*.

During the period under review, the Group's total revenue and other income and gains increased by 99%, with the revenue from proprietary trading growing significantly to HK$47.699 million *(six months ended 30 June 2018: a revenue of HK$2.171 million)*. Other principal business, including margin financing and corporate finance, also enjoyed steady growth.

In addition, the loss before tax narrowed by 26% over the same period of the previous year. Despite the substantial growth in revenue, there was an expected credit loss of financial assets of HK$58.472 million during the period under review *(six months ended 30 June 2018: HK$3.452 million)*.

Brokerage and Margin Financing

The Group's brokerage and margin financing business recorded a revenue of HK$67.164 million during the period under review *(six months ended 30 June 2018: HK$44.901 million)*. The Group's brokerage and margin financing business mainly includes: agency trading of securities, futures and options trading, and provision of insurance brokerage services, margin financing services, financial products business and one-stop integrated investment and financing services for high-net-worth customers.

In terms of brokerage business, given the increased market volatility amid the escalating trade war and the brunt of Fintech to retail business, commission revenue from retail customers saw a decline. During the period under review, the Group recorded a brokerage commission revenue of HK$10.237 million *(six months ended 30 June 2018: HK$12.017 million)*, a year-on-year decrease of HK$1.78 million or 15%.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of margin financing business, the Group's interest income for the period under review amounted to HK$56.927 million *(six months ended 30 June 2018: HK$32.884 million)*, a year-on-year increase of HK$24.043 million or 73%. During the period under review, the general margin financing business grew steadily. The Group will continue to expand institutional trading customers and high-net-worth customers and combine credit business and financial products business to boost trading commission revenue from institutional customers while increasing interest income. In terms of project financing, the Group made further provision for a project loan during the period under review. Southwest Securities (HK) Brokerage Limited, a wholly-owned subsidiary of the Company, commenced proceedings at the High Court of the Hong Kong Special Administrative Region against the borrower and guarantors of a defaulted project loan on 8 July 2019 (for details, please refer to the announcement of the Company dated 8 July 2019). The Group will continue to find ways to recover the loan as much as possible.

The Group will continue its development strategy for 2019 to acquire high-quality institutional customers and high-net-worth individual customers, and to make credit business and financial products business bigger and stronger based on securities trading business. In addition, in an ongoing effort to consolidate margin financing business, the Group will strive to satisfy the needs of existing customers, actively develop more high-quality institutional customers and high-net-worth individual customers, improve the quality of assets pledged as collateral for margin financing, strengthen and refine risk management practices, and optimise the credit asset structure. In the future, the Group will strengthen the synergic development of business lines by, for example, supporting its corporate finance business with bond sales and underwriting business. We will also focus on beefing up the business coordination with the parent company's branches at home and abroad, in an effort to integrate into the parent company's development strategy and further consolidate the Group's advantages and role as an offshore platform for financial institutions in Chongqing.

Corporate Finance

The Group's corporate finance business includes providing sponsor services, underwriting & placement services, financial advisory services and financing arrangement services to corporate clients in Hong Kong. During the period under review, the Group's corporate finance business recorded a revenue of HK$16.113 million *(six months ended 30 June 2018: HK$24.874 million)*, a year-on-year decrease of HK$8.761 million or 35%, mainly due to the decrease in revenue from financing arrangement services. The Group recorded a total of HK$11.403 million in revenue from financing arrangements for two projects during the same period of last year, but saw no new project financing during the period under review. Except that, other business lines all witnessed a growth.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group completed two exclusive IPO projects in the first half of 2019. Southwest Securities (HK) Capital Limited, a wholly-owned subsidiary of the Company, completed two sponsorship projects as the sole sponsor for Design Capital Limited and Universal Star (Holdings) Limited in April and May, respectively. Another exclusive IPO sponsorship project was completed in July 2019. In addition, the Company completed two bond underwriting projects in the first half of 2019, successfully increasing its activity in the market and improving its ability to undertake projects of various types in the future. The number of financial advisory services projects also saw a significant growth. As at the end of June 2019, there were a total of 10 ongoing advisory services projects, bringing the Group a stable source of income.

As the first half of 2019 saw the cancellation of some large IPOs amid, among other things, the intensifying global trade war and Hong Kong's uncertain economic outlook, it is expected that uncertainties will remain in Hong Kong's IPO market in the second half of 2019. The Group will play its role as usual and further strengthen the cross-border collaboration with its parent company Southwest Securities Co., Ltd., in an effort to provide various types of financial advisory services for high-quality domestic enterprises when they enter the Hong Kong capital market.

Asset Management

During the period under review, the Group's asset management business recorded a revenue of HK$507,000 *(six months ended 30 June 2018: HK$1,100,000)*.

During the period under review, the Group terminated the operation of its first hedge fund and the third investment portfolio of its structured fund, while the fifth investment portfolio of its structured fund, targeting asset-backed securities, was put into operation with a total investment of US$25 million. Our business team is looking for high-quality investment opportunities. In an ongoing effort to expand its asset management business, the Group plans to expand its pipeline of high-quality asset securitization projects and scale up its asset under management in the second half of 2019.

The Group hopes to attract more investors with accumulated experience and past management achievements. The business team is seeking to distribute the fund units of asset management products for asset securitization, in a drive to make the fund investors more diversified. As a fund manager, Southwest Securities (HK) Asset Management Limited, a wholly-owned subsidiary of the Company, receives stable income from asset management fees. In addition, the Group has yielded certain returns on the fifth investment portfolio of its structured fund as the only investor therein, which is reflected in the results of its proprietary trading business.

Proprietary Trading

The Group's proprietary trading business recorded a gain of HK$47.699 million for the period under review *(six months ended 30 June 2018: a gain of HK$2.171 million)*.

As the proprietary trading results in 2018 were adversely affected by market turbulence, the Group closed its major stock positions by the end of 2018 to prevent loss. During the period under review, the Group closed the portfolio held by its hedge fund and redeemed all the units of the hedge fund. Presently, the Group only maintains an appropriate amount of financial investments in funds and fixed income products. In the future, the Group will start all over again to explore investment strategies and directions with accurate research and study and excellent investment personnel on the premise of balancing risks and returns, in hope of generating decent returns from its proprietary trading business.

Other Income and Gains and Reversal of Allowance for Doubtful Debts

During the period under review, the Group's other income and gains and reversal of allowance for doubtful debts amounted to HK$22.249 million *(six months ended 30 June 2018: HK$4.162 million)*. The increase in other income and gains was mainly due to the year-on-year increase in bank funds during the period under review, which led to an increase in interest income from banks. In addition, a bad debt provision made before the year was recovered during the period under review.

Staff Costs

During the period under review, the Group's staff costs amounted to HK$39.301 million *(six months ended 30 June 2018: HK$48.816 million)*. The number of staff and fixed costs decreased during the period under review. As part of the salaries of frontline staff was linked to their performance, their salaries decreased in tandem with the drop in business performance, thus lowering the overall staff costs of the Group. The Group also made flexible adjustments to its staffing in response to business growth and resource allocation.

Fee and Commission Expenses

The Group's fee and commission expenses during the period under review were HK$10.677 million *(six months ended 30 June 2018: HK$13.212 million)*. Fee and commission expenses mainly include commissions paid for brokerage business, proprietary trading business and corporate finance business transactions. The slight decrease in commission expenses during the period under review was mainly attributable to the decrease in trading volume of brokerage business and proprietary trading business.

Finance Costs

The Group's finance costs during the period under review amounted to HK$78.459 million *(six months ended 30 June 2018: HK$70.201 million)*. The finance costs were mainly interest expenses on bonds payable which increased year on year by HK$8.258 million or 12%, mainly due to the overlapping interest payments resulting from the issuance of bonds by the Group in April 2019 to repay bonds payable due in May 2019. For discussion on the issuance of bonds in April 2019, please refer to the section headed "Financial Review: Liquidity, Financial Resources and Gearing Ratio" in this report.

Future Prospects

Starting from 2019, Chinese-funded securities firms in Hong Kong have responded to the securities industry's call to actively take part in the Belt and Road construction, deepen the supply-side structural reform of the industry, and enhance the ability to serve the national strategies and the real economy, presenting both opportunities and challenges. In the second half of 2019, upholding the philosophy of finance serving entities and channeling resources to the real economy, the Group will continue to utilise corporate finance services, asset management plans, cross-border business linkages and other services, leverage its professional advantages in the capital market, and facilitate innovation of products and services to effectively play its role in providing financial services, improve resource allocation efficiency and further support the development of the real economy.

In the second half of 2019, the Group will integrate various resources from several aspects, vigorously make innovations in business and management, and further advance the Group's key reform tasks including capital development, characteristic development, professional development, cross-border coordinated development and integrated development, so as to continuously promote its high-quality development.

1. Capital development: we will explore multi-channel and low-cost financing methods to replenish capital of the Group, with a view to enhancing the Group's capital strength, reducing financial costs and optimising capital structure.

2. Characteristic development: we will leverage our advantageous resources to develop the Group's characteristic business of "capital plus intermediary" revolving around industrial chains and systematically build a platform integrating industrial resources.

3. Professional development: for the operations of the Group's major business lines, we will highlight and deepen the professional services of these business lines and line up resources to develop expertise and specialties in their professional fields, so as to provide high-quality investment and financing services for all types of customers.

4. Cross-border coordinated development: we will give full play to our advantages as a Chinese-funded securities firm in Hong Kong, integrate domestic and overseas capital, talents, customers, products and services, and seize opportunities from national initiatives such as the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area plan to strengthen domestic and overseas integration and coordination and promote cross-border business, in an active effort to serve the needs of China's opening up and the "bring-in" and "go-global" strategies of the real economy.

5. Integrated development: on the basis of compliance, we will improve the Group's integrated financial business system and institutional arrangements to form effective linkage and coordination among business units, between domestic and overseas businesses, between the parent and subsidiaries, and among front, middle and back office departments, so as to jointly provide customers with a full range of one-stop and integrated financial services.

Financial Review

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2019, the Group's total cash and bank balances were HK$412.3 million *(31 December 2018: HK$441.8 million)* and its net current assets amounted to HK$1,652.3 million *(31 December 2018: HK$7.3 million)*, with a current ratio (ratio of current assets to current liabilities) of 28.9 times *(31 December 2018: 1.0 time)*. The gearing ratio (ratio of total borrowings to total equity) was 1,222.8% *(31 December 2018: 6,529.8%)*.

In mid-April 2019, the Group issued bonds of US$200 million for a term of two years to repay the bonds payable of HK$780 million and US$150 million due in mid-May 2019 and recognised them as non-current liabilities to improve the current ratio and the gearing ratio.

In addition, the Group completed a rights issue at a price of HK$0.131 per rights share on the basis of one rights share for every two shares held in late April 2019. The net proceeds from the rights shares totaled approximately HK$156.9 million and were capitalised to improve the current ratio and the gearing ratio.

The Group monitored its capital structure to ensure the compliance of its licensed subsidiaries with the capital requirements under the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) and to support the development of new business. All licensed corporations within the Group complied with their respective liquidity requirements during the period under review and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Banking Facilities and Charges on Assets

As at 30 June 2019, the Group had no bank loans outstanding *(31 December 2018: Nil)* and had an aggregate banking facilities of HK$270 million *(31 December 2018: HK$290 million)*. As to certain banking facilities of HK$265 million *(31 December 2018: HK$220 million)*, the drawdown of these facilities is subject to the market value of the marketable securities pledged and the margin deposits placed. The bank loans are subject to floating interest rates with reference to the cost of funds of the banks. As at 30 June 2019, the Group pledged no assets *(31 December 2018: Nil)* for the facilities.

Material Acquisitions, Disposals and Significant Investments

During the period under review, there were no material acquisitions and disposals of investments *(six months ended 30 June 2018: Nil)*.

Contingencies

The Group had no material contingent liabilities as at 30 June 2019 *(31 December 2018: Nil)*.

Commitments

The Group had no material capital commitments as at 30 June 2019 *(31 December 2018: Nil)*.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group had no material exposure to fluctuations in exchange rates as at 30 June 2019 *(31 December 2018: Nil)*.

Employees

As at 30 June 2019, the Group had a total of 96 employees. The Group regards employees as important asset. We aim to create a good work environment that attracts, identifies and nurtures talent. The Group has built up a series of internal employment policy, covering recruitment, promotion, remuneration, welfare and benefit, management of the equality and diversity. In line with the Group's business and job requirements, we offer competitive remuneration packages and a comprehensive performance appraisal system. Discretionary performance bonus is paid by making references to market, business results, departmental and individual's performance. The discretionary performance bonus aims to retain and reward talented and experienced employees. The Group offers comprehensive employee benefits covering mandatory provident fund scheme, occupational retirement scheme, medical and dental insurance, life and accident insurance and diverse paid leaves.

In order to promote mutual development of our employees and the Group, we implement the sustainable development strategy and facilitate employees' on-the-job training and development. The Group provides various kind of on-the-job training, external and internal training programs, including financial and business knowledge, product and operational management, compliance and risk management. The training programs enrich employees' professional knowledge and help employees to have the latest information and technical skills to perform their duties, sustain and enhance their competitiveness.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Note	**HK$'000**	HK$'000
Revenue	*3*	**131,483**	73,046
Other income and gains	*5*	**17,495**	4,162
Reversal of allowance for doubtful debts		**4,754**	–
Fair value change on derivative financial liabilities		**–**	77,413
		153,732	154,621
Fee and commission expenses		**(10,677)**	(13,212)
Finance costs	*6a*	**(78,459)**	(70,201)
Staff costs	*6b*	**(39,301)**	(48,816)
Depreciation and amortisation		**(13,279)**	(5,254)
Expected credit losses on financial assets, net	*6c*	**(58,472)**	(3,452)
Other operating expenses		**(13,796)**	(79,976)
Other losses arising from consolidation of investment fund	*6c*	**–**	(14,626)
Total expenses		**(213,984)**	(235,537)
Loss before tax	*6*	**(60,252)**	(80,916)
Income tax credit	*7*	**76**	–
Loss for the period attributable to equity shareholders of the Company		**(60,176)**	(80,916)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operation		**(61)**	(177)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(61)**	(177)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Note	**HK$'000**	HK$'000
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Change in fair value of financial assets at fair value through other comprehensive income		**–**	(168)
Reclassification of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income		**388**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**388**	(168)
Other comprehensive income for the period, net of tax		**327**	(345)
Total comprehensive income for the period attributable to equity shareholders of the Company		**(59,849)**	(81,261)
			(Restated)
Loss per share			
— Basic (HK cents)	*8*	**(2.465)**	(3.315)
— Diluted (HK cents)	*8*	**(2.316)**	(3.114)

The accompanying notes form an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited At 30 June 2019 HK$'000	Audited At 31 December 2018 HK$'000
Non-current assets			
Fixed assets		**10,503**	13,744
Right-of-use assets		**50,050**	–
Financial assets at fair value through other comprehensive income	9	**–**	1,079
Other non-current assets		**8,304**	7,654
		68,857	22,477
Current assets			
Financial assets at fair value through profit or loss	10	**317,726**	447,324
Accounts receivable	11	**970,913**	1,099,683
Deposits, prepayments and other receivables		**10,462**	14,881
Cash and bank balances	12	**412,296**	441,812
		1,711,397	2,003,700
Current liabilities			
Bonds payable	14	**–**	1,945,475
Lease liabilities		**7,480**	–
Accounts payable	13	**9,755**	4,002
Other payables and accrued charges		**41,901**	38,906
Tax payable		**–**	8,000
		59,136	1,996,383
Net current assets		**1,652,261**	7,317
Total assets less current liabilities		**1,721,118**	29,794
Non-current liabilities			
Bonds payable	14	**1,551,115**	–
Lease liabilities		**43,158**	–
		1,594,273	–
NET ASSETS		**126,845**	29,794
Capital and reserves			
Share capital	15	**366,182**	244,121
Reserves		**(239,337)**	(214,327)
TOTAL EQUITY		**126,845**	29,794

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company							
	Share capital HK$'000	Investment revaluation reserve HK$'000	Share premium HK$'000	*Capital reserve HK$'000	Foreign exchange reserve HK$'000	Accumulated losses HK$'000	Total reserves HK$'000	Total HK$'000
At 31 December 2017 (audited)	244,121	–	214,319	40,836	444	(250,810)	4,789	248,910
Effect of adoption of HKFRS 9	–	(13,021)	–	–	–	(4,019)	(17,040)	(17,040)
At 1 January 2018 (restated)	244,121	(13,021)	214,319	40,836	444	(254,829)	(12,251)	231,870
Loss for the period	–	–	–	–	–	(80,916)	(80,916)	(80,916)
Exchange difference on translation of financial statements of foreign subsidiaries	–	–	–	–	(177)	–	(177)	(177)
Change in fair value on financial assets at fair value through other comprehensive income	–	(168)	–	–	–	–	(168)	(168)
Other comprehensive income for the period, net of tax	–	(168)	–	–	(177)	–	(345)	(345)
Total comprehensive income for the period	–	(168)	–	–	(177)	(80,916)	(81,261)	(81,261)
At 30 June 2018 (Unaudited)	244,121	(13,189)	214,319	40,836	267	(335,745)	(93,512)	150,609

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company							
	Share capital HK$'000	Investment revaluation reserve HK$'000	Share premium HK$'000	*Capital reserve HK$'000	Foreign exchange reserve HK$'000	Accumulated losses HK$'000	Total reserve HK$'000	Total HK$'000
At 1 January 2019	244,121	(13,189)	214,319	40,836	284	(456,577)	(214,327)	29,794
Loss for the period	–	–	–	–	–	(60,176)	(60,176)	(60,176)
Exchange difference on translation of financial statements of foreign subsidiaries	–	–	–	–	(61)	–	(61)	(61)
Reclassification of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income	–	388	–	–	–	–	388	388
Other comprehensive income for the period, net of tax	–	388	–	–	(61)	–	327	327
Total comprehensive income for the period	–	388	–	–	(61)	(60,176)	(59,849)	(59,849)
Transactions with equity holders:								
Contributions and distributions								
Issue of shares under rights issue *(note 15)*	122,061	–	34,839	–	–	–	34,839	156,900
At 30 June 2019 (Unaudited)	366,182	(12,801)	249,158	40,836	223	(516,753)	(239,337)	126,845

* The capital reserve of the Group represents the difference between the nominal value of the shares issued by the Company for the acquisition of the subsidiaries and the nominal value of the ordinary shares of these subsidiaries in issue as at 30 June 2001 which were converted into deferred non-voting share capital on 11 January 2002.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June 2019 HK$'000	 2018 HK$'000
Net cash generated from/(used in) operating activities	**277,746**	(212,074)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received from financial assets at fair value through other comprehensive income	**–**	7
Interest received from cross-currency swap	**–**	59,468
Interest paid to cross-currency swap	**–**	(43,646)
Proceeds from disposal of financial assets as fair value through other comprehensive income	**1,467**	–
Proceeds from disposal of fixed assets	**2**	–
Payment for purchase of fixed assets	**(2,695)**	(1,970)
Net cash (used in)/generated from investing activities	**(1,226)**	13,859
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	**159,900**	–
Payment of transaction costs are issuance of shares	**(3,000)**	–
Proceeds from issuance of bonds	**1,569,960**	1,957,319
Payment of transaction costs on issuance of bonds	**(11,420)**	(25,510)
Repayment of bonds issuance	**(1,956,750)**	(1,859,250)
Proceeds from short-term bank loans	**–**	50,903
Repayment of short-term bank loans	**–**	(50,903)
Bank loan interest paid	**–**	(8)
Interest paid on bonds issued	**(61,334)**	(59,459)
Capital contribution from minority interest	**–**	90,000
Distribution to non-controlling interest	**–**	(900)
Net cash (used in)/generated from financing activities	**(302,644)**	102,192
Net decrease in cash and cash equivalents	**(26,124)**	(96,023)
Cash and cash equivalents at the beginning of the period	**441,812**	645,184
Effect on exchange rate changes	**(3,392)**	(177)
Cash and cash equivalents at the end of the period	**412,296**	548,984

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 Interim Financial Reporting. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The measurement basis used in the preparation of these unaudited interim condensed consolidated financial statements is the historical cost basis except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are measured at fair value.

The unaudited interim condensed consolidated financial statements is presented in the currency of Hong Kong dollars, which is also the Company's functional currency.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised HKFRSs effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

2. Changes in Accounting Policies and Disclosures (Continued)

Other than as explained below regarding the impact of HKFRS 16 Leases, Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures and HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments, the new and revised standards are not relevant to the preparation of the Group's unaudited interim condensed consolidated financial statements. The nature and impact of the new and revised HKFRSs are described below:

(a) Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of accumulative losses at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2. Changes in Accounting Policies and Disclosures (Continued)

(a) Adoption of HKFRS 16 (Continued)

New definition of a lease (Continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

2. Changes in Accounting Policies and Disclosures (Continued)

(a) Adoption of HKFRS 16 (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) HK$'000 (Unaudited)
Assets	
Increase in right-of-use assets	58,200
Decrease in other payables	(805)
	57,395

	Increase/ (decrease) HK$'000 (Unaudited)
Liabilities	
Increase in lease liabilities	58,200
Increase in total liabilities	58,200

Accordingly, the Group recognised right-of-use assets of HK$58,200,000 and lease liabilities of HK$58,200,000 as at 1 January 2019. Decrease in other payables of HK$805,000, as at 1 January 2019.

2. Changes in Accounting Policies and Disclosures (Continued)

(a) Adoption of HKFRS 16 (Continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments)less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2. Changes in Accounting Policies and Disclosures (Continued)

(a) Adoption of HKFRS 16 (Continued)

Summary of new accounting policies (Continued)

Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease equipment for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

2. Changes in Accounting Policies and Disclosures (Continued)

(a) Adoption of HKFRS 16 (Continued)

Amounts recognised in the unaudited interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets	
		Lease
	Premises	liabilities
	HK$'000	HK$'000
As at 1 January 2019	**57,395**	**58,200**
Amortization charge	**(7,345)**	**–**
Interest expense	**–**	**155**
Payments	**–**	**(7,717)**
As at 30 June 2019 (unaudited)	**50,050**	**50,638**

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's unaudited interim condensed consolidated financial statements.

2. Changes in Accounting Policies and Disclosures (Continued)

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's unaudited interim condensed consolidated financial statements.

3. Revenue

An analysis of revenue is as follows:

	Unaudited Six months ended 30 June 2019 HK$'000	2018 HK$'000
Brokerage:		
— commission income on securities dealing	**3,585**	5,644
— commission income on futures and options dealing	**4,474**	3,906
— insurance brokerage fee income	**2,178**	2,467
	10,237	12,017
Corporate finance:		
— IPO sponsor fee income	**9,988**	8,770
— underwriting and placing commission income	**3,991**	1,416
— consultancy and financial advisory fee income	**1,630**	1,465
— corporate financial arrangement and commitment fee income	**504**	13,223
	16,113	24,874
Asset management:		
— asset management fee income	**507**	1,100
Total revenue from contracts with customers	**26,857**	37,991
Revenue from other sources		
Interest income calculated using the effective interest method from:		
— margin financing	**56,927**	32,884
Net gains from proprietary trading	**47,699**	2,171
Total revenue from other sources	**104,626**	35,055
Total revenue	**131,483**	73,046

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Segment Information

The Directors have been identified as the chief operating decision makers to evaluate the performance of operating segments based on the Group's internal reporting in respect of these segments. Segment assets and liabilities are not disclosed as they are not considered as crucial for resources allocation and thereby not being regularly provided to the Directors.

Reportable operating segments

The Directors consider brokerage and margin financing, corporate finance, asset management and proprietary trading are the Group's major operating segments.

	For the six months ended 30 June 2019 (Unaudited)					
	Brokerage and margin financing HK$'000	Corporate finance HK$'000	Asset management HK$'000	Proprietary trading HK$'000	Other operations HK$'000	Consolidated HK$'000
Segment revenue from external customers	67,164	16,113	507	47,699	–	131,483
Other income and gains	10,100	–	–	327	7,068	17,495
Reversal of allowance for doubtful debts	4,754	–	–	–	–	4,754
Fee and commission expenses	(7,741)	(1,344)	–	(1,592)	–	(10,677)
Finance costs	(39,241)	–	–	(14,181)	–	(53,422)
Expected credit losses on financial assets, net	(56,758)	(1,889)	–	–	175	(58,472)
Other operating expenses and costs	(27,121)	(11,764)	(406)	(9,239)	(3,489)	(52,019)
Segment results	(48,843)	1,116	101	23,014	3,754	(20,858)
Unallocated expenses, represented central administration costs						(8,423)
Unallocated finance costs						(25,037)
Depreciation						(5,934)
Loss before tax						(60,252)

4. Segment Information (Continued)

Reportable operating segments (Continued)

	For the six months ended 30 June 2018 (Unaudited)					
	Brokerage and margin financing HK$'000	Corporate finance HK$'000	Asset management HK$'000	Proprietary trading HK$'000	Other operations HK$'000	Consolidated HK$'000
Segment revenue from external customers	44,901	24,874	1,100	2,171	–	73,046
Other income and gains	1,073	–	–	209	2,880	4,162
Fee and commission expenses	(7,037)	(939)	(886)	(4,350)	–	(13,212)
Finance costs	(28,397)	–	–	(25,903)	(7)	(54,307)
Expected credit losses on financial assets, net	(2,833)	(590)	–	–	(29)	(3,452)
Other operating expenses and costs	(27,661)	(21,961)	(590)	(4,997)	16,357	(38,852)
Other losses arising from consolidation of investment fund	–	–	–	(14,626)	–	(14,626)
Segment results	(19,954)	1,384	(376)	(47,496)	19,201	(47,241)
Unallocated expenses, represented central administration costs						(12,527)
Unallocated finance costs						(15,894)
Depreciation						(5,254)
Loss before tax						(80,916)

For the Group's audited consolidated financial statements for the year ended 31 December 2018, the insurance broking business was included in the wealth management segment and the underwriting and placing business was included in brokerage and margin financing segment. In order to better align with the Group's internal segment report, the insurance broking business is included in brokerage and margin financing segment, and the underwriting and placing business is included in the corporate finance segment for the unaudited interim condensed financial statements. Segment profit and loss represents the profit earned by or loss incurred from each segment without allocation of central administration costs, directors' salaries and depreciation. This is the measure reported to the Directors for the purpose of resources allocation and performance assessment.

4. Segment Information (Continued)

Geographical segments

The geographical location of customers is based on the location at which the services were provided. During the six months ended 30 June 2019 and 30 June 2018, the Group's revenue is mainly derived from customers in Hong Kong.

5. Other Income and Gains

	Unaudited Six months ended 30 June 2019 HK$'000	 2018 HK$'000
Other income		
Dividend income from financial assets at fair value through other comprehensive income	**–**	7
Handling income	**2,871**	423
Other interest income	**11,144**	3,729
Sundry income	**20**	3
	14,035	4,162
Other gains		
Exchange gains, net	**3,460**	–
	3,460	–
	17,495	4,162

6. Loss before Tax

	Note	Unaudited Six months ended 30 June 2019 HK$'000	2018 HK$'000
Loss before tax is arrived at after charging:			
(a) Finance costs			
Bank loan interest expenses		–	8
Bonds interest expenses		**67,704**	64,054
Imputed interest expenses on bonds payable		**10,550**	5,997
Other interest expenses		**205**	142
		78,459	70,201
(b) Staff costs			
Salaries, commission and allowances		**38,339**	47,862
Contributions to retirement benefit schemes		**962**	954
		39,301	48,816
(c) Other items			
Expected credit losses on financial assets, net		**58,472**	3,452
Other losses arising from consolidation of investment fund	*(i)*	–	14,626
Exchange loss, net	*(ii)*	–	58,059

Notes:

(i) Other losses arising from consolidation of investment fund is the net profit of a consolidated investment fund attributable to third-party investors.

For the six months ended 30 June 2018, the Group had consolidated a fund investment ("Consolidated Investment Fund") where the Group is involved as an investment manager and an investor based on the facts and circumstances that (i) the third-party investors have no substantive removal rights to remove the Group as a fund manager; and (ii) the Group's investment interests held together with its remuneration from servicing and managing the Consolidated Investment Fund resulted in significant exposure to the variability of returns. This investment was redeemed in November 2018.

(ii) There was no net exchange loss for the six months ended 30 June 2019. For the six months ended 30 June 2018, the net exchange loss of HK$58,758,000 represented an exchange loss arising on retranslation to Hong Kong dollars in respect of bonds payable denominated in RMB. Detailed information is set out in note 14.

7. Income Tax Credit

Hong Kong Profits Tax has not been provided for entities within the Group for the six months ended 30 June 2019 *(for the six months ended 30 June 2018: Nil)* as they have either incurred losses for taxation purpose or their estimated assessable profits for the period are wholly absorbed by unutilized tax losses brought forward from previous years.

In the opinion of the Directors, the Group is not subject to taxation in any other jurisdictions.

8. Loss per Share

The calculation of basic and diluted loss per share is based on the loss attributable to the equity shareholders of the Company and the weighted average number of ordinary shares in issue during the reporting period.

	Unaudited Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Loss attributable to equity shareholders of the Company	**(60,176)**	(80,916)

Number of shares	**'000**	'000 (Restated)
Weighted average number of ordinary shares in issue for the purpose of diluted loss per share	**2,598,194**	2,598,194
Basic loss per share *(HK cents)*	**(2.465)**	(3.315)
Diluted loss per share *(HK cents)*	**(2.316)**	(3.114)

9. Financial Assets at Fair Value through Other Comprehensive Income

	Unaudited At 30 June 2019 HK$'000	Audited At 31 December 2018 HK$'000
Financial assets at fair value through other comprehensive income		
Unlisted equity investments, at fair value	–	1,079

The unlisted equity securities represent the Group's investments in three private entities. During the six months period ended 30 June 2019, the Group disposed one unlisted equity investment. Resulting in a gain on disposal of financial assets at fair value through other comprehensive income which amounted to HK$388,000. It was reclassified from investment revaluation reserve upon disposal to other comprehensive income as reclassification adjustment.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. Financial Assets at Fair Value through Profit or Loss

	Note	**Unaudited At 30 June 2019 HK$'000**	Audited At 31 December 2018 HK$'000
Equity securities			
— Listed in Hong Kong	*(i)*	**13,071**	246,860
Debt securities			
— Listed outside Hong Kong	*(ii)*	**95,277**	154,944
— Unlisted	*(iii)*	**158,543**	–
		253,820	154,944
Unlisted fund investments	*(iv)*	**50,835**	45,520
		317,726	447,324

Notes:

(i) Fair values of the listed equity securities are determined with reference to quoted active market bid price on the respective stock exchange at the end of each reporting period.

(ii) Fair value of the listed debt securities is determined with reference to quoted active market bid price on the respective stock exchange at the end of each reporting period.

(iii) For the unlisted debt securities, the fair values are determined using the discounted cash flow method of which key inputs are market-observable data. Including but not limited to the yields of Hong Kong government bonds and treasury bills source from Hong Kong Monetary Authority and the credit spread of comparable notes sourced from Bloomberg.

(iv) For the unlisted fund investments, the fair values were determined by their net assets values quoted by the relevant investments trusts with reference to the underlying assets (mainly are listed securities) of the funds.

(v) The Group has not pledged any equity securities, debt securities and fund investment at 30 June 2019 to any bank as collateral for the banking facilities granted *(at 31 December 2018: Nil)*.

11. Accounts Receivable

The carrying values of accounts receivable arising from the ordinary course of business of the Group are as follows:

	Note	Unaudited At 30 June 2019 HK$'000	Audited At 31 December 2018 HK$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:			
— securities margin clients	(a)	**1,082,746**	1,107,815
— securities cash clients	(b)	**3,251**	1,002
— securities subscription clients	(b)	**–**	191
— securities and options clearing houses and brokers	(b)	**4,080**	57,228
— futures clients	(b)	**2**	2
— futures clearing house and brokers	(b)	**1,048**	2,390
Accounts receivable arising from the provision of corporate finance advisory services	(b)	**5,872**	3,223
Accounts receivable arising from the provision of asset management services	(b)	**–**	98
		1,096,999	1,171,949
Less: impairment		**(126,086)**	(72,266)
		970,913	1,099,683

11. Accounts Receivable (Continued)

Notes:

(a) Accounts receivable analysis on securities margin clients

(i) The carrying amount of accounts receivable from securities margin clients of the Group was as follows:

	Unaudited At 30 June 2019 HK$'000	Audited At 31 December 2018 HK$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:		
— Securities margin clients	**1,082,746**	1,107,815
Less: Impairment		
— Stage 1	**–**	–
— Stage 2	**(1,196)**	(7,492)
— Stage 3	**(122,579)**	(64,279)
	958,971	1,036,044

Accounts receivable from securities margin clients are secured by their pledged securities, repayable on demand and bear interests at commercial rates. Credits are extended to securities margin clients subject to the marginable value of the listed securities pledged with the Group. The margin ratios are reviewed and determined periodically. At the end of the reporting period, fair value of marketable securities pledged by securities margin clients was HK$2,279,061,000 *(at 31 December 2018: HK$2,935,601,000)*.

No ageing analysis is disclosed as in the opinion of Directors, the ageing analysis does not give additional value in view of the nature of broking business.

11. Accounts Receivable (Continued)

Notes: (Continued)

(a) Accounts receivable analysis on securities margin clients (Continued)

(ii) The movements in the impairment allowance of accounts receivable from securities margin clients were as follows:

	12-months ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000	Lifetime ECL credit-impaired (Stage 3) HK$'000	Impairment allowance under HKAS 39 HK$'000	Total HK$'000
As at 31 December 2017 (audited)	–	–	–	48,065	48,065
Effect of adoption of HKFRS 9	2,797	236	61,212	(48,065)	16,180
As at 1 January 2018 (restated)	2,797	236	61,212	–	64,245
Transfer to stage 2	(1,461)	1,461	–	–	–
Impact on transfer between stages	–	6,028	1,410	–	7,438
Other remeasurement of loss allowance	(1,336)	(233)	1,657	–	88
As at 31 December 2018 (audited) and 1 January 2019	–	7,492	64,279	–	71,771
Transfer to stage 3	–	(7,490)	7,490	–	–
Impact on transfer between stages	–	1,195	54,229	–	55,424
Other remeasurement of loss allowance	–	(1)	1,433	–	1,432
Bad debt recovery	–	–	(4,754)	–	(4,754)
Repayment	–	–	(98)	–	(98)
As at 30 June 2019 (unaudited)	**–**	**1,196**	**122,579**	**–**	**123,775**

The following significant changes in the gross carrying amounts of account receivables from securities margin clients contributed to the increase in the loss allowance during the period ended 30 June 2019:

- Transfer of account receivables from securities margin clients of HK$230,481,000 (gross carrying amount) from stage 1 to stage 2 has resulted in an increase in loss allowance of HK$1,195,000; and

- Transfer of account receivables from securities margin clients of HK$167,544,000 (gross carrying amount) from stage 2 to stage 3 has resulted in an increase in loss allowance of HK$54,229,000.

11. Accounts Receivable (Continued)

Notes: (Continued)

(b) Accounts receivable analysis other than securities margin clients

(i) The carrying values of accounts receivable other than from securities margin clients of the Group are as follows:

	Note	**Unaudited At 30 June 2019 HK$'000**	Audited At 31 December 2018 HK$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:			
— securities cash clients	*(1)*	**3,251**	1,002
— securities subscription clients	*(2)*	**–**	191
— securities and options clearing houses and brokers	*(2)*	**4,080**	57,228
— futures clients		**2**	2
— futures clearing house and brokers	*(3)*	**1,048**	2,390
Accounts receivable arising from the provision of corporate finance advisory services	*(4)*	**5,872**	3,223
Accounts receivable arising from the provision of asset management services	*(5)*	**–**	98
		14,253	64,134
Less: impairment	*(6)*	**(2,311)**	(495)
		11,942	63,639

11. Accounts Receivable (Continued)

Notes: (Continued)

(b) Accounts receivable analysis other than securities margin clients (Continued)

(i) (Continued)

(1) Accounts receivable from cash clients arising from the business of dealing in securities are repayable on demand on settlement date. Overdue accounts receivable are repayable on demand and charged interests at commercial rates. No ageing analysis is disclosed as in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of broking business.

(2) At the end of the reporting period, accounts receivable from securities subscription clients were not yet due and were required to be settled on the allotment date determined under the relevant market practices or exchange rules.

The Group maintains margin deposits with the options clearing house in respect of clients' monies in the ordinary course of business of option broking. At the end of the reporting period, clients' monies deposits maintained in The SEHK Option Clearing House Limited not otherwise dealt with in the condensed consolidated financial statements amounted to HK$1,504,000 *(at 31 December 2018: HK$1,090,000)*.

At the end of the reporting period, accounts receivable from securities and options clearing houses and brokers were not overdue. As at 30 June 2019, included in amount receivable arising from the ordinary course of securities and options clearing houses and brokers was a net receivable from Hong Kong Securities Clearing Company Limited ("HKSCC") of HK$2,691,000 *(at 31 December 2018: HK$3,060,000)*, with legally enforceable right to set off the corresponding receivable and payable balances. Details of the offsetting of these balances are set out in note 11(c) to condensed consolidated financial statements.

(3) Accounts receivable from futures clearing house and brokers did not include clients' monies deposited in the futures clearing house in Hong Kong amounting to HK$1,050,000 *(at 31 December 2018: HK$4,568,000)*, which was not dealt with in the condensed consolidated financial statements. At the end of the reporting period, accounts receivable from futures clearing house and brokers were repayable on demand.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Accounts Receivable (Continued)

Notes: (Continued)

(b) Accounts receivable analysis other than securities margin clients (Continued)

(i) (Continued)

(4) At the end of the reporting period, the ageing analysis of accounts receivable arising from the provision of corporate finance advisory services, based on the contract terms, was as follows:

	Unaudited At 30 June 2019 HK$'000	Audited At 31 December 2018 HK$'000
Current	**2,044**	1,423
Overdue:		
Within 30 days	**1,675**	–
31–90 days	**73**	1,750
91–180 days	**2,030**	–
Over 180 days	**50**	50
	5,872	3,223

(5) At the end of the reporting period, the amount of accounts receivable arising from the provision of asset management services was not overdue.

11. Accounts Receivable (Continued)

Notes: (Continued)

(b) Accounts receivable analysis other than securities margin clients (Continued)

(i) (Continued)

(6) The movements in the impairment allowance of accounts receivable other than securities margin clients were as follows:

	12-months ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000	Lifetime ECL simplified approach HK$'000	Impairment allowance under HKAS 39 HK$'000	Total HK$'000
As at 31 December 2017 (audited)	–	–	–	80	80
Effect of adoption of HKFRS 9	–	–	925	(80)	845
As at 1 January 2018 (restated)	–	–	925	–	925
Charged/(credit) to profit or loss	74	2	(109)	–	(33)
Amount written off	–	–	(397)	–	(397)
As at 31 December 2018 (audited) and 1 January 2019	74	2	419	–	495
Charged/(credit) to profit or loss	(74)	1	1,889	–	1,816
As at 30 June 2019 (unaudited)	**–**	**3**	**2,308**	**–**	**2,311**

(c) Offsetting

The Group has netted off the amounts receivable and amounts payable with the securities and options clearing house. An analysis of amounts receivable/(payable) subject to offsetting is set out as follows:

As at 30 June 2019 (unaudited)

	Gross amount of recognised financial assets HK$'000	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amount of financial assets presented in the consolidated statement of financial position HK$'000	Related amount not set off in the consolidated statement of financial position HK$'000	Net HK$'000
Amounts receivable	**14,870**	**(12,179)**	**2,691**	**–**	**2,691**

11. Accounts Receivable (Continued)

Notes: (Continued)

(c) Offsetting (Continued)

	Gross amount of recognised financial liabilities HK$'000	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amount of financial assets presented in the consolidated statement of financial position HK$'000	Related amount not set off in the consolidated statement of financial position HK$'000	Net HK$'000
Amounts payable	**20,119**	**(12,179)**	**7,940**	**–**	**7,940**

As at 31 December 2018 (audited)

	Gross amount of recognised financial assets HK$'000	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amount of financial assets presented in the consolidated statement of financial position HK$'000	Related amount not set off in the consolidated statement of financial position HK$'000	Net HK$'000
Amounts receivable	7,069	(4,009)	3,060	–	3,060

	Gross amount of recognised financial liabilities HK$'000	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amount of financial assets presented in the consolidated statement of financial position HK$'000	Related amount not set off in the consolidated statement of financial position HK$'000	Net HK$'000
Amounts payable	5,251	(4,009)	1,242	–	1,242

12. Cash and Bank Balances

The Group maintains trust accounts with banks to deal with clients' monies in the ordinary course of business. At the end of the reporting period, trust monies not otherwise dealt with in the unaudited interim condensed consolidated financial statements amounted to approximately HK$717,271,000 *(at 31 December 2018: HK$824,959,000)*.

13. Accounts Payable

	Note	**Unaudited At 30 June 2019 HK$'000**	Audited At 31 December 2018 HK$'000
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:			
— securities margin clients	*(i)*	**629**	267
— securities clearing houses	*(i)*	**7,940**	1,242
— futures clients	*(ii)*	**1,035**	2,383
Accounts payable arising from the provision of insurance broking services	*(iii)*	**151**	110
		9,755	4,002

Notes:

Settlement terms

(i) The settlement terms of accounts payable arising from the ordinary course of business of broking in securities in respect of cash clients, margin clients, clearing house and brokers are one to three trading days after the transaction dates.

(ii) Accounts payable arising from the ordinary course of business broking in index, commodity and currency futures contracts represent the margin deposits received from clients for their trading in futures contracts. The excess over the required margin deposits stipulated are repayable to clients on demand.

(iii) Accounts payable arising from the provision of insurance broking services are payable within 30 days.

13. Accounts Payable (Continued)

No ageing analysis is disclosed in respect of accounts payable. In the opinion of the Directors, an ageing analysis does not give additional value in view of the nature of broking business.

Interest with reference to savings rate of financial institutions is payable to accounts payable arising from the ordinary course of business of securities broking subject to their balances maintained with the Group. All other categories of accounts payable are non-interest-bearing.

14. Bonds Payable

	2019 USD Bonds *(Note (i))* HK$'000	2018 HKD Bonds *(Note (ii))* HK$'000	2018 USD Bonds *(Note (iii))* HK$'000	2015 RMB Bonds *(Note (iv))* HK$'000	Total HK$'000
Carrying amount at 1 January 2018	–	–	–	1,797,552	1,797,552
Carrying amount upon issuance	–	762,682	1,169,127	–	1,931,809
Imputed interest expenses for the year	–	10,865	4,995	2,940	18,800
Exchange realignment	–	–	(2,194)	58,758	56,564
Principal repayment	–	–	–	(1,859,250)	(1,859,250)
Carrying amount at 31 December 2018 (audited) and 1 January 2019	–	773,547	1,171,928	–	1,945,475
Carrying amount upon issuance	1,558,540	–	–	–	1,558,540
Imputed interest expenses for the period	1,101	6,453	2,996	–	10,550
Exchange realignment	(8,526)	–	1,826	–	(6,700)
Principal repayment	–	(780,000)	(1,176,750)	–	(1,956,750)
Carrying amount at 30 June 2019 (unaudited)	**1,551,115**	**–**	**–**	**–**	**1,551,115**

14. Bonds Payable (Continued)

Notes:

(i) On 17 April 2019, the Company issued bonds with aggregate principal amount of US$200,000,000 (the "2019 USD Bonds"). The 2019 USD Bonds bear interest from 17 April 2019 (inclusive) at the rate of 6.90% per annum. Interest on the 2019 USD Bonds is payable semi-annually in arrears. The 2019 USD Bonds are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and will mature on 17 April 2021 with the outstanding principal and interest payable at the maturity date.

The 2019 USD Bonds are carried at amortized cost using an effective interest rate of 7.29% per annum.

(ii) On 18 May 2018, the Company issued bonds with aggregate principal amount of HK$780,000,000 (the "2018 HKD Bonds"). The 2018 HKD Bonds bear interest from 18 May 2018 (inclusive) at the rate of 6.00% per annum. Interest on the 2018 HKD Bonds is payable semi-annually in arrears. The 2018 HKD Bonds are listed on the Stock Exchange and are matured and fully settled on 10 May 2019.

The 2018 HKD Bonds are carried at amortized cost using an effective interest rate of 8.37% per annum.

(iii) On 15 May 2018, the Company issued bonds with aggregate principal amount of US$150,000,000 (the "2018 USD Bonds"). The 2018 USD Bonds bear interest from 15 May 2018 (inclusive) at the rate of 6.75% per annum. Interest on the 2018 USD Bonds is payable semi-annually in arrears. The 2018 USD Bonds are listed on the Stock Exchange and are matured and fully settled on 13 May 2019.

The 2018 USD Bonds are carried at amortized cost using an effective interest rate of 7.45% per annum.

(iv) On 28 May 2015, the Company issued bonds with aggregate principal amount of RMB1,500,000,000 (the "2015 RMB Bonds"). The 2015 RMB Bonds bear interest from 28 May 2015 (inclusive) at the rate of 6.45% per annum. Interest on the 2015 RMB Bonds is payable semi-annually in arrears. The 2015 RMB Bonds are listed on the Stock Exchange and are matured and fully settled on 28 May 2018.

The 2015 RMB Bonds are carried at amortized cost using an effective interest rate of 6.84% per annum.

15. Share Capital

	At 30 June 2019 (Unaudited)		At 31 December 2018 (Audited)	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each				
At beginning and end of the reporting period	**4,000,000**	**400,000**	4,000,000	400,000
Issued and fully paid:				
At the end of the reporting period	**3,661,830**	**366,182**	2,441,220	244,121

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue 000	Share capital HK$'000
At 1 January 2018, 31 December 2018 and 1 January 2019	2,441,220	244,121
Rights issue	1,220,610	122,061
At 30 June 2019	3,661,830	366,182

Notes:

A rights issue of one rights share for every two existing shares held by members on the register of members on 27 March 2019 was made, at an issue price of HK$0.131 per rights share with a par value of HK$0.1 each, resulting in the issue of 1,220,610,204 shares. The theoretical ex-rights price calculated based on the closing price of HK$0.16 per shares as quoted on the Stock Exchange on the last trading day, i.e. 18 March 2019 was approximately HK$0.15 per share. The total consideration amounted to HK$159,900,000, of which HK$122,061,000 was credited to share capital and the balance of HK$34,839,000, after deducting the outgoing expenses of HK$3,000,000, was credited to the share premium account. The net price per rights share was approximately HK$0.13.

16. Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in these condensed consolidated financial statements, there were related party transactions entered into by the Group during the reporting period, details of which are set out below:

Related party relationship	Nature of transaction	Unaudited Six months ended 30 June 2019 HK$'000	2018 HK$'000
Key management personnel, including Directors	Salaries, commission and allowances	**7,603**	8,934
	Contributions to retirement benefit schemes	**97**	120
		7,700	9,054
Ultimate holding company	Referral fee expenses	**64**	–
		7,764	9,054

17. Commitment

(a) Commitments under operating leases

The Group leases a number of properties and other items under operating leases, which typically run for an initial period of 1 to 3 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

	Unaudited At 30 June 2019 HK$'000	Audited At 31 December 2018 HK$'000
Minimum lease payments paid under operating leases		
— Land and buildings	**64,925**	17,378
— Other assets	**163**	301
	65,088	17,679

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. Commitment (Continued)

(a) Commitments under operating leases (Continued)

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	Unaudited At 30 June 2019 HK$'000	Audited At 31 December 2018 HK$'000
Within one year	**27,232**	16,392
In the second to fifth year inclusive	**37,856**	1,287
	65,088	17,679

(b) Capital commitments

	Unaudited At 30 June 2019 HK$'000	Audited At 31 December 2018 HK$'000
Capital expenditure in respect of the acquisition of fixed assets contracted for but not provided in the consolidated financial statements	**40**	971

18. Fair Value Measurements

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these unaudited interim condensed consolidated financial statements on a recurring basis at 30 June 2019 and 31 December 2018 across the three levels of the fair value hierarchy defined in HKFRS 13, *Fair value measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

At 30 June 2019 (Unaudited)

	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Assets measured at fair value				
Financial assets at fair value through profit or loss				
— Equity securities listed in Hong Kong	13,071	13,071	–	–
— Debt securities listed outside Hong Kong	95,277	–	95,277	–
— Unlisted debt securities	158,543	–	158,543	–
— Unlisted fund investments	50,835	–	50,835	–
Financial assets at fair value through other comprehensive income				
— Unlisted equity securities *(Note)*	–	–	–	–

Note:

The detail of unlisted equity securities is set out in note 9.

18. Fair Value Measurements (Continued)

At 31 December 2018 (Audited)

	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Assets measured at fair value				
Financial assets at fair value through profit or loss				
— Equity securities listed in Hong Kong	246,860	246,860	–	–
— Debt securities listed outside Hong Kong	154,944	–	154,944	–
— Unlisted fund investments	45,520	–	45,520	–
Financial assets at fair value through other comprehensive income				
— Unlisted equity securities	1,079	–	–	1,079

The movements in fair value measurements within Level 3 during the period are as follows (unaudited):

	Total HK$'000
At 31 December 2017 (audited)	**–**
Effect of adoption of HKFRS 9	**1,247**
As at 1 January 2018 (restated)	**1,247**
Total losses recognized in other comprehensive income	**(168)**
At 31 December 2018 (audited) and 1 January 2019	**1,079**
Disposed during the reporting period	**(1,079)**
At 30 June 2019 (unaudited)	**–**

18. Fair Value Measurements (Continued)

Description of the valuation techniques and inputs used in Level 2 fair value measurement

The fair values of unlisted fund investments are determined by using valuation techniques and inputs using third-party pricing information without adjustment from the fund managers and the bank.

(a) *Listed debt securities*

The fair value of debt securities was determined with reference to the quoted price provided by brokers/financial institutions.

(b) *Unlisted fund investments*

Note 10 to the consolidated financial statements provides detailed information about the valuation techniques used in the determination of the fair value of the unlisted fund investments.

Valuation processes of the Group

The Directors determine the policies and procedures for both recurring and non-recurring fair value measurement. In estimating the fair value of an asset or a liability, the Directors use market-observable data to the extent it is available. Where Level 1 inputs are not available, the Directors would engage third party qualified valuer to perform the valuation for significant assets and liabilities.

OTHER INFORMATION

Directors' and Chief Executive's Interests in Shares

As at 30 June 2019, none of the Directors, the chief executive of the Company and their respective associates had any interests and short positions in the shares, underlying shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Share Option Scheme

At the annual general meeting of the Company held on 12 November 2013, the shareholders of the Company approved the adoption of a new share option scheme (the "2013 Share Option Scheme") which is valid and effective for 10 years from the date of adoption. The total number of shares available for issue is 119,147,600 shares, representing 10% of total number of shares in issue as at the date of adoption of the 2013 Share Option Scheme (i.e. 12 November 2013).

During the period under review, there was no outstanding share option and no share option was granted, exercised or cancelled under the 2013 Share Option Scheme.

Directors' Rights to Acquire Shares or Debentures

Apart from those disclosed in the "Share Option Scheme" above, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Directors or their respective spouse or children under the age of 18, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under the age of 18 to acquire such rights in any other body corporate.

OTHER INFORMATION

Substantial Shareholders' and Other Person's Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2019, substantial shareholders of the Company and other person (other than Directors and chief executive of the Company whose interests or short positions have been disclosed in the "Directors' and Chief Executive's Interests in Shares" above) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and to the best knowledge of the Company are as follows:

Interests in Long Positions in the Shares of the Company

Names	*Note*	Capacity and nature of interest	Number of ordinary shares held	Approximate % of holding
(a) Substantial Shareholders				
Southwest Securities International Investment Limited ("SSII")	*1*	Beneficial owner	2,717,695,233	74.22%
Southwest Securities Co., Ltd. ("SWSC")	*1*	Interest of controlled corporation	2,717,695,233	74.22%
(b) Other Person				
LAW Wei		Beneficial owner	202,218,259	5.52%

Note:

1. SSII is wholly owned by SWSC. SWSC is therefore deemed, or taken to be, interested in all shares which SSII is interested for the purpose of the SFO.

Save as disclosed above, as at 30 June 2019, the Company has not been notified of any persons (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under Section 336 of the SFO.

OTHER INFORMATION

Updates on Directors' Information under Rule 13.51B(1) of the Listing Rules

Change of information of the Directors, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

- Mr. PU Rui, an executive Director, has been appointed as an authorised representative of the Company as required under the Listing Rules with effect from 30 April 2019; and

- Professor WU Jun, an independent non-executive Director, was appointed as an independent director of 世紀恒通科技股份有限公司 (Shijihengtong Technology Corporation Limited*) since March 2019.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance

The Company has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules throughout the period under review.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry with each Director and confirmed that all Directors have complied with the required standard set out in the Model Code during the period under review. Employees and consultants who are privy to inside information are required to follow the Model Code.

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the period under review.

* *For identification purpose only*

OTHER INFORMATION

Review of Interim Financial Statements

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the condensed consolidated financial statements for the six months ended 30 June 2019 and this interim report.

By order of the Board
WU Jian
Chairman

Hong Kong, 23 August 2019

Southwest Securities
International Securities Limited
西證國際證券股份有限公司