SUNWAH KINGSWAY
新華滙富

Sunwah Kingsway Capital Holdings Limited
新華滙富金融控股有限公司

Incorporated in Bermuda with limited liability
Stock Code: 00188

10 years+ 商界展關懷 caringcompany
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

In Pursuit of Quality

Annual Report 2019

Well-anchored Service Platform

We focus on where we excel. Our objective is to become the best local financial services provider in Hong Kong, creating value for local and international clients with passion and integrity.

CLIENT SERVICES					PROPRIETARY	
CORPORATE FINANCE AND CAPITAL MARKETS		BROKERAGE AND FINANCING		ASSET MANAGEMENT	PROPRIETARY INVESTMENT	PROPERTY INVESTMENT
Financial Advisory	Merger and Acquisition	Equities Trading	Electronic Trading	Direct Investment Vehicles	Securities Investment	Investment Properties
IPO Sponsor	Corporate Restructuring	Futures & Commodities Trading	Research	Discretionary Portfolio Management	Debt Investments	
Equity Capital Markets		Margin Financing	Fixed-rate and Factoring Loans		Investment Funds	

With 29 years in the capital markets, Sunwah Kingsway has expanded its reach into global securities markets including Hong Kong, China, North America, Europe and the rest of Asia. We have an extensive network of institutional investors and a successful track record of delivering the right mix of financial services to our clients globally.

Use of words including "Sunwah Kingsway", "the Group", or "We" in this Annual Report refer to Sunwah Kingsway Capital Holdings Limited and its subsidiaries.

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Sunwah Kingsway is committed to the core values of integrity, teamwork, respect, responsibility and the pursuit of excellence.

We believe that successful companies are built on these core values,
the same ones that align and guide our thinking and actions in every area of our business.
Our established core values have served our Group well and will continue to guide our growth into the future.

Chief Executive's Statement

Dear Friends and Shareholders

On behalf of the Board of Directors, I present to you the annual report of Sunwah Kingsway Capital Holdings Limited for the financial year ended 30 June 2019 ("fiscal 2019").

The Group incurred a loss in fiscal 2019. The HK market reached its historical high in early 2018 and the sentiments slowly turned negative since then. The negative developments in the trade negotiations between the United States and China brought the market to its lowest level at end of calendar 2018. The market recovered a bit in 2019 but becomes very sensitive to market news and the stock market trading volume declined. Apart from the few mega cap stocks listed in our first fiscal quarter, the IPO market for mid and small cap companies slowed significantly compared with last year. Our business was affected by all these developments. As highlighted in my previous messages, we are turning our focus to the Greater Bay Area. Our full licensed securities company joint venture application has received the official application acknowledgement from CSRC and we are now providing supplementary information to support the application. In addition, we have acquired a private equity fund manager in Guangdong province and the completion of that acquisition is pending approval from relevant PRC authorities.

The intermediary businesses made positive contributions to our results. The decrease in revenue in brokerage and corporate finance operations was partly compensated by increase in interest and ECM revenues. We will continue to shift our business focus to address the changes in the capital markets. Asset management business still lacks the economies of scale and management is exploring different channels to increase the assets under management, including partnering with other boutique fund managers.

The proprietary investment divisions made a loss in the year. The increased volatility in fiscal 2019 led to some losses in our trading portfolios. The impairment of one of our unlisted investments also contributed to the losses. The investment results were affected by the inter-segment funding costs charged. Rental income from investment properties were stable during the year. Revaluation gains are reduced, reflecting the high base in the properties valuation.

The wide swings in sentiments in the trade talks between the United States and China are dominating the capital markets. The US also criticized China and a number of other countries about manipulating their exchange rates to gain competitive edges over the US. In addition, the geopolitical tensions related to North Korea and the Middle East are also affecting the markets. Economists are also debating whether the reduction in policy rates in the US and Europe is a temporary stop in the tightening cycle or the beginning of another quantitative easing era. Hong Kong has to face an additional challenge. The social unrest in Hong Kong in recent months has caused disruptions to a lot of business activities. We will likely slow our pace in Hong Kong and adopt a more conservative approach. In the meantime, we will spend more efforts in searching for other opportunities in the Greater Bay Area.

The developments in the last few months highlighted the large number of uncertainties we are now facing. We have gone through a number of very difficult periods in our less than 30 years of operations. The management team and our staff have proved that we can take on these challenges. We will work together to keep the business intact and return to growth afterwards. The diversity in our Board composition provides a very good platform for discussion and formulation of a suitable strategy for the Group. With the support of all stakeholders, we hope to bring stability to the company in these stormy times and provide satisfactory returns to all our stakeholders in the future.

Choi Koon Ming Michael
Chief Executive Officer

Management Discussion and Analysis

THE MARKET

The Hong Kong market was volatile in both 2018 and 2019. The escalating trade disputes between China and the United States, the weakening of the renminbi and the capital outflows from the emerging markets haunted the stock market. The market moved downwards since the Hang Seng Index reached its recent high at 31,513 in June 2018 and dropped to 24,541 in October 2018. The market rebounded in the 1st Quarter of 2019 and the Hang Seng Index reached 30,222 in April 2019. The rebound was driven by the hope of a positive outcome from the trade negotiation between China and the United States and the expectation of lower interest rate in the United States. However, the Index fell 9.4% in May 2019 because of the growing concerns about the slowdown in world economic growth. The Index later rebounded again as the Presidents of China and the United States met at the G20 summit in June 2019 and made positive gestures on the ongoing trade negotiations.

The Hang Seng Index closed at 28,543 at the end of June 2019, compared with 28,955 at the end of June 2018 and 25,846 at the end of December 2018. Amidst the sharp market correction in late 2018, the average monthly turnover on the Main Board and GEM Board during the year ended 30 June 2019 ("FY2019") fell to HK$1,896 billion, a decrease of 18% as compared with HK$2,319 billion for FY2018. The investors have become more cautious and the market activity is lackluster. Funds raised from IPOs on the Main Board in FY2019 amounted to HK$306 billion, as compared with HK$117 billion for FY2018, which was mainly because of the listing of three big cap stocks, Xiaomi Corporation, China Tower Corporation Limited and Meituan Dianping in the 1st Quarter of FY2019.

FINANCIAL HIGHLIGHTS

The Group recorded a loss after tax of HK$33 million for FY2019, as compared to a profit of HK$20 million for FY2018. After taking into account the other comprehensive income for the year, the Group recorded a total comprehensive expense of HK$9 million for FY2019, as compared to an income of HK$75 million for FY2018. Commission and fee income from our financial intermediary business was HK$131 million for FY2019, as compared with HK$153 million for FY2018. Interest income was HK$34 million for FY2019, as compared with HK$23 million for FY2018. Dividend and rental income was HK$7 million for FY2019, as compared with HK$6 million for FY2018. The Group recorded a net loss on financial assets and liabilities at fair value through profit or loss of HK$32 million for FY2019, as compared with a net gain of HK$6 million for FY2018. General and administrative expenses amounted to HK$145 million for FY2019, a decrease of HK$13 million from HK$158 million for FY2018, which was mainly caused by the decrease in variable compensation related to the decrease in commission and fee income. The impairment losses on financial instruments from various divisions increased from HK$1 million for FY2018 to HK$8 million for FY2019 after the adoption of the new accounting standard for the provision of expected credit loss.

BUSINESS DEVELOPMENT

On 1 December 2016, the Group entered into a joint venture agreement with several joint venture partners to establish a joint venture company in Chongqing, the PRC. Subject to final approvals of the China Securities Regulatory Commission ("CSRC"), it is contemplated that the joint venture company will become a full-licensed securities company principally engaged in the provision of regulated securities brokerage services, securities underwriting and sponsor services, proprietary trading, securities and asset management and any other business approved by the CSRC in the PRC. Pursuant to the joint venture agreement, the Group will make a capital contribution of RMB330 million into the joint venture company, representing a 22% equity interest in the joint venture company. The joint venture agreement and transaction were approved by the company's shareholders at special general meeting held in February 2017. The JV company received an acknowledgement of receipt for the application from the CSRC on 28 December 2018. The Group received a document request list from the CSRC through the JV company in June 2019 and is now providing additional and updated information. If the CSRC approves the application, the Group anticipates that the transaction will be fully financed by the Group's internal resources. The Group may dispose of certain listed equity and debt securities and call back part of the loans receivable to fulfill the investment cost of the joint venture. The performance of the brokerage and financing and proprietary investment segments will most likely be affected.

BROKERAGE AND FINANCING

The Group completed its capital injection of US$10 million in its Guangzhou factoring subsidiary in January 2019. Together with the loan portfolio in Hong Kong, the revenue contribution and the asset allocation from the financing business is significant. Management therefore changed the segment name from "Brokerage" to "Brokerage and Financing" to reflect the contribution from the loan business.

Total revenue of the division was HK$58 million for FY2019, a decrease of HK$6 million when compared with HK$64 million for FY2018. The average daily market turnover dropped to HK$93 billion for FY2019, as compared with HK$113 billion for FY2018. In view of the current volatile stock market, the division tightened the credit limit of its brokerage clients. This prudent approach affected the trading turnover and the brokerage commission. As a result, our brokerage commission income decreased from HK$41 million for FY2018 to HK$29 million for FY2019.

The fixed-rate loans and factoring receivables amounted to HK$142 million as at 30 June 2019 as compared with HK$120 million as at 30 June 2018. Interest income from loan financing clients increased significantly by HK$6 million to HK$17 million for FY2019, as compared with HK$11 million for FY2018. Management will place more efforts in the development of the factoring business, with prudent risk management strategy.

Following the adoption of the new accounting standard on financial instruments, the division provided an expected credit loss of HK$2 million by adjusting the opening accumulated losses and provided an additional amount of HK$5 million after assessing the financial instruments at the end of June 2019.

The Securities and Futures Commission issued new guidelines for securities margin financing activities. Under the guidelines, the division should control the concentration risks posed by holding individual or connected securities as collateral and by significant exposure to margin clients. In addition, the division is required to set prudent triggers for margin calls and conducts stress testing to assess the financial impact of our margin financing activities. The division anticipates that the implementation of the new guidelines in October 2019 will have impact on our margin finance business.

CORPORATE FINANCE AND CAPITAL MARKETS

Total revenue of the division was HK$97 million for FY2019, as compared with HK$106 million for FY2018. The division completed several IPO projects during the year. The division also advised on a number of corporate finance transactions for listed companies during the year.

Following the adoption of the new accounting standard "Revenue from contracts with customers", the corporate finance fee income will be recognised when the project is completed under the existing contract terms. As a result, the ongoing sponsorship projects with income of HK$43 million, net of deferred tax, recognised to profit or loss in prior years was reclassified to contract liabilities with a corresponding adjustment to the opening accumulated losses. The revenue adjusted from the opening accumulated losses will be recognised in profit or loss when the project is completed. There is a positive impact on the division's income of HK$11 million, net of deferred tax for the current year after the implementation of the new accounting standard.

The division recognised underwriting and placing fee of HK$32 million for FY2019, as compared with HK$29 million for FY2018. During the year, the Group acted as one of the joint global coordinators in the IPO of Xinyi Energy Holdings Limited. The company listed in May 2019 and raised proceeds of approximately HK$3.7 billion.

ASSET MANAGEMENT

Total revenue of the division was immaterial for FY2019 and FY2018. The division is now approaching several private equity funds and high net worth clients to provide assets management services to generate more revenue. The Group has contracted to acquire a 65% shareholding interest of a PRC asset management company with a consideration of RMB5 million in April 2019. The acquisition transaction is subject to, and awaiting the approval of, the PRC authorities.

PROPRIETARY INVESTMENT

Total revenue of the division was HK$11 million for FY2019, as compared with HK$9 million for FY2018. After including net gain or loss on disposal of financial assets and liabilities at fair value through profit or loss, total loss was HK$21 million for FY2019, as compared to total income of HK$14 million for FY2018. The Hong Kong stock market experienced a roller-coaster ride in FY2019. The Hang Seng Index declined to 24,541 in October 2018 and rebounded to 30,222 in April 2019 and finally closed at 28,543 at the end of June 2019. The market sentiment is very sensitive to the news related to the trade negotiation between the PRC and the USA. The division recognised trading loss of HK$8 million on listed investments for FY2019. Additionally, a loss of HK$23 million was recognised for the unlisted equity investments due mainly from a decrease in enterprise fair value of an investment and the issuance of dilutive instrument. The investment portfolio received interest and dividend income of HK$7 million for FY2019, same as FY2018.

Upon the adoption of new accounting standard on financial instruments, the Group's investments in unlisted equity investments and unlisted investment fund were reclassified as financial assets at fair value through profit or loss. These investments are subsequently measured at fair value. The accumulated investment revaluation reserve of HK$1 million for the unlisted investment fund was transferred to accumulated losses.

As at 30 June 2019, the carrying value of the unlisted investments, listed securities and listed debt securities was HK$86 million, HK$78 million and HK$69 million respectively (30 June 2018: HK$99 million, HK$86 million and HK$66 million). The division continues to invest in different investment products managed by external investment managers to stabilize the returns of the investment. The division invested in another investment fund during the year and as at the end of FY2019, the division invested in 5 investment funds.

PROPERTY INVESTMENT

Total revenue of the division was HK$4 million for FY2019, as compared with HK$3 million for FY2018. The rental income received from these properties provided stable cash inflow for the division. The division invested in a property located in Tokyo, Japan in last year and invested in a property located in Osaka, Japan with total investment cost of approximately HK$8 million in April 2019. The division holds these properties through its interest in two associate companies.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at the end of June 2019 were HK$1,988 million, of which approximately 68% were current in nature. Net current assets were HK$485 million, accounting for approximately 45% of the net assets of the Group as at end of June 2019. The Group had cash and cash equivalents of HK$210 million as at end of June 2019, which was mainly denominated in Hong Kong dollars.

The Group generally finances its daily operations from internal resources. Total secured borrowings of HK$20 million as at the end of June 2019 was used to finance the investment portfolio of the Group. The bank loans were denominated in Hong Kong dollars and charged at floating interest rate. The Group's gearing ratio, calculated as a percentage of total borrowings over shareholder's equity, was approximately 2% as at the end of June 2019. As at 30 June 2019, the office property and investment property with carrying value of HK$400 million and HK$64 million respectively were pledged to the banks as securities for banking facilities.

The Group had no material contingent liabilities as at the end of June 2019. The Company provided corporate guarantees of HK$295 million for banking facilities granted to its subsidiaries.

FOREIGN EXCHANGE EXPOSURE

The Group's assets are mainly in Hong Kong and the PRC and most of the monetary assets and liabilities of the Group are denominated in HK$. As part of our investment monitoring, financial assets denominated in foreign currencies, including equity and debt investments, are monitored on a daily basis together with the changes in market value of these investments. Financial instruments may be used as part of the overall investment strategy if deemed necessary by the investment managers. The Group operates a factoring business and purchased properties in the PRC. Taking into account all relevant macroeconomic factors and the size of assets held, the Group believes that there is no need to hedge these assets denominated in RMB. Management will monitor the situation closely and introduce suitable hedging measures if there are any material adverse changes. The Group does not have other material exposure to fluctuation in exchange rates and no hedging instruments are used.

EMPLOYMENT, TRAINING AND DEVELOPMENT POLICIES

As at 30 June 2019, the number of full time employees of the Group was 108 (2018: 104). Remunerations and bonus are based on performance and are reviewed annually in conjunction with the annual employee performance appraisal. It also takes into consideration the results of the division to which the employee belongs and the Group as a whole. The Group provides a full induction program and in-house training courses to all staff – particularly professionals registered with relevant regulatory bodies who must meet their mandatory continued professional training requirements. A share option scheme is available to directors, employees and consultants of the Group. Details of the scheme are set out in the section "Share options" of the Report of the Directors.

CORPORATE GOVERNANCE

The Group is committed to conducting our business ethically and in a way that is transparent, accountable to shareholders and the community, and under the governance of an effective board. As a listed company mainly engaged in regulated businesses, we believe our corporate governance practices are appropriately rigorous and of high standard. The Group reviews its practices on a regular basis to ensure that any new developments in the industry best practices are reviewed and considered by the Group. As in previous years, a separate and detailed statement on our corporate governance practices is included under the heading "Corporate Governance Report".

COMMUNITY

In line with our philosophy of being a responsible corporate citizen, the Group participated in various social services activities. Please refer to our Environmental, Social and Governance Report for further details.

Environmental, Social and Governance Report

While acknowledging our responsibility to our stakeholders, we encourage our staff and partners to behave in a responsible manner towards the environment and the society in which we function. The Group is committed to the principles of good corporate governance, the integration of corporate social responsibility into our business culture, protecting the environment and the creation of a harmonious and enriching work place in which our staff can develop.

This report is based on the "Environmental, Social and Governance Reporting Guide" issued by The Stock Exchange of Hong Kong Limited to inform stakeholders of the Group's performance in environmental protection, social issues and community investment from 1 July 2018 to 30 June 2019 (the "Reporting Period"). This report also serves as a communication platform with its stakeholders and demonstrates its strategies for and commitment to build a sustainable green future.

The Board provides the overall direction on management in environmental, social and governance ("ESG") issues. Reporting and implement of ESG related initiatives are conducted, reviewed and monitored by its senior management staff of the Group. We continues to interact with our stakeholders (including our internal staff, management, directors, investors, regulatory authorities and different community groups) on an ongoing basis through various channels, such as regular reports and announcements, regular general meetings, corporate websites, reviews, regular meetings and training, emails, caring activities with management, face-to-face meetings, networking, business communication and participation in charity etc.

Each subject area is divided into certain "Aspects" in which there are general disclosure and key performance indicators ("KPIs") for the Group to demonstrate how it has performed during the financial year. The Aspects and KPIs relevant to the Group are set out below. The Group considers all other KPIs not specifically disclosed in this report to be irrelevant to the Group's operations.

Scope of Report

The Group has offices in Hong Kong, the PRC and Vietnam but the Group's principal operations are mostly performed out of our offices in Hong Kong. This report focuses on the major operation of the Group in its head office and branch office in Hong Kong.

ENVIRONMENTAL PROTECTION

The Group is committed to providing quality financial services to our clients in a manner that minimises our potential adverse impact on the environment and preserve natural resources in the course of our day-to-day operations. We strive to observe the environmental laws and regulations in the jurisdiction in which we operate and with a view to achieving sustainability. Apart from full compliance with laws and regulations relating to environmental protection, our commitment to the environment focuses on the conservation of energy, minimising the use of paper and the reduction of waste by recycling. The Group will review its environmental practices from time to time and will consider implementing further ecofriendly measures to enhance environmental sustainability.

Aspect A1: Emissions

The Group's main business line is the provision of financial services, including brokerage, corporate finance and asset management. Our business does not involve the production of material amounts of greenhouse gas emissions, engage in discharging pollutants into water and land or generate significant amounts of hazardous wastes; therefore, there are no relevant laws or regulations in respect of emissions, which are applicable to our operations.

The Group does not own or maintain automobiles, boats or other vehicles which burn fossil fuels for use by staff and the Group encourages them to use public transportation when practical. The Group has established a late night policy that allows our staff to take a taxi for a journey from work to home provided that the late night working conditions are satisfied.

Business travel outside of Hong Kong and the PRC is minimal and we encourage our staff to use conference call facilities whenever possible. The most material impact on the environment is confined to the premises in which the Group operates in Hong Kong. Mainly, the Group's carbon footprint is the greenhouse gas emissions from the use of electricity in our office lighting system, air-conditioning, computers, printers and other office equipment. Measures to reduce the use of energy and other resources, minimise the use of paper and increase recycling are discussed below under Aspects A2 and A3.

Aspect A2 and A3: Use of Resources and the Environment and Natural Resources

Disclosures on emissions and use of resources primarily relate to the use of electricity, water and paper in its head office and branch office of the Group in Hong Kong. The related consumption in other offices was minimal and therefore it was insignificant on the total consumption of the Group and was not recorded.

1.1 Energy Consumption and Conservation

The direct energy consumption of power during the Reporting Period was approximately 215 MWh, a slight increase from last year. The small increase was due mainly from moving offices during the financial year which required after hours use of electricity. To reduce the consumption of electricity, the Group continually upgrades its computer equipment, servers, and monitors to energy efficient models. Our energy efficient cooling system, which has significantly reduced our consumption of electricity. Our staff are also reminded to shut down their computer systems at the end of the day and to turn off the lights when leaving the office. In the design of our offices, we have installed and used energy efficient lighting.

1.2 Water Consumption and Conservation

There was no water consumption data available as water consumption was managed by the property management of the office building in Hong Kong and the water usage fee was included in the management fee paid to the landlord. The Group's water use is minimal as it limited to drinking and personal hygiene. The Group also encourages saving on water use among our staff. Staff are reminded to shut off running water when not in use and are encouraged to use personal cups for drinking in order to reduce the consumption of disposable cups.

1.3 Packaging Materials and Hazardous Wastes

The business operation of the Group does not involve any consumption and production of packaging materials and hazardous wastes. In selecting suppliers or cooperation partners, the Group takes into consideration, among others, their environmental and energy policies, to maximize environmental protection and minimise pollution.

1.4 Non-hazardous wastes

Consumption of Paper

Non-hazardous wastes produced from the operations of the Group primarily comprise paper used in offices, which amounted to a total of approximately 3.54 tonnes of paper and in turn 16,992 kg of CO2e emission during the Reporting Period, a slight decrease from last year. The Group recognises that in providing our services, we use a considerable amount of paper. In order to minimise paper usage, the Group continues to encourage its clients to receive electronic daily and monthly statements instead of paper statements. With an aim of reducing paper usage, we have initiated a service charge for clients who request physical monthly statements be mailed to them. We also use electronic mails in disseminating latest promotional materials and important information to our customers.

The Group's corporate communications, including financial reports, are uploaded to the websites of the Group and The Stock Exchange of Hong Kong Limited at the same time. We recommend that stakeholders take advantage of our websites to view our corporate communication instead of relying on physical communication. Timely investment information and research reports are also provided to customers through the website of the Group. We hope that by offering an electronic means of corporate communications to our stakeholders, the quantity of printed materials will be considerably reduced.

Internally, staff are also encouraged to use two sided printing and where possible, to use scrap paper for printing drafts of documents. When replacing our printers, we continue to look for models, which required our staff to present his/her staff card before the printing was released to reduce unclaimed printed material. The Group has adopted electronic means and the Intranet for internal dissemination of information, such as circulars, memoranda and so forth to facilitate the sharing of information and save the use of space.

Some non-hazardous wastes such as plastic bottles, paper cup and paper bag were consumed in the Reporting Period but the related consumption was insignificant on the total consumption and was not recorded. General waste was collected and disposed of by a professional cleaning company. Scrap paper is separately collected for recycling and disposal.

1.5 Greenhouse Gas Emissions

The total carbon emission for the Group in the Reporting Period was approximately 188,895 kg of CO2e, a slight increase from last year. Given the nature of our business, the major source of greenhouse gas emission came from our use of electricity, representing approximately 91% of the total emission.

Scope of greenhouse gas emissions	Sources of emissions	Volume of emissions (in kg of CO2e)
Scope 1 Direct emissions	NA	NA
Scope 2 Indirect emissions	Purchase and use of electricity	171,903
Scope 3 Other indirect emissions	Consumption of paper	16,992
Total	/	188,895

Notes:

- Emission factors were made by reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

- Emission factor of 0.8 (kWh/CO2e kg) was used for purchased electricity from HK Electric Investments Limited (per HK Electric Investments Sustainability Report 2018).

1.6 Measures for green offices

The Group continues to engage in a computer-recycling program. Instead of simply disposing of our computer equipment in our landfills, our IT department donates the computers, monitors and servers to the Caritas Computer Workshop, who use the computer equipment to train unemployed youths and donate refurbished computers to children from deprived families or NGOs.

To produce less wastes and recycle resources, suppliers are regularly arranged to collect used printing cartridges and toners for recycling purpose. The Group also collected spent lamps to the collection point of the office building for subsequent recycling. The Group recycles the waste electrical equipment properly and hence reduces the impact to the environment after using the equipment.

During the Reporting Period, no non-compliance regarding emission laws and regulations has been identified by the Group.

SOCIAL ISSUES

Aspect B1and B4: Employment and Labour Standards

As a financial services provider, our most important assets are our staff, who interact with our clients and service our clients' financial needs. We are committed to creating a workplace that is harmonious and enriching. We emphasise respect and encourage communication within the Company. We are operating in a knowledge-based society and we hope our staff grow with the Company. Career advancement is one of our major concerns for our staff. We offer job diversification and inter-department transfer to our staff in order to enhance their work knowledge and demonstrate their various potential. We promote communication across departments through various channels. Colleagues meet each other in regular gatherings as well as various corporate activities organised by our Human Resources Department throughout the year. The annual dinner and quarterly tea parties are times for relaxation and enjoyment with colleagues across departments.

Staff employed in our main offices are governed by, among other regulations, the Employment Ordinance, the Minimum Wage Ordinance, and the Mandatory Provident Fund Schemes Ordinance. The Group has prepared and distributed to all new staff a Staff Handbook which include many of the material employment rules and regulations set out in the aforementioned Ordinances, the general compliance manual in relation to our operation, the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing which are issued by the Hong Kong Securities and Futures Commission ("SFC"), The human resources representative reviews and updates the relevant company policies regularly in accordance with the latest laws and regulations.

All new staff go through a staff orientation where the Legal and Compliance Department explains the major terms and conditions set out in the Staff Handbook, including insider dealing, anti-money laundering and prohibition on acceptance of gifts and benefits. The Group has established a clear employment mechanism and helps our staff know about their rights and responsibilities as well as the Group's requirements on staff conducts and disciplines through the Staff Handbook.

We strive to provide a working environment free from discrimination and harassment. The Group has set up equal opportunities policies in the Staff Handbook to promote a more diverse environment in the working place. Our Group is dedicated to comply with the Race, Sex, Disability and Family Status Discrimination Ordinances. No discrimination of sex, pregnancy, race, marital status, family status or disability is tolerated in the Group. If being treated with discrimination or sexual harassment, our staff can inform their immediate supervisor or make written complaints to the Head of Legal and Compliance Department. We have also implemented anti-discrimination measures in our recruitment, hiring and promotion processes. We maintain the principle of equal pay, for equal work, of equal value. For recruitment and promotion, the Group focuses on the competence of its staff. Female staff also hold senior positions in our Group including Director of Corporate Finance, Director of Retail Brokerage, Director of Institutional Sales, Head of Human Resources and Financial Controller.

We do not employ child and/or forced labor. The Group has strictly complied with the Employment of Children Regulations, Employment Ordinance and other relevant laws and regulations relating to preventing child and forced labor. Within the recruitment process of the Group, all background checks including inspection of identity documentations and record keeping are completed to ensure all staff are at least the legal working age.

In terms of gender, the Group has diverse workforce. As at the end of the financial year, the total number of our staff in Hong Kong was 91, of all were permanent staff. The annual turnover was attributed to retirement and voluntary resignation.

The distribution of our permanent staff by different categories is as follows:-

By gender	Male	Female	Total
Overall permanent staff	49	42	91
Management team	30	17	47

The remunerations and benefits provided by the Group are in compliance with the Employment Ordinance. The Group reviews its staff' remunerations and benefits on a regular basis to keep up the pace with the market. The Group has established a comprehensive performance management system to assess the performance of its staff each year in order to improve staff performance and development on an open basis. This process facilitates a chance of communication between the supervisor and staff to express expectation or other issues concerning the jobs. Different performance reports will apply to different levels of staff according to their job nature and ranking. Salary adjustment or prospective promotion will be considered by taking into account of staff's performance. In additional, outstanding staff award and long service award are granted to the outstanding staff members as an appreciation of their contribution and loyalty.

During the Reporting Period, the Group was not aware of any non-compliance with relevant labour-related laws and regulations.

Aspect B2: Health and Safety

The health and safety of our staff is of paramount importance to the Group. Our working environment and working procedures are in compliance with the Occupational Safety and Health Ordinance (the "Health Ordinance") and on a yearly basis the Group obtains employee compensation insurance. The Group also creates a pleasant and comfortable workplace by carrying out various measures including the provision of adjustable seats and regular repair, and maintenance of office equipment. Policies on ensuring health and safety at the workplace are established and employees are expected to adhere to the relevant policies as stipulated in our Staff Handbook. In case of accidents, a well-equipped first aid box is installed in each of our offices. The HR & Administration Department is tasked to take stock of the items in the first aid box regularly and to replenish it as needed. In case of illness, the Group provides medical benefits, paid sick leaves, compassionate leaves and so forth for all staff. Details are set out in our Staff Handbook to ensure that staff fully understand their rights. Additionally, all staff are given a credit for upkeep of dental hygiene.

During the Reporting Period, the Group did not encounter any violations of the laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards such as the Health Ordinance and Employees' Compensation Ordinance, and there were no reports of accidents or injuries in our offices.

Aspect B3: Development and Training

The Group acknowledges that staff are the most important assets of the Company. As the Group's main business consists of activities licensed by the SFC, the Group provides free professional training for its SFC licensed staff. The Group held at least 5 hours of internal training sessions on a variety of topics in relation to our industry per year. The Management is involved in designing training programmes that meet the demands of our operations such as compliance and regulatory issues, market and regulatory updates, anti-money laundering, business ethics for listed companies, staff integrity and other topics related to licensed regulated activities. The educational seminars not only assist them in fulfilling their Continuing Professional Training requirements and to expand their knowledge and understanding of different investment products as well as the industry, but also facilitate our people with up-to-date regulations and rules. Subject to actual need of different departments and functions, the Group also encourages and subsidizes staff at different job grades to enroll and/or participate in development or training courses in support of their career and professional development. Other than sponsoring its staff to acquire professional qualification and professional membership or to attend external job related training, the Group also provides examination fees, examination leaves, educational subsidies and course materials expenses for our staff. Details are set out in our Staff Handbook to ensure that our staff fully understand their rights.

OPERATING PRACTICES

Aspect B5: Supply Chain Management

The Group's suppliers includes hardware and software vendor, stock quote and market information vendors, legal and accounting services professionals and office equipment suppliers. We select our vendors and professional service providers based on price, reputation, track record, responsiveness to problems and quality of product and services. When possible, in our selection of service providers and products, we will consider their commitment to the environment.

Aspect B6: Product Responsibility

Our Group is a comprehensive financial services provider. The services we offer include, brokerage (securities and futures), corporate finance advisory (including Sponsors for Initial Public Offerings), margin financing, asset management and money lending. Our major business activities are licensed and regulated by various agencies including the SFC and Hong Kong Exchanges and Clearing Limited.

The Group has obtained all licenses, qualifications and permits required of its business operations. As at 30 June 2019, 69 employees of the Group were licensed with the SFC in various regulated activities such as dealing in securities, advising on corporate finance and asset management. The Group's licensed entities must strictly abide by the law, rules and regulations set out in the Securities and Futures Ordinance, the Securities and Futures (Financial Resources) Rules, Securities and Futures (Client Securities) Rules, and the Securities and Futures (Client Money) Rules. We are also a company whose shares are listed on The Stock Exchange of Hong Kong Limited and subject to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Group conducts "know your client" background reviews prior to opening accounts for new clients to ensure that the most suitable financial services are provided to clients. We verify the client's identity, investment objectives and experience, risk tolerance level, financial status, occupation, age, etc. and obtain relevant documents as proof and for our record keeping. We review and update the client profiles periodically in order to improve our service quality.

As a money lender's license holder, the Group provides loan products to individuals and companies in Hong Kong. The Group regularly monitors, reviews and updates the existing measures and credit evaluation to ensure the money lending business is strictly in compliance with the Money Lenders Ordinance. To monitor the risk involved, the debt collection is tightly monitored and external agents may be engaged for debt collection.

The Group has a well established Legal and Compliance Department, which consists of solicitors, a chartered secretary, accountants, auditors and other compliance staff. The Legal and Compliance Department is charged with ensuring the Group's compliance with applicable laws, regulations, rules and guidelines. To monitor the Group's business, the Legal and Compliance Department has developed and implemented a Compliance Monitoring Program to review the day-to-day business operations.

The Group also formulated its general compliance manual which is set out in the Staff Handbook, and it covers the areas of our code of conduct, the know-your-client and account opening rules, the Group licensing status, the relationship with regulators, information control, the anti-money laundering policy, the recording retention and destruction policy, the client complaint procedures, the staff dealing policy, the code of dealing practices, the trading malpractices, the code of practice on corporate finance and the code of practice on fund management and so forth. With clear internal procedures, the Group has set up service teams that are comprised of different professionals to provide diversified financial services. The Group also formulated the operations manuals specialty for futures and options trading, securities and asset management, and corporate finance. The policies and procedures contained in these manuals are designed to ensure that our respective teams can conduct all our activities with the highest standards of care, and in strict conformity with applicable legal and regulatory requirements. All staff are expected to know, understand and comply with the provisions in these manuals. The Group would update its operation procedures on an ongoing basis, thereby enhancing its service quality. Updates on relevant laws and regulations are also notified to relevant operating units and staff from time to time.

Customer opinions/complaints

With clear procedures within the Group, all disputes and complaints are investigated and resolved in a rapid manner. The client complaints are dealt with by the Head of Legal and Compliance Department, which replies accordingly to the respective customers. If the complaint is of a confidential nature, it will be dealt with independently by the Legal and Compliance Department, which replies accordingly to the respective customers and/or relevant regulatory bodies.

Privacy of personal data

For the protection of privacy in respect of personal data, the Group has developed its policies for the protection of personal data on the basis of the Personal Data (Privacy) Ordinance for its customers, staff and third parties. All collected personal data during the course of business are treated as confidential, kept securely, and accessible by designated personnel only. We have to obtain the client's consent prior to disclosing the personal data to other parties whenever necessary.

The Group seeks to ensure that appropriate measures are in place to prevent the misuse or leakage of personal data, and shall hold such personal data only for the purpose of such collection. The details of handling client information is also set out in the Staff Handbook. We stringently forbid all staff under the Group to disclose customer privacy or sensitive company information to unrelated persons or outsiders. In addition, the departmental data of the Group is accessible only to authorized persons and no data or confidential data is allowed to be stored in any portable devices by staff without management approval.

During the Reporting Period, no complaint was received regarding data privacy violation and there was no disciplinary action taken against the Group by any regulatory authorities due to violation of laws regarding product responsibility, customer privacy and loss of data.

Aspect B7: Anti-corruption and Anti-Money Laundering

All staff of the Group are expected to conduct themselves with integrity, impartiality and honesty. The Group has established policies and procedures, which promotes these attributes. All staff must avoid any conflict of interest between their personal interest and the interest of the Group, its clients, its suppliers and all other organizations doing or seeking to do business with the Group. All staff are subject to the provisions of the Prevention of Bribery Ordinance, which require staff not to offer or pay, solicit or accept anything of material value in exchange for some improper advantage from other companies. The solicitation or receipt of gifts over a set amount deemed appropriate by the Legal and Compliance Department for personal use, bribes or kickbacks of any kind from outside organizations and business contacts is specifically prohibited under any circumstance and violations will be reported to the appropriate law enforcement agency and/or regulator. The Group has developed its policies against the receipt or provision of gifts. Staff must declare any receipt of gifts or benefits over a set limit to the Legal and Compliance Department.

The Group has implemented a whistle-blowing policy for all levels to ensure that complaints of suspected misconduct, malpractice, fraud, corruption or other irregularities in any matter related to the Group's business is reported and investigated. We encourage reporting by providing a clear reporting line, ensuring confidentiality and protecting the reporting individual from any retaliatory act. The policy provides that when suspected misconduct is identified, staff should report it to the Head of Legal and Compliance

Department. However, if for any legitimate reason the whistleblower prefers not to raise the matter with the Head of Legal and Compliance Department, he may take the matter directly to the Chairman of the Audit Committee.

The Group complies with all applicable anti-money laundering laws and regulations in Hong Kong including the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, its corresponding Guideline, Drug Trafficking (Recovery of Proceeds) Ordinance, Organized and Serious Crimes Ordinance, Weapons of Mass Destruction (Control of Provision of Services) Ordinance and United Nations (Anti-Terrorism Measures) Ordinance (together the "AMLO").To comply with the AMLO, the Group has implemented strict Know-Your-Client due diligence procedures, source of funds check, required data base searches for terrorists and developed a monitoring program to spot suspicious transactions.

During the year under review, the Group was not found to be in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Aspect B8: Community Investment

Our Group strives to be a good corporate citizen who contributes both financially to various charities and encourages our staff to participate in social services within our community. For over 10 continuous years, we have been awarded the Caring Company designation by the Hong Kong Council of Social Services. Key activities of the Group in this area in the 2018-2019 financial year include the following:

World Vision-Skip-A-Meal

This year we continue to support "Skip-A-Meal" programme organized by World Vision Hong Kong of which one of its major missions is to fight against worldwide hunger and poverty and we share the passion with World Vision Hong Kong. We encouraged our staff to participate in the program by skipping lunch and donating the cost of that meal to World Vision Hong Kong.

Hong Kong News Award

The Group continues its support of The Newspaper Society of Hong Kong (the "Society"). For the fifth consecutive year, the Group was the title sponsor of the Hong Kong News Award. The awards recognise the outstanding achievements of journalist in Hong Kong, including awards for reporting, writing, photography and design. The mission of the Society is to foster cooperation within the Hong Kong newspaper industry and promote the progress and welfare of member newspaper professionals. The Society is actively involved in reflecting the industry's view on legislation affecting the media.

National Day Celebration Concert

In September 2018, the Group was a sponsor of The Hong Kong Philharmonic Orchestra for its National Day Celebration Concert. The mission of the Hong Kong Philharmonic Orchestra is to inspire and expand musical appreciation in Hong Kong and to be a financially secure institution that brings distinction to the music world through its enriching performances and premier international standing. Each year the Orchestra presents over 150 concerts and attracts more than 200,000 attendees.

The Used Book Recycling Campaign

The Group continues to support the Used Book Recycling Campaign organized by World Vision Hong Kong in July 2018, which aimed to raise funds to support World Vision in providing better education and welfare to vulnerable children in Yunnan, China.

The Listed Enterprise Excellence Awards 2018

The Group was honoured to receive the Listed Enterprise Excellence Awards 2018 – Excellent Performance, which was organised by Capital Weekly, a renowned financial magazine in Hong Kong. This award recognized our remarkable performance in business development and different business aspects in the past 12 months.

Corporate Governance Report

Code on Corporate Governance Practices

The Company believes that strong corporate governance benefits all stakeholders as it helps maximising the Company's value as well as stakeholders' interests.

The Company promotes the importance of corporate governance through various policies and practices adopted at the Board level and throughout the Company in daily operations. We aim at maintaining high standard corporate governance throughout all levels in the Company. This report summarises how the principles of the Corporate Governance Code and Corporate Governance Report (the "CG Code") have been applied in respect of the year ended 30 June 2019.

The Company has applied the principles and has complied with the code provisions of CG Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 30 June 2019 except for the deviation which is summarised below:

CG CODE PROVISION A.4

Pursuant to code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election and, pursuant to code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Annual General Meeting (AGM) of the Company. Pursuant to the Bye-laws of the Company, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Board considers that the non-executive directors appointed without a specific term will not impair the quality of corporate governance of the Group as required by the principles set out in CG Code A.4. However, to better align the policies of the Group, beginning in 2019 non-executive Directors will be appointed for a specific term.

Business Model and Strategy

The Group is committed to its core values of integrity, teamwork, respect, responsibility and the pursuit of excellence. We believe that successful companies are built on these core values, the same ones that align and guide our thinking and action in every area of our business. We strive to become the best local brokerage and capital markets service provider concentrating on the mid to small cap market. Our focus is on customer relationship and services and we seek to capitalise on growing opportunities resulting from China's development and emergence as one of the world's major economies. A discussion and analysis of the Group's performance for this fiscal year are set out on page 3 under Management Discussion and Analysis.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year under review and they have all confirmed that they have complied with the required standard set out in the Model Code.

The Board of Directors

BOARD COMPOSITION

The Board currently comprises seven directors and the composition is set out as follows:

Jonathan Koon Shum Choi	*Chairman*
Michael Koon Ming Choi	*Chief Executive Officer & Executive Director*
Janice Wing Kum Kwan	*Non-Executive Director*
Lee G. Lam	*Non-Executive Director*
Robert Tsai To Sze	*Independent Non-Executive Director*
Elizabeth Law	*Independent Non-Executive Director*
Huanfei Guan	*Independent Non-Executive Director*

Dr Jonathan Koon Shum Choi, the Chairman, and Mr Michael Koon Ming Choi, the Chief Executive Officer and Executive Director, are brothers. Ms Janice Wing Kum Kwan, a non-Executive Director is the spouse of Dr Jonathan Koon Shum Choi and sister-in-law of Mr Michael Koon Ming Choi.

The brief biographical details of the directors, including financial, business, family or other material or relevant relationships among members of the board, are set out in the "Biographical Details of Directors and Senior Management" section on pages 25 to 28.

BOARD RESPONSIBILITY

There is a clear division of responsibilities between the Board and management. The Board is responsible for providing high-level guidance and effective oversight of the Group's executive directors and senior management. Generally speaking, the Board is responsible for:

- Formulating the Group's long term strategy and monitoring the implementation thereof;
- Declaring and/or approving dividends;
- Reviewing and approving the interim and annual reports;
- Ensuring good corporate governance and compliance;
- Ensuring that appropriate and effective risk management and internal control systems are in place;
- Formulating environmental, social and governance ("ESG") strategy and ensuring that relevant systems for managing ESG-related risks are in place;
- Monitoring the performance of the management; and
- Reviewing and approving any material acquisition and disposal of assets and other material/notifiable transactions.

The Board has delegated the authority and responsibility for implementing the day-to-day business operations, strategies and management of the Group's business to the executive directors and senior management. The Board authorises the management to carry out the strategies that have been approved. The non-executive directors (a majority of whom are independent) provide the Group with a wide range of expertise and experience. The Directors receive and review monthly financial accounts submitted by senior management.

BOARD MEETINGS

The Board meets at least four times a year and additional meetings are convened as and when the Board considers necessary. During the year, five board meetings were held and the principal businesses transacted included approving interim and final results and reports, assessing business performance and implementation and considering major, connected and notifiable transactions. The attendance record of each director at the meetings of the Board, general meetings, Audit Committee, Compensation Committee, Nomination Committee and Corporate Governance Committee of the Company during the year ended 30 June 2019 are set out as follows:

	Meetings attended/eligible to attend					
			Committees			
Board Directors	**Board**	**General Meeting**	**Audit**	**Compensation**	**Nomination**	**Corporate Governance**
Chairman						
Jonathan Koon Shum Choi	5/5	2/2	N/A	1/1	1/1	N/A
Executive Director						
Michael Koon Ming Choi	5/5	2/2	N/A	N/A	N/A	N/A
Non-executive Directors						
Janice Wing Kum Kwan	5/5	2/2	N/A	N/A	N/A	1/1
Lee G. Lam *(Note 1)*	5/5	2/2	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Robert Tsai To Sze *(Note 2)*	5/5	2/2	3/3	1/1	1/1	N/A
Elizabeth Law *(Note 3)*	5/5	2/2	3/3	1/1	1/1	N/A
Huanfei Guan	4/5	0/2	3/3	1/1	1/1	1/1
Total number of meetings held	5	2	3	1	1	1

Notes:

1. Chairman of Corporate Governance Committee.
2. Chairman of Audit Committee.
3. Chairman of Compensation Committee and Nomination Committee.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Company has complied with Rules 3.10(1) and (2) and Rule 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, one independent non-executive directors of which has the appropriate professional qualifications or accounting or related finance management expertise and the independent non-executive directors represent at least one-third of the Board. Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors have met independence guidelines set out in Rule 3.13 of the Listing Rules. The Nomination Committee reviews and assesses the independence of the three Independent Non-Executive Directors of the Company on an annual basis. Particular consideration was applied to Mr Robert Tsai To Sze who has served the Board more than 9 years. The Nomination Committee determined the Independent Non-Executive Directors, including Mr Sze, were qualified and met the requirements for independence as set out in the Listing Rules.

TRAINING AND DEVELOPMENT

The Company places great importance on directors training and from time to time advises the directors on various subjects including, Listing Rules compliance, updates to the Listing Rules, rules and regulations of the SFC, enforcement actions taken by the SFC and Stock Exchange and how the rules and regulations impact the Company's business and corporate governance. The Company also provides CPT training to licensed staff (including directors), regular updates of legislative and regulatory changes and encourages directors to attend relevant training courses at the Company's expense.

All newly appointed Directors are provided with a Directors Manual which summarises: the directors' duties and responsibilities as a director of a company listed on the Stock Exchange (including connected and notifiable transaction); disclosure of interest in securities of the Company and the Model Code for Securities Transactions by a Director of Listed Issuers as set out in Appendix 10 of the Listing Rules.

All Directors have participated in continuous professional development in the year under review to develop their knowledge and skills so that their contribution to the Board will be informed and relevant. The Company has received confirmation from all the Directors of their respective training record for the year ended 30 June 2019.

Participation in continuous professional development activities

	Attending briefings/seminars/ conference/forums relevant to business or Directors' duties	Reading regulatory updates, journals/articles/materials, etc.
Chairman		
Jonathan Koon Shum Choi	√	√
Executive Director		
Michael Koon Ming Choi	√	
Non-executive Directors		
Janice Wing Kum Kwan	√	√
Lee G. Lam	√	√
Independent Non-executive Directors		
Robert Tsai To Sze	√	√
Elizabeth Law	√	
Huanfei Guan	√	

Change of Directors' Information

The changes in the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr Michael Koon Ming Choi

With effect from 1 July 2019, the base salary and allowance of Mr Choi was increased from HK$206,000 to HK$217,000 per month. Mr Choi will also be granted a lump sum payment of HK$600,000 per year provided that the Company records a consolidated profit after taxation and minority interest for the respective financial year.

Dr Lee G Lam

During the year, Dr. Lam was appointed as independent non-executive director of TMC Life Science Berhad and Thomson Medical Group Limited, and non-executive director of Green Leader Holdings Group Limited.

Dr. Lam resigned as non-executive director of Green Leader Holdings Group Limited with effect from 22 July 2019.

Mr. Huanfei Guan

Mr. Guan was appointed as independent non-executive director of Solis Holdings Limited with effect from 23 August 2019.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company separates the role of the Chairman and the Chief Executive Officer. Currently, Dr Jonathan Koon Shum Choi serves as the Chairman of the Board and Mr Michael Koon Ming Choi, the brother of Dr Choi, serves as the Chief Executive Officer. The responsibilities of the Chairman and the Chief Executive Officer are clearly segregated and there is a clear division of responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.

The Chairman is responsible for the leadership of the Board. He ensures that the Board works effectively and performs its responsibilities and that all material issues of the Company are discussed in a timely manner. The Chairman is also responsible for ensuring that all directors are properly briefed on issues arising at Board meetings, receive adequate and reliable information in a timely manner and encourages all directors to make a full and active contribution to the Board. The Chairman leads the Board to establish good corporate governance policies and procedures for the Group as a whole. During Board meetings, the Chairman encourages directors with different views to voice their concerns and allows for sufficient time to discuss Board matters.

The Chief Executive Officer is responsible for the conduct of the Group's business, day-to-day operation, and implementing the Group's strategy with respect to the achievement of its business objectives with the assistance of the executive directors and senior management. He also oversees the Group's compliance and internal control matters.

RE-ELECTION OF DIRECTORS

Pursuant to the Bye-laws of the Company, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

In accordance with clauses 87(1) and (2) of the Company's Bye-Laws, Dr Jonathan Koon Shum Choi, Mr Robert Tsai To Sze and Ms Elizabeth Law will retire at the forthcoming AGM and they being eligible, offer themselves for re-election.

Board Committees

As an integral part of good corporate governance, the Board has established the following committees whose authority, functions, compositions and duties are set out below:

(1) AUDIT COMMITTEE

Pursuant to Rule 3.21 of the Listing Rules, the Company must establish an audit committee comprising non-executive directors only. During the year under review, it was comprised of three independent non-executive directors. The Audit Committee was chaired by an independent non-executive director, and at least one of the independent non-executive directors had the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, all in compliance with Rule 3.21 of the Listing Rules.

The Audit Committee's terms of reference include those specific duties as set out in the code provision C.3.3 of the CG Code. Pursuant to its terms of reference, the Audit Committee is required, amongst other things, to consider and recommend to the Board the appointment, re-appointment and removal of the external auditors and to approve their remuneration, to discuss with the auditor the nature and scope of the audit and reporting obligations, to review the interim and annual financial statements, to review the Group's financial controls, internal controls and risk management system and to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response. The Audit Committee should meet at least twice each year and when the need arises.

The terms of reference have been included on the Stock Exchange's website and the Company's website in compliance with provision C.3.4 of the CG Code.

During the year ended 30 June 2019, three committee meetings were held, one to consider the annual results of the Group for the financial year ended 30 June 2018, including the discussion of the Company's connected transactions and the discussion of the Company's internal controls report and one to consider the interim results of the Group for the six months ended 31 December 2018. The attendance record of each member during the year is set out in the section headed "Board Meetings" of this report.

(2) COMPENSATION COMMITTEE

Pursuant to Rule 3.25 of the Listing Rules, the Company must establish a remuneration committee, chaired by an independent non-executive director and comprising a majority of independent non-executive directors. During the year under review, the Compensation Committee consisted of three independent non-executive directors and the Chairman of the Board. It was chaired by an independent non-executive director.

The Compensation Committee's terms of reference include those specific duties as set out in the code provision B.1.2 of the CG Code. Pursuant to its terms of reference, the Compensation Committee is required, amongst other things, to either review and recommend to the Board or determine, with delegated responsibility, the compensation packages of the executive directors and senior management, to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and to ensure that no director is involved in deciding his/her own remuneration. The Compensation Committee should meet at least once a year and when the need arises.

The terms of reference of Compensation Committee have been included on the Stock Exchange's website and the Company's website in compliance with provision B.1.3 of the CG Code.

During the year ended 30 June 2019, there was one committee meeting held to review the compensation packages of the executive director and senior management. The Committee determined, with delegated responsibility, the compensation packages of the executive director and senior management. The attendance record of each member is set out in the section headed "Board Meetings" of this report. Details of the directors' remuneration are set out in Note 10 to the consolidated financial statement. In addition, pursuant to the code provision B.1.5 of the CG Code, details of the annual remuneration of the members of senior management by band for the year ended 30 June 2019 is set out in Note 10 to the consolidated financial statements.

(3) NOMINATION COMMITTEE

Pursuant to the code provision A.5.1 of the CG Code, the Company should establish a Nomination Committee which is chaired by the chairman of the Board or an independent non-executive director and comprises a majority of independent non-executive directors. During the year under review, the Nomination Committee consisted of three independent non-executive directors and the Chairman of the Board. It was chaired by an independent non-executive director.

The Nomination Committee's terms of reference include those specific duties as set out in the code provision A.5.2 of the CG Code. Pursuant to its terms of reference and the Board Diversity Policy, the Nomination Committee is required, amongst other things, to review the structure, size, composition and diversity of the Board and make recommendations on proposed changes to the Board as necessary, to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, to assess the independence of independent non-executive directors, and to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors in particular the Chairman and the Chief Executive Officer. The Nomination Committee should meet at least once a year and when the need arises.

The terms of reference of Nomination Committee have been included on the Stock Exchange's website and the Company's website in compliance with provision A.5.3 of the CG Code.

The Nomination Committee is also responsible for identifying, recruiting and evaluating new nominees to the Board and the assessment of the qualifications of the directors, including the assessment of the independence of the independent non-executive directors. During the year under review, the Company adopted the Nomination Policy which formalize the selection criteria for appointing new directors or re-appointing directors, and the nomination procedures. The criteria adopted to select and recommend candidates for directorship includes the candidate's experience, professional knowledge, integrity, time commitment and other statutory or regulatory requirements.

The Company has adopted the Board Diversity Policy which aims to set out the approach to achieve diversity on the Company's board of directors with a view that increasing diversity at the Board level is an essential element in supporting the attainment of the Company's strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background or professional experience. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of the Policy.

The Nomination Committee held one meeting during the year under review to review the structure, size, composition and diversity of the Board, make recommendations to the Board regarding the re-appointment of directors, and review and assess the independence of the independent non-executive directors. In considering diversity, it was noted that the Board composition was suitably diverse in terms of age, gender, education and business and professional experience. No major change on the Board's composition was recommended. The attendance record of each member is set out in the section headed "Board Meetings" of this report.

(4) CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee has been established since 2005. During the year under review, the committee was chaired by a non-executive director and it consisted of one independent non-executive director and two non-executive directors. The committee is responsible for reviewing and further developing the Group's corporate governance policies and principles and the implementation thereof. The Corporate Governance Committee meets once a year and when the need arises.

The Corporate Governance Committee's terms of reference which sets out the specific duties of the Committee in compliance with CG Code provision D.3.1 have been included on the Company's website.

During the year ended 30 June 2019, the Corporate Governance Committee held one meeting to review the Company's corporate governance practices and to review the internal controls report. The attendance record of each member is set out in the section headed "Board Meetings" of this report.

Accountability and Audit

FINANCIAL REPORTING

The Board acknowledges that it is its responsibility to prepare financial statements of the Company for each financial period which give a true and fair view of the state of affairs of the Company and ensure that financial statements are prepared in accordance with statutory and regulatory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements of the Company.

The statement of the auditors of the Company about their reporting responsibilities on the consolidated financial statements of the Company is set out in the "Independent Auditor's Report" section of this annual report.

The Board confirms that, to the best of its knowledge and, having made appropriate enquiries, it considers that the Company has adequate resources to continue in operational existence for the foreseeable future and has prepared the financial statements on a going concern basis accordingly. Despite the removal of the requirement of a designated qualified accountant in the Listing Rules effective 1 January 2009, the Board continues to maintain the services of a team of suitably qualified accountants to oversee the Group's financial reports and other accounting related matters.

EXTERNAL AUDITORS

During the financial year and up to the date of this report, fees for auditing services and non-auditing services (including interim review and agree upon procedures for preliminary result announcement) provided by the existing external auditor, Deloitte Touche Tohmatsu, for the year ended 30 June 2019 were HK$2,945,500 and HK$846,800 respectively. Audit fees paid to other auditors for the year ended 30 June 2019 were HK$487,911.

Risk Management and Internal Control

THE BOARD OF DIRECTORS

The Board recognises that risk management and internal controls are an integral part of good management practices and are an essential element in achieving the Group's strategic objectives, safeguarding the Group's assets and protecting the interests of our shareholders. Well managed risk management and internal control systems ("RM Systems") enable effective and efficient operations, ensure the reliability of internal and external reporting and assist in the compliance with applicable laws and regulations.

The Board acknowledges that it has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's business goals, ensuring that the Group establishes and maintains appropriate and effective RM Systems and reviewing their effectiveness.

The Board notes that the Group's RM Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

THE AUDIT COMMITTEE

The Board has delegated to the Audit Committee the oversight responsibility for the Group's RM Systems. On a semi-annual basis, the Audit Committee will discuss the RM Systems with senior management to ensure they have performed its duties to have an effective system and to consider material findings on risk management and internal control matters. To assist the Audit Committee and the Board in its duties, a risk register which identifies the material risk associated with the Group's business, the risk rating and the internal control to mitigate the risk has been established.

MANAGEMENT AND STAFF

Pursuant to the Group's framework, management is primarily responsible for identifying and assessing key financial, operational and compliance risks of the Group. With the assistance of the Legal & Compliance Department ("L&C") senior management are tasked with designing and implementing policies and procedures of internal control to mitigate the material risks that have been identified. Additionally L&C monitors the Group's RM Systems on an ongoing basis and reports its findings to the CEO and a member of the Corporate Governance Committee. Senior management, which consist of the CEO, CFO and CAO meet at least on a monthly basis to review the detailed financial accounts of each material business division, discuss legal and compliance issues and regulatory updates.

The Group's shares are listed on The Stock Exchange and our primary business is the provision of financial services in Hong Kong. Our business activities are highly regulated by the SFC and the Stock Exchange. As such, the Group has established policies and procedures which are reviewed regularly by senior management, licensed responsible officers and L&C to ensure the proper monitoring and control of all major risks arising from the Group's business activities.

The Group has developed a Staff Handbook and Compliance Manual (collectively, the "Company Manuals"). All staff, including all executive directors, are subject to the provisions set out in the Company Manuals. The Company Manuals clearly set out the policies and procedures which apply to the Group's businesses and place staff under specific obligations as to duty, ethics, integrity and principles under which our businesses operate. Each core business division has its own operating manual which specifically outlines the respective division's operating procedures. Failure to comply with the policies and procedures as set out in the Company Manuals and/or the division operating manuals may result in disciplinary action, including dismissal from employment.

COMMITTEES FOR RISK MANAGEMENT CONTROL

The Group views the management of risk as integral to the Group's goal to achieve and maintain profitability. As mentioned before in recognition of the increasingly varied, complex and global nature of the financial services business, we continue to believe that risk management must be handled internally, but separately from the Group's core business activities. This is to protect the interest of all stakeholders and to manage our professional and legal obligations.

The Group's principle in relation to risk management is that where risk is assumed, it is within a calculated and controlled framework with continuous assessment and reporting. The process is multi-faceted covering market risk, credit risk, concentration risk and systems failure risk.

In order to monitor specific risks, an Investment Committee, an Investment Monitoring Committee, a Credit Committee and a Finance Committee were established with the objectives of identifying risks, continuously assessing, quantifying and managing risk, setting prudent credit limits, introducing regular reporting to senior management. With the assistance of the committees, the Board determines the overall risk management policies for the Group.

(a) Investment Committee

The Board has established the Investment Committee to manage the Group's investments and financial commitments. The Investment Committee (i) reviews and proposes to the Board for approval of the investment policies and guidelines, including policies and guidelines regarding asset class, asset allocation ranges, prohibited investments, and proposes proprietary investment limits for the committee and the Chief Executive Officer ("CEO"); (ii) reviews and approves the proposed proprietary investments which are above the investment limits set on the CEO; and (iii) reviews the investment performance of the various investment decisions made by the CEO.

The committee consists of the CEO and the Chief Financial Officer ("CFO"). The committee meets as required.

(b) Investment Monitoring Committee

In order to monitor the Group's proprietary trading activities, the Board has established an Investment Monitoring Committee to oversee these activities. Within parameters set by the Board, the committee monitors the policies and the maximum limits for the Group's proprietary trading, financial commitments and investment activities.

The committee currently consists of the Chief Administrative Officer ("CAO"), who acts as the Chairman, and the Financial Controller. The committee meets regularly and reports to the Board on a quarterly basis.

(c) Credit Committee

The role of the Credit Committee is to establish the procedures and guidelines for granting credit to the Group's brokerage clients, assessing credit risk and setting credit limits. The Credit Committee meets regularly to set and establish policies on trading and credit limits for the Group's brokerage business, set margin ratios, review the borrowing of margin clients over a preset limit, review stock concentration and review portfolios of major clients. If a client wishes to increase the trading limit, such request may be submitted to the Credit Committee for approval.

The committee currently consists of, among others, two SFO Responsible Officers (Brokerage), a SFO Responsible Officer (Operations), the CFO, the CAO and the Financial Controller. The committee usually meets once a month.

(d) Finance Committee

The role of the Finance Committee is to minimise the Group's exposure to the credit risk arising from the Group's general loan financing operations and to set out the internal policies and guidelines under which loans are to be assessed and properly authorised.

The committee consists of the CEO and the CFO. The committee meets when the need arises.

SIGNIFICANT RISKS

The Group's business, financial conditions and results of operations may be affected by risks and uncertainties pertaining to the Group's business. The factors explained below could cause the Group's financial condition or results of operations to differ materially from expected or historical results. There may be other risks in addition to those mentioned below that are unknown to the Group, or which may not be material now but could be material in the future.

OPERATIONAL RISK AND INTEREST RATE RISK

The Group's results are affected by trends in the industry in which it operates, particularly, investment, brokerage, corporate finance and capital markets. Income from these operations is dependent upon interest rates, conditions in global investment and money markets and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's financial conditions and results of operations.

MARKET RISK

The Group operates in highly competitive and rapidly changeable markets. New market entrants, the intensification of price competition by existing competitors, product innovation or technical advancement could adversely affect the Group's financial conditions and result of operations. When the price of securities (listed or unlisted) decrease, it will adversely affect the value of our investment portfolio.

CREDIT RISK

Credit risk arises from a number of areas. These include the possibility that a counter-party in a transaction may default during the settlement process. It also arises from lending, settlement, treasury, market making, proprietary trading, and other activities undertaken by the Group.

The Group's Finance Committee and Credit Committee are responsible for establishing credit approval and monitoring procedures, which are in accordance with sound business practices, the requirements and provisions of the relevant ordinances, and where applicable, the codes or guidelines issued by SFC.

Day-to-day credit management is performed by the Operations Department with reference to the aforementioned criteria including creditworthiness, collateral pledged, and risk concentration of the counter-parties. The Finance Committee and Credit Committee are responsible for review of guidelines on credit limits on a regular basis and approval of specific loans or advances if the amount exceeds our pre-set guideline.

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk to the Group's financial conditions and results of operations arising from movements of foreign exchange rates. The Group's foreign exchange risk primarily arises from currency exposures originating from its proprietary investments. Foreign exchange rates fluctuate in reaction to the macro-economic performances of different countries and fund flows between countries arising from trade or capital movements.

IMPACT OF NEW LEGISLATION

The introduction of new legislation and rules by the Stock Exchange, SFC and other regulatory bodies in Hong Kong and overseas may induce change in market conditions that may adversely affect the operating results of the Company.

INFORMATION TECHNOLOGY RISK

The Group's major operations rely on its information technology systems ("IT Systems") which are subject to various threats coming from external or internal sources. Threats to IT Systems can be hardware-related as well as data-related which could damage the Group's business and reputation or even attract claims from clients and business partners.

Cybersecurity threats include, but are not limited to, ransomware, computer viruses, leakage of clients' personal information and/or corporate confidential data, and denial-of-service attack. Failure to our IT Systems due to cybersecurity attacks could materially disrupt our operations, cause a loss of or an inability to access critical information, expose us to regulatory investigation and/or disciplinary action. In order to prevent, detect and mitigate cybersecurity threats, the Group has initiated security controls, monitoring systems and operational procedures to mitigate the threats. While taking various initiatives, there can be no assurance that a cybersecurity attack will not have a material adverse effect on our business and financial results.

INTERNAL AUDIT

The Company's internal audit function is performed by L&C, which reports directly to the Chief Executive Officer and the Chairman and has direct access to the Chairman of the Audit Committee. L&C has unrestricted access to review all aspects of the Group's business activities. The tasks of L&C in respect of its internal audit functions include, (i) review and report on internal and operational controls, (ii) follow-up on the suggestions made by external auditors, (iii) ongoing monitoring and reviews on different operating cycles in the financial and brokerage industry, and (iv) special review of areas of concern identified by senior management. Throughout the financial year, L&C continually monitors various operational aspects of the Group's business activities and issues monthly compliance reports to senior management covering those activities.

The Audit Committee reviews the findings and opinions of the Company Secretary and holds discussions with the auditors in relation to the audit of the Group's financial statements and reports to the Board on such review. The Board has, through L&C and the Audit Committee, conducted a review of the effectiveness of material aspects of the Group's risk management and internal control systems. Improvements to the system of internal controls have been identified and appropriate measures have been taken. Taking into the consideration of the review of the Audit Committee, the Board considered that there were no material weaknesses in the Group's internal control system that should be brought to the shareholders' attention. The Board also considered the RM Systems effective and adequate.

INSIDE INFORMATION

The Group recognises the importance of protecting and maintaining the confidentiality of potential inside information in accordance with the Listing Rules and the Securities and Futures Ordinance. The Group understands that it must, as soon as reasonably practicable after any inside information has come to its knowledge, disclose the information to the public unless the information falls within any of the safe harbours as provided in the SFO. Therefore, the Group has established a set of internal procedures and controls for the handling and dissemination of inside information. These procedures include the monitoring of any potential inside information, which will include notifiable transactions, escalating the matter to the Board, when necessary, for further approval and keeping the information strictly confidential before it is fully disclosed to the public. The Company Manuals have set out procedures on the handling of confidential information and information control so that the access of information shall be restricted to a limited number of employees on a need-to-know basis such that employees who are in possession of inside information are fully aware of their obligations to preserve confidentiality.

Company Secretary

The Company Secretary is Mr Vincent Wai Shun Lai and he has been delegated the responsibility of ensuring the Board works effectively and performs its responsibilities, drawing up the agenda for each board and general meeting and facilitating communication between Board members, Shareholders and management. The biographical details of the Company Secretary, including his qualifications, are set out in the "Biographical Details of Directors and Senior Management" section on page 28. During the financial year, the Company Secretary has undertaken over 15 hours of professional training to update his professional knowledge to assist him in the performance of his duties.

Communication with Shareholders and Investor Relations

The Board recognises the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars.

The general meetings of the Company provide a forum for exchange of views between the shareholders and the Board. The Chairman of the Board, the directors and senior management of the Company and where applicable, the independent non-executive directors, are available to answer questions at the shareholders' meeting.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors. Poll voting was adopted for all decisions to be made at all general meetings, in compliance with the 2009 amendments to the Listing Rules.

The Company continues to enhance communications and relationships with its shareholders. Enquiries from shareholders are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at www.sunwahkingsway.com, where information and updates on the Group's business developments and operations and other information are posted, including all the regulatory announcements relating to the Company and the poll results on the business day following the shareholders' meeting.

DIVIDEND POLICY

The Company has adopted a dividend policy on 13 February 2019 (the "Dividend Policy"). The Company considers allowing shareholders of the Company to share in the Group's profits while retaining adequate reserves for future growth to be important goals of the Dividend Policy. Under the Dividend Policy, the Company may declare and pay dividends to the Shareholders by way of cash and by other means that the Board considers appropriate. The Board shall, where appropriate, before declaring and recommending dividend and the amount of the dividend consider the actual and expected financial results of the Group, financial position of the Group, expected working capital requirement, capital expenditure requirement, future development/investment plans of the Group, general economic condition including the capital markets, shareholders' interest, retained earnings and distributable reserves, legal and regulatory concern and any other factors that the Board deems relevant.

The Dividend Policy will be reviewed by the Board as and when required to ensure the effectiveness of the policy. The Board has the right to update, amend and/or modify the Dividend Policy at any time at its sole and absolute discretion. There is no assurance that dividends will be declared and paid in any particular amount for any given period.

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING

Pursuant to the Company's Bye-laws and Section 74 of the Bermuda Companies Act 1981 (the "Act"), Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting ("SGM") to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purpose of the meeting (including the resolutions to be considered at the meeting), signed by the requisitionists and deposited at the registered office of the Company or its head office in Hong Kong at 7th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong, SAR, Attn: the Company Secretary, and may consists of several documents in like form each signed by one or more requisitionists.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves, or any of them representing more than one half of the total voting rights of all such requisitionists may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of the deposit of such requisition. A SGM convened by the requisitionists shall be convened in the same manner, as nearly possible, as that in which meetings are to be convened by the Board. Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board to duly convene a SGM shall be repaid to requisitionists by the Company.

SHAREHOLDERS' RIGHT TO PROPOSE RESOLUTIONS AT GENERAL MEETING

Pursuant to Sections 79 and 80 of the Act, certain Shareholder(s) are allowed to requisition the Company to move a resolution at an annual general meeting ("AGM") of the Company or circulate a statement at any general meeting of the Company. Under Section 79 of the Bermuda Companies Act, at the expense of the requisitionists unless the Company otherwise resolves, it shall be the duty of the Company on the requisition in writing by such number of Shareholders as set out in paragraph c and d below:–

(a) to give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting;

(b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The number of Shareholders necessary to make the above-mentioned requisitions to the Company shall be:–

(c) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

(d) not less than one hundred Shareholders.

Notice of any such intended resolution shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholder by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meeting of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

Section 80 of the Act sets out the conditions to be met before the Company is bound to give any notice of resolution or to circulate any statement. Pursuant to Section 80 of the Act, the Company shall not be bound to give notice of any resolution or to circulate any statement as mentioned above unless:–

(e) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the registered office of the Company:–

  (i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

  (ii) in the case of any other requisition, not less than one week before the meeting; and

  (iii) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expense in giving effect to the procedures in the paragraph above (i.e. the giving of notice of resolution and/or circulation of statement).

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the abovementioned time shall be deemed to have been properly deposited for the purposes thereof.

Communication with the Board of Directors

Shareholders are encouraged to maintain direct communication with the Board of Directors. Shareholders who have any questions for the Board may send their enquires by email, fax or letter to the attention of the Company Secretary at 7th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong, SAR. Email Address: vincent.lai@sunwahkingsway.com. Fax No. 852 2530-5233.

Biographical Details of Directors and Senior Management

CHAIRMAN

Dr. Jonathan Koon Shum Choi, GBS, BBS, JP, aged 62, is the Chairman of the Group. He has been responsible for the overall strategic planning of the Group since 1995. Dr. Choi is also the Chairman of Sunwah International Limited, a substantial shareholder of the Company pursuant to Part XV of the Securities and Futures Ordinance ("SFO"). Concurrently Dr. Choi is the Chairman of the Sunwah Group.

Dr. Choi is a Standing Committee Member of the National Committee of Chinese People's Political Consultative Conference ("CPPCC"), PRC. In addition to being a Standing Committee Member of the National Committee of the CPPCC, PRC, Dr. Choi also holds a number of public positions, which include the Chairman of the Hong Kong Chinese General Chamber of Commerce, Standing Committee Member of the All-China Federation of Industry and Commerce, Economic Advisor to the President of the Chinese Academy of Sciences, Executive Director of the China Overseas Friendship Association, HK, China's Representative of Asia Pacific Economic Co-operation (APEC) Business Advisory Council, Council Member of the Hong Kong Trade Development Council, Chairman of Guangdong-HK-Macao Bay Area Entrepreneurs Union, Founding Chairman of the Hong Kong-Vietnam Chamber of Commerce, Founding Chairman of the Hong Kong-Korea Business Council, Honorary Ambassador of Foreign Investment Promotion for the Republic of Korea, Chairman of the China-India Software Association, Chairman of the China Hong Kong Israel Technology Cooperation and Promotion Center and Chairman of the US-China Center for Research on Educational Excellence of the Michigan State University.

Dr. Choi is a Court/Council Member of a number of universities including United College of the Chinese University of Hong Kong, the Hong Kong University of Science and Technology, the Hong Kong Polytechnic University, University of Macau, the Fudan University and the Nanjing University. Dr. Choi is an Independent Non-Executive Director of Hui Xian Asset Management Limited, the Manager of HK-listed Hui Xian Real Estate Investment Trust, and Independent Non-Executive Director of BOC Hong Kong (Holdings) Limited. Dr. Choi has over 30 years of experience in the food industry, real estate development and international trade, and over 15 years of experience in the technology and finance related business.

Dr. Choi is the spouse of Ms Janice Wing Kum Kwan and elder brother of Mr Michael Koon Ming Choi.

EXECUTIVE DIRECTOR

Mr Michael Koon Ming Choi, aged 51, has been the Chief Executive Officer of the Company since 2010 and an Executive Director since 2000. Mr Choi is also the Chief Executive Officer and a director of Sunwah International Limited, a substantial shareholder of the Company pursuant to Part XV of the SFO and a director of several subsidiaries of the Group. Mr Choi holds a Bachelor of Arts degree from the University of British Columbia. He joined the Group in 1995. Mr Choi has over 20 years of experience in the financing activities of corporate and property mortgage, real estate development and property investment.

Mr Choi is the brother of Dr. Jonathan Koon Shum Choi and brother-in-law of Ms Janice Wing Kum Kwan.

NON-EXECUTIVE DIRECTOR

Ms Janice Wing Kum Kwan, BBS, MH, JP, CHEVALIER DE L'ORDRE DES ARTS ET DES LETTRES, aged 62, was appointed as Non-Executive Director of the Company with effect from 1 February 2011. Ms Kwan holds a bachelor degree of Law and Postgraduate Certificate in Laws awarded by the University of Hong Kong, admitted as a solicitor in Hong Kong in 1982 and has been in private practice since then. She was also qualified as a solicitor in England and Wales, as an advocate in Singapore and as a barrister & solicitor in Victoria, Australia. She has been a China Attesting Officer appointed by the PRC Government since 1993.

Ms Kwan headed the legal department of an international bank and a listed company respectively during the period from 1986 to 1990. Currently she is a consultant to Angela Ho & Associate, specialized and experienced in intellectual property protection, transactions and litigation and has extensive experience in commercial, banking and conveyancing as well.

Ms Kwan is a Standing Committee Member of The Chinese General Chamber of Commerce, Chairman of Hong Kong Tianjin Business and Professional Women Association and Council Member of Hong Kong Federation of Women Lawyers. She is also Vice Patron of The Community Chest of Hong Kong, Vice President of Hong Kong Girl Guides Association, Vice Chairman of Hong Kong Philharmonic Society and a Standing Committee Member of the Tianjin Committee of the Chinese People's Political Consultative Conference. She was the President of the Hong Kong Federation of Women Lawyers and had been appointed by the HKSAR Government to sit on various boards and panels. She was awarded Medal of Honour in 2009 and Bronze Bauhinia Star in 2019 by the HKSAR Government and was awarded Chevalier de l'ordre des Arts et des Lettres in 2018 by The Government of the French Republic. She was appointed a Justice of the Peace in 2017, and was elected as one of "The Most Successful Women" by "Jessica", a Hong Kong's top selling women's magazine, in 2015.

Ms Kwan is the spouse of Dr. Jonathan Koon Shum Choi and sister-in-law of Mr Michael Koon Ming Choi, and occupies the pro bono position of Advisor and Legal Director in Sunwah Group, of which Dr. Choi is the Chairman.

Dr. Lee G. LAM, aged 60, was appointed as a Non-Executive Director of the Company on 1 February 2007. He holds a BSc in Sciences and Mathematics, an MSc in Systems Science and an MBA from the University of Ottawa in Canada, an LLB (Hons) in law from Manchester Metropolitan University in the UK, a LLM in Law from the University of Wolverhampton in the UK, an MPA and a PhD from the University of Hong Kong. He is also a Solicitor of the High Court of Hong Kong (and formerly a member of the Hong Kong Bar), an Accredited Mediator of the Centre for Effective Dispute Resolution, a Fellow of Certified Management Accountants (CMA) Australia, the Institute of Public Accountants, the Institute of Financial Accountants, the Hong Kong Institute of Arbitrators, and the Hong Kong Institute of Directors, and an Honorary Fellow of Certified Public Accountants (CPA) Australia, the Hong Kong Institute of Facility Management, and the University of Hong Kong School of Professional and Continuing Education.

Dr. Lam has over 30 years of international experience in general management, strategy consulting, corporate governance, investment banking, direct investment and fund management across the telecommunications, media and technology (TMT), consumer/healthcare, infrastructure/real estates, resources/energy and financial services sectors, and he also serves on the board of several publicly-listed companies and investment funds in the Asia Pacific region. Dr. Lam is Chairman of Hong Kong Cyberport Management Company Limited, Non-Executive Chairman-Hong Kong and ASEAN Region and the Chief Adviser to Macquarie Infrastructure and Real Assets Asia. He is also an independent director of Sunwah International Limited, a substantial shareholder of the Company pursuant to Part XV of the SFO.

Actively participating in community service, Dr. Lam is a member of the Hong Kong Special Administrative Region Government's Committee on Innovation, Technology and Re-Industrialisation, and the Court of the City University of Hong Kong, Convenor of the Panel of Advisors on Building Management Disputes of the Hong Kong Special Administrative Region Government Home Affairs Department, President of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN) Executive Council and Chairman of its Task Force on Banking and Finance, Vice Chairman of Pacific Basin Economic Council (PBEC), a member of the Hong Kong Trade Development Council Belt and Road Committee and Convenor of its Digital Silk Road Working Group, a member of the Sir Murray MacLehose Trust Fund Investment Advisory Committee, and the Advisory Board of the Hong Kong Investor Relations Association, Honorary Advisor to the Hong Kong Business Angel Network (HKBAN), Honorary Chairman – Asia Pacific of CMA Australia, Chairman of Monte Jade Science and Technology Association of Hong Kong and President of Hong Kong-ASEAN Economic Cooperation Foundation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Robert Tsai To Sze, aged 78, was appointed as an Independent Non-Executive Director in 2000. Mr Sze had worked in Price Waterhouse (now known as PricewaterhouseCoopers) Hong Kong for 25 years where he had been a partner for over 22 years. Mr Sze is a fellow member of The Institute of Chartered Accountants in England & Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants. He is an independent non-executive director of a number of Hong Kong listed companies which are Dah Sing Banking Group Limited, Dah Sing Financial Holdings Limited, Hop Hing Group Holdings Limited and Nanyang Holdings Limited.

Ms Elizabeth Law, MH, JP, aged 65, was appointed as an Independent Non-Executive Director in November 2011. Ms Law is the Managing Director of Law & Partners CPA Limited and Proprietor of Stephen Law & Company. She is a Chartered Professional Accountant, Chartered Accountant of Canada, a fellow practising member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Institute of Chartered Accountants in England & Wales and a fellow member of CPA Australia.

Ms Law is an independent non-executive director of Sunwah International Limited, a substantial shareholder of the Company pursuant to Part XV of the SFO, HK-listed Clifford Modern Living Holdings Limited and The Wharf (Holdings) Limited.

Mr Huanfei Guan, aged 62, was appointed as an Independent Non-Executive Director in November 2015. Mr. Guan obtained a doctor's degree in Economics in 2000 from Wuhan University and was a post-doctoral researcher in Theoretical Economics with Fudan University from 2000 to 2002. Mr. Guan has been a part-time researcher of the Insurance Research Centre of Fudan University since 2004. He has also been appointed as a part-time lecturer of professional degree of Fudan University since 2013. Mr. Guan has extensive experience in the finance and insurance industry in Hong Kong and the People's Republic of China. He served various senior managerial positions in the People's Insurance Company of China (Jilin Branch), the business department of Hong Kong and Macao Regional Office of China Insurance Group, Ming An Insurance Company (Hong Kong) Limited and China Pacific Insurance Co., (HK) Ltd. Mr. Guan also held offices at the Bank of Communications, including the deputy chairman of the risk asset management committee, deputy chairman of credit asset management committee, chairman of loan review committee, deputy general manager of Bank of Communications Hong Kong Branch, a director of Bank of Communications Trustee Limited, the chairman and chief executive of China BOCOM Insurance Co., Ltd. and an executive director and general manager of BoCommLife Insurance Company Limited.

Mr. Guan is also an economic and technical consultant of Jilin Province Government. Mr. Guan is currently an independent non-executive director of a number of companies which are listed in Hong Kong including of China Nonferrous Mining Corporation Limited, Huarong International Financial Holdings Limited, China Shandong Hi-Speed Financial Group Limited, HongDa Financial Holding Limited and Solis Holdings Limited.

CHIEF FINANCIAL OFFICER

Mr Eric Kwok Keung Chan, aged 56, was appointed as Chief Financial Officer (CFO) in April 2004 and is responsible for overseeing the Group's financial operations. Mr Chan is currently director of several subsidiaries of the Group. Mr Chan is a fellow of the Association of Chartered Certified Accountants (UK) and a member of the Hong Kong Institute of Certified Public Accountants. Mr Chan is also a member of the Hong Kong Securities and Investments Institute and a Certified International Investment Analyst. Mr Chan offers significant assurance and business advisory experience gained from working with the Hong Kong and Boston offices of PricewaterhouseCoopers for 14 years. Mr Chan joined the Group from his responsibilities as CFO and Company Secretary of a Hong Kong listed company with operations in nine countries and annual turnover of over HK$6 billion.

CHIEF ADMINISTRATIVE OFFICER AND COMPANY SECRETARY

Mr Vincent Wai Shun Lai, aged 58, was appointed as the Company Secretary in November 2004. Mr Lai is also the Chief Administrative Officer and a director of several subsidiaries of the Group. Mr Lai is a qualified solicitor of the High Court of the Hong Kong Special Administrative Region and an Attorney at Law of the State of New York, USA. Immediately prior to joining the Company, Mr Lai worked in an international law firm that specializes in corporate finance, where he focused on listing and compliance matters involving various stock exchanges and regulators. Mr Lai holds a Juris Doctor degree from Union University-Albany Law School and a Bachelor of Science degree from the State University of New York at Albany. Mr Lai began his legal career as an Assistant District Attorney in the New York County District Attorney's office.

Report of the Directors

The directors hereby submit their report together with the audited consolidated financial statements of Sunwah Kingsway Capital Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 30 June 2019.

Principal activities and business review

The principal activity of the Company is investment holding. The principal activities and other particulars of significant subsidiaries are set out in note 35 to the consolidated financial statements. The analysis of the principal activities of the Group is set out in note 8 to the consolidated financial statements.

The business review of the Group for the year ended 30 June 2019 and further discussion and analysis as required by Schedule 5 to the Hong Kong Companies Ordinance is set out in the sections headed "Management Discussion and Analysis", "Corporate Governance Report" and "Environment, Social and Governance Report" of this Annual Report.

Results and appropriations

The loss of the Group for the year ended 30 June 2019 is set out in the consolidated income statement on pages 41.

An interim dividend for the year ended 30 June 2019 of 0.2 HK cent per ordinary share was paid on 20 March 2019. The directors propose, subject to the approval of the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of 0.25 HK cent per ordinary share for the year.

Five years financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 131 of the annual report.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 44.

Donations

Charitable and other donations made by the Group during the year amounted to HK$15,000 (2018: HK$Nil).

Investment properties

Movements in investment properties of the Group during the year are set out in note 14 to the consolidated financial statements.

Properties and equipment

Movements in properties and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

Share capital

Movements in the Company's share capital are set out in note 30 to the consolidated financial statements. During the year, the Company completed a capital reduction. The par value of each issued share was reduced from HK$0.10 to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.09 on each issued share ("Capital Reduction"). The credit arising from the Capital Reduction amounted to HK$621,147,000 and was transferred to the contributed surplus of the Company and presented under accumulated losses under consolidated statement of changes in equity.

Distributable reserves

The Company's reserves available for distribution to shareholders as at 30 June 2019 consisted of contributed surplus of HK$672,947,000 (2018: HK$72,505,000) and retained profits of HK$19,363,000 (2018: HK$16,238,000).

Share options

Details of the share options granted by the Company are disclosed below pursuant to the requirements under Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

(a) INFORMATION OF THE SHARE OPTION SCHEME

Details of the share option scheme (the "Scheme") approved by the shareholders of the Company on 10 November 2010, which became unconditional upon listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), are summarised as follows:

(i)	Purpose of the Scheme	:	To provide incentives or rewards to Participants for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group.
(ii)	Participants of the Scheme	:	(a) any full-time or part-time employee of any member of the Group; (b) any consultant or advisor of any member of the Group; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group; (d) any substantial shareholder of the Group; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group, to be determined absolutely by the Board.
(iii)	Maximum number of shares available for subscription	:	The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company adopted by the Group must not, in aggregate, exceed 10% of the shares in issue on the date of approval of the Scheme.
(iv)	Total number of shares available for issue under the Scheme	:	As at the date of this report, 324,822,390 shares (representing 4.63% of total issued share capital) are available for issue under the Scheme.
(v)	Maximum entitlement of each participant under the Scheme	:	Not more than 1% of the shares in issue in any 12-month period.
(vi)	Minimum period for which an option must be held before it can be exercised and the exercise period of the option	:	An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which will not be more than ten years from the date of grant of the option provided that only up to one-third of the option, can be exercised in any 12-month period. The Board may provide restrictions on the exercise of an option during the period an option may be exercised including, if appropriate, a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised. The minimum holding period and performance targets, if any, will be determined by the board at its absolute discretion on a case by case basis upon the grant of the relevant option and stated in the offer of grant of the option.

Share options (Continued)

(a) INFORMATION OF THE SHARE OPTION SCHEME (Continued)

(vii) Amount payable on acceptance of the option and the period within which payment must be made	:	Nominal amount of HK$1 upon acceptance of the option which must be made within 28 days from the offer date.
(viii) Basis of determining the exercise price	:	the exercise price of a share in respect of any particular option granted under the Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.
(ix) Remaining life of the Scheme	:	The Scheme will expire on 9 November 2020.

Directors

The directors during the year and up to the date of this report were:

CHAIRMAN
Jonathan Koon Shum Choi

EXECUTIVE DIRECTOR
Michael Koon Ming Choi *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS
Janice Wing Kum Kwan
Lee G. Lam

INDEPENDENT NON-EXECUTIVE DIRECTORS
Robert Tsai To Sze
Elizabeth Law
Huanfei Guan

The Company has received annual confirmations of independence from Mr Robert Tsai To Sze, Ms Elizabeth Law and Mr Huanfei Guan and, as at the date of this report, still considers them to be independent.

Biographical details of directors and senior management

Biographical details of directors and senior management are set out on pages 25 to 28.

Directors' service contracts

No director proposed for re-election at the forthcoming Annual General Meeting has entered into any service agreements with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

No contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries, was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Permitted indemnity provisions

During the year and up to the date of this report, the Company has in force the permitted indemnity provisions which are provided for in the Company's Bye-laws and in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against the Directors and the directors of the Group respectively.

Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at 30 June 2019, the interests and/or short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV the Hong Kong Securities and Futures Ordinance ("SFO")), as recorded in the register maintained under Section 352 of the SFO or as notified to the Company were as follows:

(I) INTEREST IN LONG POSITIONS OF ORDINARY SHARES OF THE COMPANY

Name of director	Type of interest	Number of ordinary shares in the Company	% of total issued shares
Dr Jonathan Koon Shum Choi*	Corporate	2,238,735,220	31.91%
Dr Jonathan Koon Shum Choi	Personal	1,451,366,706	20.69%
Mr Michael Koon Ming Choi	Personal	270,965,430	3.86%
Mr Michael Koon Ming Choi	Corporate	93,905,931	1.34%

* Dr Jonathan Koon Shum Choi is deemed to be interested in 2,238,735,220 ordinary shares by virtue of the SFO. Such interest in shares is also set out under the section "Substantial shareholders' interests and short positions in the shares and underlying shares of the Company" shown on page 33.

Save as disclosed above, none of the directors and chief executive of the Company or any of their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares or debentures of the Company and associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Save as disclosed above, as at 30 June 2019, none of the directors and chief executive of the Company had any interests or short positions in the shares of the Company and its associated corporations as defined in the SFO, and none of the directors and chief executive of the Company or any of their spouses or children under 18 years of age had been granted any rights to subscribe for the shares of the Company, or had exercised any such rights during the year.

Save as disclosed above, at no time during the year was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors or chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders' interests and short positions in the shares and underlying shares of the Company

As at 30 June 2019, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests represent long positions in the shares of the Company.

			Number of ordinary shares in the Company			
	Name of shareholder	Country of incorporation	Direct interest	Deemed interest	% of total issued shares	Note
(1)	Dr Jonathan Koon Shum Choi	N/A	1,451,366,706	2,238,735,220	52.60%	(a)
(2)	World Developments Limited	British Virgin Islands	1,957,017,427	–	27.90%	(a)
(3)	Innovation Assets Limited	British Virgin Islands	–	1,957,017,427	27.90%	(a)
(4)	Sunwah Internation Limited ("SIL")	Bermuda	–	1,957,017,427	27.90%	(a)
(5)	Sun Wah Capital Limited	British Virgin Islands	281,717,795	1,957,017,427	31.91%	(a)
(6)	Mr Michael Koon Ming Choi	N/A	270,965,430	93,905,931	5.20%	
(7)	廣州匯垠發展投資合夥企業	PRC	356,400,000	–	5.08%	

Note:

(a) 1,957,017,427 shares represent the same interest and are therefore duplicated amongst World Developments Limited, Innovation Assets Limited, SIL, Sun Wah Capital Limited and Dr Jonathan Koon Shum Choi. World Developments Limited is a wholly owned subsidiary of Innovation Assets Limited whose entire issued share capital is beneficially owned by SIL. Sun Wah Capital Limited beneficially owns approximately 40% of the issued share capital of SIL and therefore is deemed (by virtue of the SFO) to be interested in these 1,957,017,427 shares. Dr Jonathan Koon Shum Choi beneficially owns or has control of more than one-third of the issued share capital of SIL and Sun Wah Capital Limited and therefore is deemed (by virtue of the SFO) to be interested in these 1,957,017,427 shares. As Dr Jonathan Koon Shum Choi beneficially owns or has control of more than one-third of the issued share capital of Sun Wah Capital Limited, he is therefore deemed (by virtue of the SFO) to be interested in 281,717,795 shares directly owned by Sun Wah Capital Limited. Ms. Janice Wing Kum Kwan, the spouse of Dr Choi, is deemed (by virtue of the SFO) to be interested in all beneficial and deemed interest of Dr Jonathan Koon Shum Choi.

Save as disclosed above, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Management contracts

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Major customers and suppliers

During the year, the Group earned less than 30% of its turnover from its five largest customers.

The Group is a provider of financial services. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

Related party and connected party transactions

Significant related party and connected party transactions entered into by the Group during the year are disclosed in note 34 to the consolidated financial statements.

During the financial period ending 30 June 2019, the Group did not have any connected party transactions which were subject to any reporting requirements under Chapter 14A of the Listing Rules. Those related party transactions which constituted connected/ continuing connected party transactions were fully exempt from all disclosure requirements in Chapter 14A of the Listing Rules as they were below the de minimis threshold under Rule 14A.76 of the Listing Rules. During the year, no loans were granted to any Director or his/her associates.

Sufficiency of public float

According to the information that is publicly available to the Company and within the knowledge of the Board, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares as at the date of this report, the latest practicable date to ascertain such information prior to the issue of this annual report.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 13 to 24.

Directors' interest in competing business

Set out below is information disclosed pursuant to paragraph 8.10 of the Listing Rules:

(1) SIL and its subsidiaries, other than those in the Group ("Sunwah International Group"), are mainly engaged in direct and regional investments, the development, production and distribution of software products and the provision of technical services relating to the financial markets in Hong Kong and Asia Pacific countries, and the provision of other financial services in Australia and Canada. The Company has entered into a non-competition undertaking with SIL on 25 August 2000 ("the Sunwah International Undertaking"). According to the Sunwah International Undertaking, SIL shall not, and shall procure Sunwah International Group not to, among other things, engage in the provision of financial, advisory, stockbroking, financing, fund management and futures brokerage services relating to stocks and futures in Hong Kong. SIL has also undertaken not to, and will procure Sunwah International Group not to, apply for or obtain licenses to conduct such services in Hong Kong. In addition, investments in securities for the Group and the Sunwah International Group are performed independently from each other.

(2) The Company and Dr Jonathan Koon Shum Choi ("Dr Choi") entered into a non-competition undertaking ("the Choi's Undertaking") on 10 August 2000. According to the Choi's Undertaking, Dr Choi shall not, and shall procure the covenanters (as defined therein) not to, among other things, engage in the provision of financial, advisory, stockbroking, financing, fund management and futures broking services relating to stocks and futures in Hong Kong which may only be lawfully provided by a registered person (as defined therein) but excluding the provision of financial accommodation which does not fall within the definition of "Securities Margin Financing" for the purposes of the Hong Kong Securities Ordinance (which was repealed on 1 April 2003 and replaced by the SFO) in competition with the Group.

Auditors

A resolution will be submitted to the forthcoming Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

By order of the board

Jonathan Koon Shum Choi
Chairman

Hong Kong, 26 September 2019

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF SUNWAH KINGSWAY CAPITAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Sunwah Kingsway Capital Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 130, which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of overseas unlisted equity securities classified as level 3 under fair value hierarchy	
We identified the valuation of overseas unlisted equity securities classified as level 3 under the fair value hierarchy as a key audit matter due to the degree of complexity involved in valuing the instruments and the significance of the judgements and estimates made by the management. In particular, the determination of unobservable inputs is considerably more subjective given the lack of availability of market-based data.	Our procedures in relation to the valuation of overseas unlisted equity securities classified as level 3 included: • Obtaining an understanding of the valuation methodologies applied and the processes performed by management or third party valuers with respect to the valuation of overseas unlisted equity securities;

Key audit matter	How our audit addressed the key audit matter
Valuation of overseas unlisted equity securities classified as level 3 under fair value hierarchy (continued)	
At 30 June 2019, HK$11 million of the Group's total financial assets were overseas unlisted equity securities classified as level 3 as disclosed in note 37 to the consolidated financial statements.	• Working with our own internal valuation specialists, where necessary, to assess the valuation of the unlisted overseas equity financial instruments, by: – Obtaining and reviewing the appraisal reports prepared by the independent third party valuers engaged by management – Assessing the competence and independence of the third party valuers engaged by management – Evaluating the appropriateness of the valuation methodologies and assumptions with the support of our own internal valuation specialists; and – Evaluating the appropriateness of the valuations by: • independently checking key inputs to external data; or • evaluating the rationale of management's judgement on key inputs; or • performing sensitivity analysis with reference to available market information, to evaluate the reasonableness of the valuation, where appropriate.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans receivable (loss allowance for expected credit losses ("ECL") upon application of HKFRS 9)	
We identified the impairment of loans receivable as a key audit matter due to significant management judgement involved in identification and measurement of loss allowance arising from the application of ECL model. The key changes arising from the adoption of HKFRS 9 are that the Group's credit losses are now estimated based on an expected loss model rather than an incurred loss model. As stated in note 21 to the consolidated financial statements, the Group has loans receivable of HK$142 million, which comprises fixed-rate loans receivable of HK$58 million and factoring receivables of HK$84 million, and HK$6 million impairment allowance in respect of such loans as at 30 June 2019. As explained in notes 2 and 21 to the consolidated financial statements, in the current year, the Group adopted HKFRS 9 and recognised an additional impairment of HK$1 million as at 1 July 2018 in accordance with the transitional provisions of HKFRS 9. The assessment of impairment for loans receivable involves significant management judgements and estimates on the amount of ECL at the reporting date. As mentioned in note 39, at each reporting date, management assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The management considers reasonably supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis. As mentioned in note 3, in assessing the lifetime ECL for financial assets, the Group performs the assessment based on the Group's historical credit loss experience, adjusted for factors specific to the borrowers and the current conditions at the reporting date. The Group also reviews the value of collateral received from the customers in measuring impairment. The methodology and assumptions used for estimating the impairment amount are reviewed regularly to reduce any differences between loss estimates and actual loss experience.	Our procedures in relation to the impairment of loans receivable included: – Inquiring of management to understand the approach applied to determine the ECL of loans receivable; – Understanding key controls over how management estimates impairment for loans receivable; – Testing the mathematical accuracy of the ECL adjustment made by the Group as at 1 July 2018 on initial adoption of HKFRS 9; – Testing the completeness and mathematical accuracy of information used by management to develop the provision matrix on a sample basis, by comparing individual items in the analysis with the relevant loan agreements and other supporting documents; – Assessing the appropriateness of the inputs and assumptions applied on the ECL model of loans receivable, including probability of default, loss given default and forward-looking information, with the assistance of our internal specialists; – Reviewing the Group's historical loss experience; – Assessing the reasonableness and appropriateness of the management's judgement on staging criteria for determining classification of exposures into the 3 stages as required by HKFRS 9 and examining loan exposures on a sample basis to evaluate if there has been timely identification and classification of loan exposures into the 3 stages as required by HKFRS 9; – Testing the mathematical accuracy of the loss allowance for ECL. – For loans receivable classified at stage 3, we examined underlying documentation supporting the value of collateral, if any, and management's key estimations used in the individual impairment assessment for loans receivable on a sample basis; and – Evaluating the disclosures regarding the impairment measurement of loans receivable in notes 21 and 36 to the consolidated financial statements.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in the independent auditor's report is Chan Wo Mi.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 September 2019

Consolidated Income Statement

For the year ended 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue			
Commission and fee income	4	**130,745**	152,693
Interest income arising from financial assets at amortised cost	4	**29,289**	19,392
Interest income arising from debt securities	4	**4,405**	3,851
Dividend income	4	**2,428**	2,706
Rental income	4	**4,083**	3,292
		170,950	181,934
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	5	**(32,418)**	6,031
Other income and gain or losses	6	**(4,881)**	1,812
Net impairment losses on financial instruments	7(b)	**(8,405)**	(648)
		125,246	189,129
Operating expenses			
Commission expenses		**(8,857)**	(11,013)
General and administrative expenses		**(144,804)**	(157,797)
Finance costs	7(a)	**(1,827)**	(1,022)
		(30,242)	19,297
Fair value changes on investment properties	14	**456**	2,971
Changes on non-controlling interests in consolidated investment fund		**1,488**	(1,917)
Share of (losses)/profits of associates	17	**(348)**	2,621
(Loss)/profit before tax	7	**(28,646)**	22,972
Income tax expense	9(a)	**(4,296)**	(2,511)
(Loss)/profit for the year		**(32,942)**	20,461
Attributable to:			
Owners of the Company		**(32,821)**	20,401
Non-controlling interests		**(121)**	60
(Loss)/profit for the year		**(32,942)**	20,461
Basic (loss)/earnings per share	13	**(0.47) HK cent**	0.34 HK cent
Diluted (loss)/earnings per share	13	**(0.47) HK cent**	0.34 HK cent

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	2019 HK$'000	2018 HK$'000
(Loss)/profit for the year		**(32,942)**	20,461
Other comprehensive income/(expense):			
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of land and buildings held for own use (net of tax)	*15*	**24,298**	53,817
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of overseas subsidiaries		**(730)**	(305)
Reclassification adjustment for foreign operation deregistered during the year		**634**	–
Fair value changes on an available-for-sale investment		**–**	1,428
		(96)	1,123
Other comprehensive income for the year		**24,202**	54,940
Total comprehensive (expense)/income for the year		**(8,740)**	75,401
Total comprehensive (expense)/income attributable to:			
Owners of the Company		**(8,619)**	75,341
Non-controlling interests		**(121)**	60
Total comprehensive (expense)/income for the year		**(8,740)**	75,401

Consolidated Statement of Financial Position

At 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment properties	14	**96,214**	95,758
Properties and equipment	15	**417,364**	401,051
Intangible assets	16	**2,051**	2,051
Interests in associates	17	**15,916**	16,254
Loans to associates	17	**14,594**	6,089
Amounts due from associates	17	**307**	–
Loans receivable	21	**14,759**	–
Available-for-sale investments	18	**–**	55,098
Other assets	19	**22,122**	14,225
Financial assets at fair value through profit or loss	20	**47,009**	21,743
Deferred tax assets	29	**6,748**	–
		637,084	612,269
Current assets			
Financial assets at fair value through profit or loss	20	**186,014**	173,893
Accounts, loans and other receivables	21	**287,979**	761,024
Bank balances and cash – trust accounts	22	**667,609**	673,038
Cash and cash equivalents	23	**209,779**	230,663
		1,351,381	1,838,618
Current liabilities			
Financial liabilities at fair value through profit or loss	24	**6,358**	3,290
Net assets attributable to holders of non-controlling interests in consolidated investment fund	25	**9,512**	17,183
Accruals, accounts and other payables	26	**795,640**	1,207,864
Contract liabilities	27	**31,835**	–
Bank loans	28	**20,000**	20,000
Current taxation		**3,124**	2,002
		866,469	1,250,339
Net current assets		**484,912**	588,279
Total assets less current liabilities		**1,121,996**	1,200,548
Non-current liabilities			
Deferred tax liabilities	29	**39,155**	36,240
NET ASSETS		**1,082,841**	1,164,308
CAPITAL AND RESERVES			
Share capital	30	**70,145**	690,163
Reserves		**1,012,631**	473,959
Equity attributable to owners of the Company		**1,082,776**	1,164,122
Non-controlling interests		**65**	186
TOTAL EQUITY		**1,082,841**	1,164,308

The consolidated financial statements on pages 41 to 130 were approved and authorised for issue by the Board of Directors on 26 September 2019 and signed on its behalf by:

Jonathan Koon Shum Choi
Director

Michael Koon Ming Choi
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Capital reserve on consolidation	Exchange reserve	Properties revaluation reserve	Investments revaluation reserve	(Accumulated losses)/ retained profit	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2018	690,163	353,524	39,800	63,392	(1,605)	208,386	1,428	(190,966)	1,164,122	186	1,164,308
Impact on adopting new accounting standards	–	–	–	–	–	–	(1,428)	(43,245)	(44,673)	–	(44,673)
At 1 July 2018 (restated)	690,163	353,524	39,800	63,392	(1,605)	208,386	–	(234,211)	1,119,449	186	1,119,635
Loss for the year	–	–	–	–	–	–	–	(32,821)	(32,821)	(121)	(32,942)
Exchange differences arising on translation of financial statements of overseas subsidiaries	–	–	–	–	(730)	–	–	–	(730)	–	(730)
Surplus on revaluation of land and buildings held for own use (net of tax) (note 15)	–	–	–	–	–	24,298	–	–	24,298	–	24,298
Reclassification adjustment for foreign operation deregistered during the year	–	–	–	–	634	–	–	–	634	–	634
Total comprehensive (expense)/income for the year	–	–	–	–	(96)	24,298	–	(32,821)	(8,619)	(121)	(8,740)
2018 Final dividend paid in cash and scrip (note 12b and note 30)	1,129	5,551	–	–	–	–	–	(20,705)	(14,025)	–	(14,025)
2019 Interim dividend paid (note 12b)	–	–	–	–	–	–	–	(14,029)	(14,029)	–	(14,029)
Capital reduction (note 30)	(621,147)	–	–	–	–	–	–	621,147	–	–	–
At 30 June 2019	70,145	359,075	39,800	63,392	(1,701)	232,684	–	319,381	1,082,776	65	1,082,841
At 1 July 2017	552,130	352,909	39,800	63,392	(1,300)	154,569	–	(186,521)	974,979	126	975,105
Profit for the year	–	–	–	–	–	–	–	20,401	20,401	60	20,461
Exchange differences arising on translation of financial statements of overseas subsidiaries	–	–	–	–	(305)	–	–	–	(305)	–	(305)
Surplus on revaluation of land and buildings held for own use (net of tax) (note 15)	–	–	–	–	–	53,817	–	–	53,817	–	53,817
Fair value changes on an available-for-sale investment	–	–	–	–	–	–	1,428	–	1,428	–	1,428
Total comprehensive (expense)/income for the year	–	–	–	–	(305)	53,817	1,428	20,401	75,341	60	75,401
2017 Final dividend paid (note 12b)	–	–	–	–	–	–	–	(13,803)	(13,803)	–	(13,803)
2018 Interim dividend paid (note 12b)	–	–	–	–	–	–	–	(11,043)	(11,043)	–	(11,043)
Issue of shares on open offer (note 30)	138,033	4,141	–	–	–	–	–	–	142,174	–	142,174
Shares issue costs (note 30)	–	(3,526)	–	–	–	–	–	–	(3,526)	–	(3,526)
At 30 June 2018	690,163	353,524	39,800	63,392	(1,605)	208,386	1,428	(190,966)	1,164,122	186	1,164,308

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
Operating activities			
(Loss)/profit before tax		**(28,646)**	22,972
Adjustments for:			
Depreciation	*15*	**11,646**	10,330
Finance costs	*7(a)*	**1,827**	1,022
Dividend income	*4*	**(2,428)**	(2,706)
Interest income	*4*	**(33,694)**	(23,243)
Share of losses/(profits) of associates		**348**	(2,621)
Net impairment losses on financial instruments	*7(b)*	**8,405**	648
Fair value changes on investment properties	*14*	**(456)**	(2,971)
Fair value changes on non-controlling interests in consolidated investment fund		**(1,488)**	1,917
Effect of foreign exchange rate changes		**(98)**	(304)
Operating cash flows before movements in working capital		**(44,584)**	5,044
Decrease/(increase) in other assets		**9,627**	(3,752)
Decrease/(increase) in financial assets at fair value through profit or loss		**11,132**	(13,214)
Decrease/(increase) in accounts, loans and other receivables		**423,548**	(340,641)
Decrease in bank balances and cash – trust accounts		**5,385**	125,231
(Decrease)/increase in accruals, accounts and other payables		**(412,202)**	170,671
Decrease in contract liabilities		**(13,015)**	–
Increase in financial liabilities at fair value through profit or loss		**3,068**	484
Cash used in operations		**(17,041)**	(56,177)
Interest received		**33,505**	23,520
Dividends received		**2,214**	2,610
Interest paid		**(1,848)**	(1,024)
Profit tax paid		**(1,093)**	(1,456)
Net cash generated from (used in) operating activities		**15,737**	(32,527)

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Notes	2019 HK$'000	2018 HK$'000
Investing activities			
Payments for purchase of properties and equipment	15	**(564)**	(939)
Loan to an associate		**(8,400)**	–
Purchase of long-term financial assets mandatorily classified/ designated at fair value through profit or loss		**(5,640)**	–
Return of long-term financial assets mandatorily classified/designated at fair value through profit or loss		**12,220**	827
Purchase of financial assets mandatorily classified/designated at fair value through profit or loss		**–**	(20,340)
Net cash used in investing activities		**(2,384)**	(20,452)
Financing activities			
Repayment of bank loans	28	**(90,308)**	(790,000)
Proceeds from new bank loans	28	**90,308**	780,000
Dividends paid to owners of the Company	12(b)	**(28,054)**	(24,846)
Net proceeds from issue of equity shares	30	**–**	142,174
Share issue costs paid	30	**–**	(3,526)
Injection from holders of non-controlling interests in consolidated investment fund		**2,158**	–
Withdrawal of holders of non-controlling interests in consolidated investment fund		**(8,341)**	–
Net cash (used in) generated from financing activities		**(34,237)**	103,802
Net (decrease) increase in cash and cash equivalents		**(20,884)**	50,823
Cash and cash equivalents at 1 July 2018/2017		**230,663**	179,840
Cash and cash equivalents at 30 June 2019/2018		**209,779**	230,663
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		**209,779**	230,663

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

1 Corporate information

The Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 17 May 2000. Pursuant to a Group reorganisation completed on 10 August 2000 (the "Reorganisation") to rationalise the Company and its subsidiaries in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company issued shares in exchange for the entire share capital of SW Kingsway Capital Group Limited and thereby became the holding company of the Group. The Company's shares were successfully listed on the Stock Exchange on 15 September 2000.

The principal activities of the Company and its significant subsidiary companies are disclosed in the Director's Report of the annual report and in note 35.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars ("HK$'000"), unless otherwise stated, which is the functional currency of the Company.

2 Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time which are relevant to the Group:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Except for below, the application of the new and amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current year and prior years and/or disclosures set out in these consolidated financial statements.

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 FINANCIAL INSTRUMENTS

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets, loan commitments, financial guarantee contracts and contract assets (if any) and (3) general hedge accounting.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2019

2 Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 FINANCIAL INSTRUMENTS (Continued)

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The difference between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement ("HKAS 39").

Accounting policies resulting from application of HKFRS9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 July 2018.

	Notes	Cash and cash equivalents HK$'000	Bank balances and cash – trust accounts HK$'000	Financial assets at FVTPL HK$'000	Accounts, loans and other receivables HK$'000	Other assets HK$'000	Available-for-sale investments HK$'000	Investments revaluation reserve HK$'000	Accumulated losses HK$'000
Closing balance at 30 June 2018 – HKAS 39		230,663	673,038	195,636	761,024	14,225	55,098	1,428	(190,966)
Effect arising from initial application of HKFRS 9:									
Reclassification									
From available-for-sale investments	*(a)*	–	–	55,098	–	–	(55,098)	(1,428)	1,428
Remeasurement									
Impairment under ECL model	*(b)*	(40)	(69)	–	(1,587)	(15)	–	–	(1,711)
Opening balance at 1 July 2018		230,623	672,969	250,734	759,437	14,210	–	–	(191,249)

2 Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 FINANCIAL INSTRUMENTS (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

Notes:

(a) From available-for-sale investments to fair value through profit or loss ("FVTPL")

At the date of initial application of HKFRS 9, the Group's unlisted fund investments of HK$20,928,000 were mandatorily reclassified from available-for-sale ("AFS") investments to financial assets at FVTPL since the cash flows do not represent solely payments of principal and interest on the principal amount outstanding; the Group's unlisted partnership investments and unlisted equity investments of HK$34,170,000 were reclassified from available-for-sale investments to financial assets at FVTPL since the cash flows do not represent solely payments of principal and interest on the principal amount outstanding ("SPPI") and the management did not opt to designate the financial assets to fair value through other comprehensive income ("FVTOCI"). The net fair value gains of HK$1 million relating to those investments previously carried at fair value were transferred from investment revaluation reserve to accumulated losses.

(b) Impairment under ECL model

Loss allowances for financial assets that do not result from transactions within the scope of HKFRS 15, are measured on 12-month ECL ("12m ECL") basis if there has been no significant increase in credit risk since initial recognition, except for accounts receivable and loans receivable which are measured on lifetime ECL basis for those assets where credit risk had increased significantly since initial recognition.

As at 1 July 2018, additional credit allowances of HK$1,711,000 have been recognised against the accumulated losses. The additional loss allowance is charged against the respective asset.

The following table reconciles the impairment allowance measured in accordance with HKAS 39 (under incurred loss model) as at 30 June 2018 to the new impairment allowance measured with HKFRS 9 (under ECL model) at 1 July 2018:

	Impairment allowance under HKAS 39 HK$'000	Impairment allowance under re-measurement HK$'000	Impairment allowance under HKFRS 9 HK$'000
Accounts, loans and other receivable	534	1,587	2,121
Cash and cash equivalents	–	40	40
Bank balances and cash-trust accounts	–	69	69
Other assets	–	15	15
Total	534	1,711	2,245

Notes to the Consolidated Financial Statements
For the year ended 30 June 2019

2 Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 July 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and the related interpretations.

The Group recognises revenue from the following major sources:

– Commission income on securities dealing and broking, futures and options dealing and broking;

– Commission income on underwriting and placing;

– Corporate finance advisory, asset management, loan arrangement, secretarial and other service fees;

– Interest income from financial assets (under HKFRS 9 as detailed previously);

– Dividend income (under HKFRS 9 as detailed previously); and

– Rental income arising on investment properties (under HKAS 17 Leases).

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on accumulated losses at 1 July 2018.

	Impact of adopting HKFRS 15 at 1 July 2018 HK$'000
Accumulated losses	
Adjustment on accounts receivable	7,125
Adjustment on contract liabilities	44,850
Tax effects	(9,013)
Impact at 1 July 2018	42,962

2 Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 July 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 June 2018 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	Carrying amounts under HKFRS 15 at 1 July 2018* HK$'000
Non-current Assets				
Deferred tax assets	–	–	9,013	9,013
Current Assets				
Accounts, loans and other receivables	761,024	(7,125)	–	753,899
Capital and Reserves				
Reserves	(473,959)	51,975	(9,013)	(430,997)
Current Liabilities				
Contract liabilities	–	(44,850)	–	(44,850)

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Note: Under HKAS 18, the Group recognised corporate finance advisory fee when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when such services have been rendered. Upon application of HKFRS 15, the Group assessed that the performance obligation for corporate finance fee is fulfilled when all the relevant duties of a sponsor as stated in the contract are completed. As at 1 July 2018, any incomplete corporate finance contracts with payment received and revenue recognised to profit or loss in prior years by the Group under HKAS 18 (not recognised under HKFRS 15) were reclassified to contract liabilities with a corresponding adjustment to its opening accumulated losses, any incomplete corporate finance contracts with payment not yet received and revenue recognised to profit or loss in prior years by the Group under HKAS 18 (not recognised under HKFRS 15) were adjusted in its contract liabilities and opening accumulated losses. Deferred tax arises as a result of the opening adjustments of the accumulated losses.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 30 June 2019 and its consolidated income statement and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

2 Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

Impact on the consolidated statement of financial position as at 30 June 2019

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Non-current Assets			
Deferred tax assets	6,748	(6,748)	–
Current Assets			
Accounts, loans and other receivables	287,979	6,415	294,394
Capital and Reserves			
Reserves	(1,012,631)	(31,502)	(1,044,133)
Current Liabilities			
Contract liabilities	(31,835)	31,835	–

Impact on the consolidated income statement for the year ended 30 June 2019

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Commission and fee income	130,745	(13,725)	117,020
Loss before tax	(28,646)	(13,725)	(42,371)
Income tax expense	(4,296)	2,265	(2,031)
Loss for the year	(32,942)	(11,460)	(44,402)
Total comprehensive expense for the year	(8,740)	(11,460)	(20,200)

Impact on the consolidated statement of cash flows

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
OPERATING ACTIVITIES			
Loss before tax	(28,646)	(13,725)	(42,371)
Adjustments for impairment loss on financial instruments	8,405	–	8,405
Operating cash flows before movements in working capital	(41,222)	(13,725)	(54,947)
Decrease in accounts, loans and other receivables	423,548	710	424,258
Decrease in contract liabilities	(13,015)	13,015	–

2 Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

2.3 IMPACTS ON OPENING CONSOLIDATED STATEMENT OF FINANCIAL POSITION ARISING FROM THE APPLICATION OF ALL NEW STANDARDS

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	30 June 2018 (Audited) HK$'000	HKFRS15 HK$'000	HKFRS 9 HK$'000	1 July 2018 (Restated) HK$'000
Non-current Assets				
Available-for-sale investments	55,098	–	(55,098)	–
Financial assets at FVTPL	21,743	–	55,098	76,841
Other assets	14,225	–	(15)	14,210
Deferred tax assets	–	9,013	–	9,013
Current Assets				
Accounts, loans and other receivables	761,024	(7,125)	(1,587)	752,312
Bank balances and cash-trust accounts	673,038	–	(69)	672,969
Cash and cash equivalents	230,663	–	(40)	230,623
Current Liabilities				
Contract liabilities	–	(44,850)	–	(44,850)
Net Current Assets	588,279	(51,975)	(1,696)	534,608
Total Assets less Current Liabilities	1,200,548	(42,962)	(1,711)	1,155,875
Capital and Reserves				
Reserves	(473,959)	42,962	1,711	(429,286)
Equity attributable to owners of the Company	(1,164,122)	42,962	1,711	(1,119,449)
Total Equity	(1,164,308)	42,962	1,711	(1,119,635)

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 30 June 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 July 2018 disclosed above.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

2 Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretations that have been issued but are not yet effective, which may be relevant to the Group:

HKFRS 16	Leases[1]
HK(IFRIC) — Int 23	Uncertainty over income tax treatments[1]
Amerdments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment features with negative compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan amendment, curtailment or settlement[1]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015-2017 cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

[2] Effective for annual periods beginning on or after 1 January 2020.

[3] Effective for annual periods beginning on or after a date to be determined.

[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

Except for the impact mentioned below, the directors of the Company anticipate that the application of all other new and revised HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

2 Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. HKFRS 16 also includes requirements relating to subleases and lease modifications. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of HK$4,631,000 as disclosed in note 31(a). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon the application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$424,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profit without restating comparative information.

2 Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be mandatorily effective to the Group prospectively for acquisition transactions completed on or after 1 July 2020.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 July 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3 Significant accounting policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for land and buildings held for own use, investment properties, available-for-sale investments and financial assets/liabilities at FVTPL that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 Impairment of Assets.

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

For financial instruments and investment properties which are transacted at fair value and where a valuation technique that utilizes unobservable inputs is to be used to measure fair value in subsequent periods, the valuation is calibrated so that at initial recognition the results of the valuation equals the transaction price.

3 Significant accounting policies (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3 Significant accounting policies (Continued)

BASIS OF CONSOLIDATION (Continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39, or, when applicable, the cost on initial recognition of an investment in an associate.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

3 Significant accounting policies (Continued)

BASIS OF CONSOLIDATION (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively, during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3 Significant accounting policies (Continued)

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Where the associate uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances, appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3 Significant accounting policies (Continued)

INVESTMENTS IN ASSOCIATES (Continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

REVENUE RECOGNITION

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liabilities relating to the same contract are accounted for and presented on a net basis.

Brokerage

The Group provides securities, options, futures, funds and commodities brokerage services to the customers. Commission income is recognised at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed. For brokerage related services fee, income is recognised when the transaction is executed and service is completed.

3 Significant accounting policies (Continued)

REVENUE RECOGNITION (Continued)

Corporate finance and equity capital market

The Group provides placing and underwriting services to listed issuers. Revenue is recognised when the relevant placing and underwriting activities are completed. Accordingly, the revenue is recognised at a point in time.

Revenue from sponsoring fee is recognised at a point in time when all the relevant duties of a sponsor as stated in the contract are completed.

The Group also provides other corporate finance advisory services, which is recognised over time.

Other income

Asset management fees are recognised over time.

Miscellaneous fee income is recognised at a point in time when all the relevant services has been rendered.

Interest income

The Group provides margin financing, fixed-rate and factoring loans to the customers. Interest income is recognised on an accrual basis using the effective interest method as described in the accounting policy of financial instruments.

Rental income

Rental income is recognised on a straight-line basis over the lease term as described in the accounting policy of leasing.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depicts the Group's performance in transferring control of goods or services.

REVENUE RECOGNITION (Prior to 1 July 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

(i) Brokerage and commission income is recognised on a trade date basis when the relevant transactions are executed and related services are provided. Underwriting and sub-underwriting commission is recognised once the corresponding underwriting exposure has ceased. Corporate finance advisory, asset management, loan arrangement, secretarial and other service fees are recognised upon such services being rendered.

(ii) Interest income is recognised as it accrues using the effective interest method.

(iii) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(iv) Rental income arising on investment properties is accorded for a straight-line basis over the lease term regardless of when the cash rental payment is received.

3 Significant accounting policies (Continued)

INTANGIBLE ASSETS

The trading rights in the Stock Exchange, the B-Shares Special Seat of Shenzhen Stock Exchange, the B-Shares Tangible Trading Seat of Shanghai Stock Exchange and non-redeemable club memberships have indefinite useful lives and are recognised as intangible assets in the consolidated statement of financial position. They are carried at cost less impairment losses and are tested for impairment annually and whenever there is an indication that the intangible assets may be impaired by comparing their recoverable amounts with their carrying amounts.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 July 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the Group's ordinary course of business are presented as revenue.

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments previously measured at cost less impairment under HKAS 39. Such measurement basis depends on the Group's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost only if both of the following conditions are met:

– it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in the fair value of an equity investment (that is not held for trading and is not contingent consideration of an acquirer in a business combination) in other comprehensive income ("OCI"), with only dividend income generally recognised in profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net (loss)/gain on financial assets and liabilities at fair value through profit or loss" line items in the income statement.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts, loans and other receivables, cash and cash equivalents, bank balances and cash – trust accounts and other assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable and contract assets (if any) that result from transactions within the scope of HKFRS 15 and the ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix for debtors having similar credit ratings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition where the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life;
- an actual or expected significant change in the financial instrument's external credit rating;
- an actual or expected internal credit rating downgrade for the borrower;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;
- an actual or expected significant change in the operating results of the borrower;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- an actual or expected significant change in the quality of credit enhancement;
- significant changes in the expected performance and behaviour of the borrower.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

Definition of default

The Group considers that default has occurred when the instrument is more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default are based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

Measurement and recognition of ECL (Continued)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts, loans and other receivables where the corresponding adjustment is recognised through a loss allowance account and presented under "net impairment losses on financial instruments".

In assessing the lifetime ECL for financial assets, the Group performs the assessment based on the Group's historical credit loss experience, adjusted for factors specific to the borrowers and the current conditions at the reporting date. The Group also reviews the value of collateral received from the customers in measuring impairment. The methodology and assumptions used for estimating the impairment amount are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 July 2018)

The Group's financial assets are classified into one of the specified categories, including financial assets at FVTPL, held-to maturity investments, loans and receivables and AFS financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future, or on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking, or it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis, or it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets. The dividend and interest earned was included in revenue in the consolidated income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables, which mainly comprise accounts, loans and other receivables, loan to an associate and deposits, bank balances and cash, are measured at amortised cost using the effective interest method, less any impairment losses, unless the effect of discounting would be immaterial.

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 July 2018) (Continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables or financial assets at FVTPL or held-to-maturity investments.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets (before application of HKFRS 9 on 1 July 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, or breach of contract, such as default or delinquency in interest or principal payments, or it becoming probable that the borrower will enter bankruptcy or financial re-organisation, or the disappearance of an active market for that financial asset because of financial difficulties.

For accounts and loans receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 July 2018) (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts and loans receivables, where the carrying amount is reduced through the use of an allowance account. When account or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in the investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Derecognition of financial assets (Continued)

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition. A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near future, or on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking, or it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Net assets attributable to holders of non-controlling interests in consolidated investment fund

A financial instrument that gives the holder the right to put it back to the issuer for cash or another financial asset (a 'puttable instrument') is a financial liability. The financial instrument is a financial liability even when the amount of cash or other financial assets is determined on the basis of an index or other item that has the potential to increase or decrease. The existence of an option for the holder to put the instrument back to the issuer for cash or another financial asset means that the puttable instrument meets the definition of a financial liability.

Net assets attributable to holders of non-controlling interests in consolidated investment fund are determined based on the attributable shares of the residual assets of the consolidated investment fund after deducting the consolidated investment fund's other liabilities.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2019

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Other financial liabilities (including bank loans and accounts and other payables) are subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial. In such case, the liabilities are stated at cost.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Company's own equity instruments.

PROPERTIES AND EQUIPMENT

(i) Land and buildings held for own use

Land and buildings held for own use are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such land and buildings held for own use is recognised in other comprehensive income, and accumulated in properties revaluation reserve except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation for such land and buildings held for own use is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

(ii) Equipment

Equipment, comprising leasehold improvements, furniture and fixtures and office equipment, is stated at cost less accumulated depreciation and impairment losses, if any.

Equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in profit or loss.

3 Significant accounting policies (Continued)

PROPERTIES AND EQUIPMENT (Continued)

(iii) Depreciation

Depreciation is recognised so as to write off the cost or revalued amount of property and equipment less their residual values, if any, using the straight-line method over their estimated useful lives as follows:

Land and buildings held for own use	Shorter of the remaining lease terms or 50 years
Leasehold improvements	Shorter of the lease terms or 5 years
Furniture and fixtures	20%
Office equipment	20%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease form.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3 Significant accounting policies (Continued)

LEASING (continued)

Leasehold interests in land

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. The recoverable amount of tangible assets and intangible assets are estimated individually when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3 Significant accounting policies (Continued)

EMPLOYEE BENEFITS

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus plans

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus payments are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Defined contribution pension plan obligations

The Group operates a defined-contribution pension scheme ("MPF Scheme") since 1 December 2000 under the rules and regulations of the Hong Kong Mandatory Provident Fund ("MPF") Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group has chosen to follow the minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income subject to the relevant monthly income cap of HK$30,000 imposed by the MPF Scheme Ordinance. Payments to the MPF Scheme are charged as expense when employees have rendered service entitling them to the contributions and are reduced by contributions forfeited, if applicable, by those employees who leave the scheme prior to the contributions becoming fully vested.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit/loss before tax" as reported in the consolidated income statement because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2019

3 Significant accounting policies (Continued)

TAXATION (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3 Significant accounting policies (Continued)

PROVISIONS (Continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary item, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (and therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interest in associates.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group, (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

BORROWING COSTS

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

CLASSIFICATION

Certain reclassification have been made to the consolidated financial statements for the year ended 30 June 2018 to conform to the current year's presentation in the consolidated financial statements for the year ended 30 June 2019.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

4 Revenue

The principal activities of the Group are investment in securities, securities broking and margin financing, provision of financial advisory services, money lending, other securities related financial services and rental income from investment properties.

	2019	2018
	HK$'000	HK$'000
Commission and fee income		
– securities, options, funds, futures and commodities brokerage	**28,967**	41,410
– underwriting and placements in equity capital markets	**32,364**	28,520
– corporate finance	**64,406**	76,990
– asset management	**246**	466
– miscellaneous fee income	**4,762**	5,307
	130,745	152,693
Interest income arising from financial assets at amortised cost		
– bank deposits	**5,162**	2,434
– margin and cash clients	**6,703**	6,317
– loans	**17,333**	10,566
– others	**91**	75
	29,289	19,392
Interest income arising from debt securities	**4,405**	3,851
Dividend income	**2,428**	2,706
Rental income	**4,083**	3,292
	170,950	181,934

To better reflect the major revenue sources of the Group and its proportion to the total revenue, the Group has decided to classify revenue items into four major categories: "Commission and fee income", "Interest income", "Dividend income" and "Rental income" for the purpose of preparing the consolidated financial statements for the year ended 30 June 2019. Accordingly, comparative information has been reclassified to conform to the current year's presentation.

The commission and fee income are the revenue arising under the scope of HKFRS 15, while interest income and dividend income are under the scope of HKFRS 9. The rental income are under the scope of HKAS 17.

Included in commission and fee income, corporate finance fee arising from contract with customers recognised at a point in time and over time were HK$52,925,000 and HK$11,481,000, respectively for the year ended 30 June 2019.

4 Revenue (Continued)

BROKING SERVICES

The Group provides broking services to customers on securities, futures and options trading. Commission income from broking services is determined at a certain percentage of the transaction value of the trades executed and is recognised as income on the date the trades are executed. Normal settlement terms are one or two days after trade date, unless specifically agreed with counterparties.

CAPITAL MARKET SERVICES

The Group provides underwriting, sub-underwriting and placing services to customers, the revenue is recognised at a point in time. The service fee is charged when the relevant underwriting, sub-underwriting or financial products arrangement activities are completed.

CORPORATE FINANCE SERVICES

The Group provides sponsor and financial advisory services to customers. The revenue for sponsor service is recognised at a point in time, while for advisory services is recognised over time.

For sponsor services, the Group considers that all the services promised in a particular contract of being a sponsor are interdependent and interrelated and should be therefore accounted for as a single performance obligation. As it is unlikely that a customer can obtain benefit before the Group completes all its services up to listing or the completion of the underlying transaction and since the contracts do not provide the Group an enforceable right to payment for performance completed up to date, the sponsor fees are recognised at a point in time upon listing or when the underlying transactions are completed. Payments are received by installments in accordance to the completion of milestones as specified in the mandate.

For advisory services, as the Group provides services and the customers simultaneously receives and consumes the benefit provided by the Group, the fee is recognised over time.

ASSET MANAGEMENT SERVICES

Asset management services to customers are recognised over time as the Group provides asset management services and the customers simultaneously receives and consumes the benefit provided by the Group. The asset management income is charged at a fixed percentage per annum of the asset value of the accounts under management of the Group.

MISCELLANEOUS FEE INCOME

The Group provides services in securities, futures and options trading and customer's account handling. Miscellaneous fee including handling and other services fee income, which are recognised when the transaction are executed and services are completed.

4 Revenue (Continued)

Transaction price allocated to the remaining performance obligation for contracts with customers

The Group applied the practical expedient for contracts either with original expected duration less than one year or billed a fixed amount for each period of service provided when the Group has right to invoice, and did not disclose the aggregate amount of transaction price allocated to performance obligations of the broking, capital market, corporate finance and asset management services that are unsatisfied (or partly unsatisfied). The performance fee arising from asset management services which are constrained as at 30 June 2019 has been excluded from the transaction price and hence not disclosed.

5 Net (loss)/gain on financial assets and liabilities at fair value through profit or loss

	2019 **HK$'000**	2018 HK$'000
Held for trading investments		
– Equity securities	**(11,719)**	8,008
– Debt securities	**1,587**	(1,034)
– Derivatives	**2,157**	(3,196)
Financial assets mandatorily classified/designated at fair value through profit or loss		
– Investment loan	**(1,071)**	1,747
– Investment funds	**(401)**	506
– Overseas unlisted equity securities	**(22,971)**	–
	(32,418)	6,031

6 Other income and gain or losses

	2019 **HK$'000**	2018 HK$'000
Exchange (loss)/gain	**(2,847)**	901
Others	**(2,034)**	911
	(4,881)	1,812

7 (Loss)/profit before tax

(Loss)/profit before tax has been arrived at after charging:

		2019	2018
		HK$'000	HK$'000
(a)	**Finance costs:**		
	Interest on:		
	– unsecured bank loans wholly repayable within one month and overdrafts	**8**	253
	– secured bank loans wholly repayable within one year	**830**	708
	– others	**989**	61
		1,827	1,022
(b)	**Net impairment losses on financial instruments:**		
	Accounts, loans and other receivable	**8,477**	648
	Cash and cash equivalents	**(39)**	–
	Bank balances and cash-trust accounts	**(25)**	–
	Other assets subject to ECL	**(8)**	–
		8,405	648
(c)	**Staff costs, including directors' remuneration:**		
	Salaries and other allowances	**97,514**	113,764
	Pension costs – defined contribution plan	**1,511**	1,348
		99,025	115,112
(d)	**Other items:**		
	Minimum operating lease charges – land and buildings	**2,716**	3,129
	Depreciation (note 15)	**11,646**	10,330
	Auditors' remuneration	**4,280**	2,540

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

8 Segment reporting

Information reported to the Managing Director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance, focuses on the types of services provided. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Proprietary investment	:	Investment in securities for treasury and liquidity management, and structured deals including listed and unlisted equities, debt securities and investment funds
Property investment	:	Investment in properties for receiving rental income and capital appreciation
Brokerage and financing	:	Provision of securities, options, funds, futures and commodities brokerage services, margin and other financing, factoring and other related services
Corporate finance and capital markets	:	Provision of financial advisory services to corporate clients in connection with the Listing Rules and acting as underwriting and placing agent in the equity capital market
Asset management	:	Provision of asset management and related advisory services to private equity funds and private clients
Others	:	Provision of management, administrative and corporate secretarial services, inter-group loan financing and inter-group office leasing

The Group has changed the name of its business segment "Brokerage" to "Brokerage and Financing" to reflect the contribution from the loan business. Certain comparative figures of the segment information were reclassified to conform with the current year's presentation.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Inter-segment revenues are charged among segments at an agreed rate with reference to the rate normally charged to third party customers, the nature of services or the costs incurred. Segment liabilities are not presented as they are not regularly reviewed by the chief operating decision maker.

8 Segment reporting (Continued)

	2019						
	Proprietary investment HK$'000	Property investment HK$'000	Brokerage and financing HK$'000	Corporate finance and capital markets HK$'000	Asset management HK$'000	Others HK$'000	Consolidated HK$'000
Segmental income statement							
Commission and fee income	–	–	32,416	96,819	246	1,264	130,745
Interest income arising from financial assets at amortised cost	4,512	309	24,075	264	–	129	29,289
Interest income arising from debt securities	4,405	–	–	–	–	–	4,405
Other income	2,428	4,083	–	–	–	–	6,511
Inter-segment revenue	23	–	1,248	–	1,974	39,176	42,421
Segment revenue	11,368	4,392	57,739	97,083	2,220	40,569	213,371
Net loss on financial assets and liabilities at fair value through profit or loss	(32,384)	–	(34)	–	–	–	(32,418)
Other income and gain or losses	382	–	(3,735)	53	(6)	(1,575)	(4,881)
Eliminations	(23)	–	(1,248)	–	(1,974)	(39,176)	(42,421)
	(20,657)	4,392	52,722	97,136	240	(182)	133,651
Segment results	(41,894)	87	(5,632)	20,664	(1,295)	(1,716)	(29,786)
Share of profits/(losses) of associates	–	210	(558)	–	–	–	(348)
Changes on non-controlling interests in consolidated investment fund	1,488	–	–	–	–	–	1,488
Loss before tax							(28,646)
Segment assets							
Segment assets	290,175	113,160	1,083,878	50,059	5,211	452,884	1,995,367
Interests in associates	–	222	15,694	–	–	–	15,916
Unallocated assets	–	–	–	6,748	–	–	6,748
							2,018,031
Eliminations							(29,566)
Total assets							1,988,465
Other segmental information							
Depreciation	6	1,207	192	38	–	10,203	11,646
Addition to non-current assets	30	–	200	–	–	334	564
Net impairment losses on financial instruments	(1)	1,139	5,215	1,886	–	166	8,405
Commission expenses	404	–	5,732	2,721	–	–	8,857
Finance costs	126	651	871	–	–	179	1,827

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

8 Segment reporting (Continued)

	2018						
	Proprietary investment HK$'000	Property investment HK$'000	Brokerage and financing HK$'000	Corporate finance and capital markets HK$'000	Asset management HK$'000	Others HK$'000	Consolidated HK$'000
Segmental income statement							
Commission and fee income	156	–	45,504	105,592	466	975	152,693
Interest income arising from financial assets at amortised cost	2,309	–	16,986	1	–	96	19,392
Interest income arising from debt securities	3,851	–	–	–	–	–	3,851
Other income	2,706	3,292	–	–	–	–	5,998
Inter-segment revenue	4	–	1,525	200	1,332	31,468	34,529
Segment revenue	9,026	3,292	64,015	105,793	1,798	32,539	216,463
Net gain on financial assets and liabilities at fair value through profit or loss	4,872	–	1,159	–	–	–	6,031
Other income and gain or losses	245	2	237	646	8	674	1,812
Eliminations	(4)	–	(1,525)	(200)	(1,332)	(31,468)	(34,529)
	14,139	3,294	63,886	106,239	474	1,745	189,777
Segment results	(5,173)	2,135	2,071	19,703	778	2,754	22,268
Share of profits of associates	–	–	2,621	–	–	–	2,621
Changes on non-controlling interests in consolidated investment fund	(1,917)	–	–	–	–	–	(1,917)
Profit before tax							22,972
Segment assets							
Segment assets	294,927	126,610	1,509,258	22,153	5,326	493,535	2,451,809
Interests in associates	–	2	16,252	–	–	–	16,254
							2,468,063
Eliminations							(17,176)
Total assets							2,450,887
Other segmental information							
Depreciation	–	1,207	158	7	–	8,958	10,330
Addition to non-current assets	–	–	125	192	–	622	939
Net impairment losses on financial instruments	–	242	309	97	–	–	648
Commission expenses	271	–	10,732	10	–	–	11,013
Finance costs	23	422	287	–	–	290	1,022

8 Segment reporting (Continued)

Geographical information

The following illustrates the geographical analysis of the Group's revenue from external customers, based on the country from which the transactions are executed, and information about its non-current assets (excluding interests in associates, loans to associates, amounts due from associates, loans receivables, AFS investments, financial assets at FVTPL, other assets and deferred tax assets), based on the location of assets.

	Revenue		**Non-current assets**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**155,711**	170,831	**470,440**	451,520
The People's Republic of China (the "PRC")	**11,181**	7,349	**45,189**	47,340
Other	**4,058**	3,754	**–**	–
	170,950	181,934	**515,629**	498,860

Information about major customers

Underwriting commission income of approximately HK$28.6 million included in corporate finance and capital markets division for 2019 was arising from the Group's largest customer. No major customers were noted in last year.

9 Income tax expense

(a) INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT REPRESENTS:

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, starting from the last year, the Hong Kong profits tax of the qualifying entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The charge for the year to Hong Kong Profits Tax has been relieved by approximately HK$2,830,000 (2018: HK$5,662,000) as a result of tax losses brought forward from previous years of HK$17,170,000 (2018: HK$34,315,000).

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9 Income tax in expense (Continued)

(a) INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT REPRESENTS: (Continued)

Under the law of the People's Republic of China on Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

	2019 HK$'000	2018 HK$'000
Current tax		
– Hong Kong		
Under provision for prior years	–	974
Current year	1,816	320
– PRC	398	502
	2,214	1,796
Deferred tax (note 29)	2,082	715
	4,296	2,511

(b) RECONCILIATION BETWEEN INCOME TAX EXPENSE AND ACCOUNTING PROFIT AT APPLICABLE TAX RATES:

The tax charge for the year can be reconciled to the (loss)/profit before tax per consolidated income statement as follows:

	2019 HK$'000	2018 HK$'000
(Loss)/profit before tax	(28,646)	22,972
Less: Share of losses/(profits) of associates	348	(2,621)
Changes on non-controlling interests in consolidated investment fund	(1,488)	1,917
	(29,786)	22,268
Tax at the domestic income tax rate	(5,079)	3,445
Effect of different tax rates of subsidiaries operating in other jurisdictions	6,242	(1,197)
Tax effect of non-deductible expenses	2,102	91
Tax effect of non-taxable income	(1,530)	(1,438)
Tax effect of utilisation of tax losses not previously recognised	(2,830)	(5,662)
Tax effect of tax losses not recognised	2,278	4,557
Under provision for prior years	–	974
Others	3,113	1,741
	4,296	2,511

10 Directors' and management's emoluments

(a) DIRECTORS' EMOLUMENTS

The emoluments paid to each of 7 (2018: 7) directors and the chief executive officer were as follows:

	2019					
	Fees HK$'000	Salaries, commissions and other allowances HK$'000	Long service payment HK$'000	Bonuses HK$'000 *(Note)*	Retirement scheme contributions HK$'000	Total HK$'000
Chairman						
Jonathan Koon Shum Choi	1,400	–	–	–	–	1,400
Chief Executive Officer and Executive Director						
Michael Koon Ming Choi	–	2,412	–	206	78	2,696
Non-Executive Directors						
Janice Wing Kum Kwan	200	–	–	–	–	200
Lee G. Lam	200	–	–	–	–	200
Independent Non-Executive Directors						
Robert Tsai To Sze	200	–	–	–	–	200
Elizabeth Law	200	–	–	–	–	200
Huanfei Guan	200	–	–	–	–	200
	2,400	2,412	–	206	78	5,096

	2018					
	Fees HK$'000	Salaries, commissions and other allowances HK$'000	Long service payment HK$'000	Bonuses HK$'000 *(Note)*	Retirement scheme contributions HK$'000	Total HK$'000
Chairman						
Jonathan Koon Shum Choi	1,400	–	–	–	–	1,400
Chief Executive Officer and Executive Director						
Michael Koon Ming Choi	–	2,412	–	2,800	78	5,290
Non-Executive Directors						
Janice Wing Kum Kwan	200	–	–	–	–	200
Lee G. Lam	200	–	–	–	–	200
Independent Non-Executive Directors						
Robert Tsai To Sze	200	–	–	–	–	200
Elizabeth Law	200	–	–	–	–	200
Huanfei Guan	200	–	–	–	–	200
	2,400	2,412	–	2,800	78	7,690

Note: The discretionary bonus is determined by reference to the Group and the individual performance during the year. Michael Koon Ming Choi was entitled to a contractual bonus calculated as a percentage of profit before tax of the Group and a fixed amount if the Group has profit before tax.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

10 Directors' and management's emoluments (Continued)

(a) DIRECTORS' EMOLUMENTS (Continued)

The executive director's emolument shown above was for his service in connection with the management of the affairs of the Company and the Group. The emoluments of the Chairman, non-executive directors and independent non-executive directors shown above were for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the current and previous years. There was no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors received or will receive any retirement and termination benefits during the current and previous years.

(b) EMPLOYEES' EMOLUMENTS (EXCLUDING COMMISSIONS)

In 2019, the five individuals whose emoluments (excluding commissions) were the highest in the Group included 1 director (2018: 0 director) whose emolument (excluding commissions) received in his capacity as director of the Company is reflected in the analysis presented above. There was no emoluments were paid by the Group to the individuals as an inducement to join or upon joining the Group or as compensation for loss of office. The amounts included the deferred element of the variable remuneration. The emoluments (excluding commissions) payable to 4 (2018: 5) individuals during the year are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, other allowances and benefits in kind	**6,862**	6,024
Bonuses	**33,594**	45,488
Retirement scheme contributions	**72**	90
	40,528	51,602

The emoluments are within the following bands:

	2019 **Number of individuals**	2018 Number of individuals
HK$2,000,001 – HK$2,500,000	**1**	–
HK$4,500,001 – HK$5,000,000	**1**	–
HK$5,000,001 – HK$5,500,000	**–**	1
HK$5,500,001 – HK$6,000,000	**–**	1
HK$7,500,001 – HK$8,000,000	**–**	1
HK$11,000,001 – HK$11,500,000	**1**	–
HK$14,000,001 – HK$14,500,000	**–**	1
HK$18,500,001 – HK$19,000,000	**–**	1
HK$21,500,001 – HK$22,000,000	**1**	–

10 Directors' and management's emoluments (Continued)

(c) SENIOR MANAGEMENTS' EMOLUMENTS

The emoluments are within the following bands:

	2019 Number of individuals	2018 Number of individuals
HK$2,000,001 – HK$2,500,000	**2**	1
HK$2,500,001 – HK$3,000,000	**–**	1

11 Profit attributable to owners of the Company

The consolidated profit attributable to owners of the Company includes a profit of HK$17,154,000 (2018: HK$17,658,000) which has been dealt with in the statement of financial position and reserves of the Company as disclosed in notes 40 and 41 respectively.

12 Dividends

(a) DIVIDENDS PAID AND PAYABLE TO OWNERS OF THE COMPANY ATTRIBUTABLE TO THE YEAR

	2019 HK$'000	2018 HK$'000
Interim dividend paid of 0.2 HK cent per share (2018: 0.2 HK cent per share)	**14,029**	11,043
Final dividend proposed after the end of the reporting period of 0.25 HK cent per share (2018: 0.3 HK cent per share)	**17,536**	20,705
	31,565	31,748

The final dividend proposed by the directors is subject to approval by the shareholders at the forthcoming general meeting.

(b) DIVIDENDS RECOGNISED AS DISTRIBUTIONS DURING THE YEAR

	2019 HK$'000	2018 HK$'000
Final dividend in respect of the previous financial year, approved and paid of 0.3 HK cent per share (2018: 0.25 HK cent per share)	**20,705**	13,803
Interim dividend paid of 0.2 HK cent per share (2018: 0.2 HK cent per share)	**14,029**	11,043
	34,734	24,846

The Company offered its shareholders the option of receiving their dividends in the form of scrip for the 2018 final dividend. The Company paid HK$14,025,000 in cash and issued 112,838,572 new shares in January 2019 for the distribution of the dividend.

13 (Loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	2019 HK$'000	2018 HK$'000
(Loss)/earnings		
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share		
(Loss)/earnings for the year attributable to owners of the Company	**(32,821)**	20,401
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	**6,952,640,319**	5,936,586,811

14 Investment properties

	HK$'000
At 1 July 2017	**92,787**
Net change in fair value recognised in profit or loss	**2,971**
At 30 June 2018 and 1 July 2018	**95,758**
Net change in fair value recognised in profit or loss	**456**
At 30 June 2019	**96,214**

The investment properties are held on lease of less than 50 years remaining. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The investment properties represent a shop located at Shop A, 1st Floor, COS Centre, 56 Tsun Yip Street, Kowloon, Hong Kong and the office property located at Room 801, Building A, Beijing Fortune Plaza, No. 7 Dongsanhuan Zhong Road, Chaoyang District, Beijing, 100020, PRC.

Fair value measurement of the Group's investment properties

In estimating the fair value of the investment properties, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the management's findings to the Board of Directors of the Company every half year to explain the cause of fluctuations in the fair value of the investment properties.

The fair value of the Group's investment properties as at as at 30 June 2019 and 30 June 2018 has been arrived at on the basis of a valuation carried out on the respective date by RHL Appraisal Limited, an independent qualified professional valuer not connected to the Group who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

14 Investment properties (Continued)

Fair value measurement of the Group's investment properties (Continued)

The fair value of investment properties situated in Hong Kong and PRC classified as level 3 in the fair value hierarchy was determined based on the direct comparison approach where comparison is made based on prices realised on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

The following table gives information about how the fair value of these investment properties is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Commercial properties	Level 3	Direct comparison method based on market observable transactions and adjusted to reflect the conditions and locations of the subject properties	The key inputs are: (1) Floor level adjustment 2019: -30% to 0% (2018: -30% to 0%) (2) View adjustment 2019: -10% to 0% (2018: 5%) (3) Size adjustment 2019: -14% to 10% (2018: -9% to 1%) (4) Time adjustment 2019: -5% to 6% (2018: 5% to 12%) (5) Pedestrian flow adjustment* 2019: 0% to 20% (2018: -5% to 20%) (6) Asking price adjustment# 2019: -5% (2018: -3%)	Higher premium for properties with higher characteristic of key inputs will result in a higher fair value measurement except for time adjustment

* The key input adjustment is only applicable to the shop located in COS Centre.

The key input adjustment is only applicable to the property located in the PRC.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use. No sensitivity analysis of investment properties is disclosed as in the opinion of the directors of the Company, the impact to the consolidated financial statements is insignificant.

There were no transfers between level 1, 2 and 3 in the current and prior years.

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15 Properties and equipment

	Land and buildings held for own use HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Total HK$'000
Cost or valuation:					
At 1 July 2017	344,222	19,043	1,436	10,173	374,874
Exchange adjustments	–	(1)	–	1	–
Additions	–	162	117	660	939
Elimination on revaluation	(8,786)	–	–	–	(8,786)
Surplus on revaluation	61,456	–	–	–	61,456
At 30 June 2018 and 1 July 2018	396,892	19,204	1,553	10,834	428,483
Exchange adjustments	–	(2)	–	2	–
Additions	–	334	24	206	564
Elimination on revaluation	(10,016)	–	–	–	(10,016)
Surplus on revaluation	27,396	–	–	–	27,396
Written off	–	(2,813)	–	(487)	(3,300)
At 30 June 2019	414,272	16,723	1,577	10,555	443,127
Accumulated depreciation					
At 1 July 2017	–	14,583	1,436	9,869	25,888
Charge for the year	8,786	1,278	4	262	10,330
Elimination on revaluation	(8,786)	–	–	–	(8,786)
At 30 June 2018 and 1 July 2018	–	15,861	1,440	10,131	27,432
Exchange adjustments	–	(1)	–	2	1
Charge for the year	10,016	1,319	25	286	11,646
Elimination on revaluation	(10,016)	–	–	–	(10,016)
Written off	–	(2,813)	–	(487)	(3,300)
At 30 June 2019	–	14,366	1,465	9,932	25,763
Carrying values:					
At 30 June 2019	414,272	2,357	112	623	417,364
At 30 June 2018	396,892	3,343	113	703	401,051
Representing:					
Cost	–	16,723	1,577	10,555	28,855
Valuation	414,272	–	–	–	414,272
At 30 June 2019	414,272	16,723	1,577	10,555	443,127
Representing:					
Cost	–	19,204	1,553	10,834	31,591
Valuation	396,892	–	–	–	396,892
At 30 June 2018	396,892	19,204	1,553	10,834	428,483

The Group's interest in land and buildings held for own use represents two office units and a carparking space located in the Hong Kong and PRC (2018: two office units and a carparking space located in the Hong Kong and PRC) which are held on lease of less than 50 years remaining.

15 Properties and equipment (Continued)

Fair value measurement of the Group's land and buildings

In estimating the fair value of the land and buildings held for own use, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the management's findings to the Board of Directors of the Company every half year to explain the cause of fluctuations in the fair value of the land and buildings held for own use.

The fair value of the Group's land and buildings as at 30 June 2019 and 30 June 2018 has been arrived at on the basis of a valuation carried out on the respective date by RHL Appraisal Limited, an independent qualified professional valuer not connected to the Group who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The fair value of land and buildings held for own use situated in Hong Kong and PRC classified as level 3 in the fair value hierarchy was determined based on the direct comparison approach where comparison is made based on prices realised on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

The following table gives information about how the fair value of these land and buildings held for own use is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements and categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Land and buildings held for own use held by the Group	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Commercial properties	Level 3	Direct comparison method based on market observable transactions and adjusted to reflect the conditions and locations of the subject properties	The key inputs are: (1) Floor level adjustment 2019: -10% to 0% (2018: -17% to 1%) (2) View adjustment 2019: -20% to 0% (2018: -25% to 3%) (3) Size adjustment 2019: -16% to 4% (2018: -17% to 3%) (4) Time adjustment 2019: -12% to 18% (2018: 2% to 21%) (5) Asking price adjustment# 2019: -5% (2018: -5%)	Higher premium for properties with higher characteristic of key inputs will result in a higher fair value measurement except for time adjustment

The key input adjustment is only applicable to the property located in PRC.

15 Properties and equipment (Continued)

Fair value measurement of the Group's land and buildings (continued)

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the land and buildings held for own use, the highest and best use of the land and buildings held for own use is their current use. No sensitivity analysis of investment properties is disclosed as in the opinion of the directors of the Company, the impact to the consolidated financial statements is insignificant.

There were no transfer between level 1, 2 and 3 in the current and prior years.

The revaluation surplus of HK$27,396,000 (2018: HK$61,456,000), net of the related deferred tax of HK$3,098,000 (2018: HK$7,639,000) was credited to the properties revaluation reserve. If land and buildings held for own use had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of HK$185,836,000 (2018: HK$190,536,000).

Land and buildings held for own use with a carrying amount of approximately HK$400 million (2018: HK$382 million) and investment property with a carrying amount of approximately HK$64 million (2018: HK$62 million) had been pledged to secure the bank facilities granted by the banks. As at 30 June 2019, the Group had secured bank loan of HK$20 million (2018: HK$20 million).

16 Intangible assets

	Club memberships HK$'000	Exchange trading rights HK$'000	Total HK$'000
Cost			
At 1 July 2017, 30 June 2018, 1 July 2018 and 30 June 2019	**590**	**1,555**	**2,145**
Impairment			
At 1 July 2017, 30 June 2018, 1 July 2018 and 30 June 2019	70	24	94
Carrying amount			
At 30 June 2019	**520**	**1,531**	**2,051**
At 30 June 2018	520	1,531	2,051

17 Interests in associates, amounts due from associates and loans to associates

Interests in associates

	2019	2018
	HK$'000	HK$'000
Cost of investments in associates	**6,012**	6,002
Share of post acquisition profit	**9,904**	10,252
Carrying amount of unlisted associates	**15,916**	16,254

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

Name	Form of business structure	Place of incorporation/ operations	Principal activities	Particulars of issued and fully paid share capital	Proportion of voting right held by the Group		Interest indirectly held	
					2019	2018	**2019**	2018
KCG Securities Asia Limited	Incorporated	Hong Kong	Securities brokerage	HK$20,000,000	**30%**	30%	**30%**	30%
Laurel Capital Kingsway (Cayman) Limited	Incorporated	Cayman Islands	Investment holding	US$100 100 ordinary shares of US$1 each	**–**	30%	**–**	30%
Silk Road Renaissance Limited	Incorporated	Hong Kong	Investment holding	HK$10,000 (issued) HK$Nil (paid)	**40%**	40%	**40%**	40%
Green Property Management Company Limited	Incorporated	Japan	Property investment	JPY100,000 (issued) JPY Nil (paid)	**30%**	30%	**30%**	30%
Primo Development Limited (previously known as Sunwah Kingsway Vietnam Limited)	Incorporated	Hong Kong	Investment holding	HK$10,000	**33%**	100%	**33%**	100%
18V Co., Ltd	Incorporated	Japan	Property investment	JPY 100,000	**33%**	–	**33%**	–

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17 Interests in associates, amounts due from associates and loans to associates (Continued)

Summarised financial information of associates:

Aggregate information of associates that are not individually material

	Assets HK$'000	Liabilities HK$'000	Net assets HK$'000	Revenue HK$'000	(Loss)/profit HK$'000
2019					
100 per cent	**288,354**	**236,178**	**52,176**	**11,666**	**(1,297)**
Group's effective interest	**88,333**	**72,382**	**15,951**	**3,523**	**(348)**
2018					
100 per cent	277,194	223,514	53,680	22,586	8,330
Group's effective interest	83,158	66,907	16,251	6,573	2,621

Amounts due from associates

The amounts due from associates are unsecured, interest free and long term basis.

Loans to associates

The Group provided pro-rata shareholder loans to associates for the acquisition of investment properties in Japan. As at 30 June 2019, a loan with an amount of HK$6,089,000 (2018: HK$6,089,000) is unsecured, interest bearing at 5% per annum and repayable in January 2023. The other loan with an amount of HK$8,505,000 (2018: HK$nil) is unsecured, interest free and repayable in October 2024.

18 Available-for-sale investments

	Notes	**2019 HK$'000**	2018 HK$'000
Unlisted investments:			
– Partnership shares at cost	*(a)*	**–**	6,170
– Shares at cost	*(b)*	**–**	28,000
– Investment fund at fair value	*(c)*	**–**	20,928
		–	55,098

Notes:

(a) The limited partnership shares are stated at cost less impairment because their fair value cannot be measured reliably as the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

(b) The shares are stated at cost because their fair value cannot be measured reliably as the variability in the range of reasonable fair value measurement is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value. The investee engages in the development and sales of automobiles.

(c) The fair value of the investment fund is based on the net asset value of the investment fund reported to the trustee by the administrator of the investment fund.

19 Other assets

	2019 HK$'000	2018 HK$'000
Statutory deposits	**6,219**	12,127
Other deposits and receivables	**15,903**	2,098
	22,122	14,225

20 Financial assets at fair value through profit or loss

	Notes	2019 HK$'000	2018 HK$'000
Listed equity securities, at quoted price			
– in Hong Kong		**75,278**	81,335
– outside Hong Kong		**2,402**	5,143
Listed debt securities, at quoted price			
– in Hong Kong	*(a)*	**33,939**	19,332
– outside Hong Kong	*(a)*	**35,067**	46,371
Unlisted debt security		**351**	866
Overseas unlisted equity securities		**11,200**	–
Financial assets mandatorily classified/designated at fair value through profit or loss			
– Unlisted investment loan	*(b)*	**8,452**	21,743
– Unlisted investment funds	*(c)*	**66,334**	20,846
		233,023	195,636
Represented by:			
Non-current		**47,009**	21,743
Current		**186,014**	173,893
		233,023	195,636

Notes:

(a) The Group held listed debt securities with fair value of HK$65,972,000 as at 30 June 2019 (30 June 2018: HK$42,067,000) which will be due in 2020 to 2024 (30 June 2018: 2018 to 2027). The Group also held listed perpetual debts with fair value of HK$3,034,000 as at 30 June 2019 (30 June 2018: HK$23,636,000).

(b) The fair value is derived from unobservable inputs, including unaudited performance of underlying investments, management fee and performance fee charged. Such fair value is determined with reference to the loan balance calculation statement provided by the borrower and the net asset value statements provided by the underlying invested fund.

(c) The fair value is based on the net asset value of underlying investments reported to the trustee by the administrator as of the end of the reporting period.

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21 Accounts, loans and other receivables

	Notes	2019 HK$'000	2018 HK$'000
Accounts and loans receivables			
Amounts due from brokers and clearing houses	(a)	**93,169**	284,195
Amounts due from margin clients	(b)	**44,003**	68,638
Amounts due from cash clients	(c)	**17,056**	267,637
Loans receivable	(d)	**141,775**	120,108
Other accounts receivable	(e)	**8,453**	14,993
		304,456	755,571
Less: Impairment losses		**(9,715)**	(534)
		294,741	755,037
Less: Non-current portion		**(14,759)**	–
		279,982	755,037
Prepayments, deposits and other receivables		**8,144**	5,987
Less: Impairment losses		**(147)**	–
		7,997	5,987
		287,979	761,024

Notes:

(a) Amounts due from brokers and clearing houses are required to be settled on the settlement date determined under the relevant market practices or exchange rules.

The amount due from a broker of HK$1,271,000 (2018: HK$3,950,000) was pledged as collateral for the stock borrowing transactions.

(b) Margin clients of the brokerage division are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount on the value of securities accepted by the Group. The amounts due from margin clients are repayable on demand and bear interest at commercial rates. As at 30 June 2019, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$174 million (2018: HK$270 million). As at 30 June 2019, the market value of collateral held by each of the margin clients were larger than their outstanding balance. There has not been any significant changes in the quality of collateral held for margin clients. The management monitors the market value of collateral during the reviews of the adequacy of the impairment allowance. The fair value of collateral can be objectively ascertained to cover the outstanding amount of the loan balances based on quoted prices of collateral.

(c) There are no credit terms granted to cash clients of the brokerage division except for financing of IPO subscriptions. They are required to settle their securities trading balances on the settlement date determined under the relevant market practices or exchange rules.

21 Accounts, loans and other receivables (Continued)

Notes:

(d) Loans receivable comprises of fixed-rate loans receivable of HK$58 million (2018: HK$82 million) and factoring receivables of HK$84 million (2018: HK$38 million), and impairment allowance of HK$6 million (2018: HK$nil) as at 30 June 2019. The credit terms for loans granted by the Group's brokerage division are set by management with reference to the financial background and the value and nature of collateral pledged by the borrowers. The loans receivable are mainly secured by personal/corporate guarantee and trade receivables. The contractual maturity date of the loans receivable are mainly within one year.

(e) The Group normally allows credit periods of up to 30 days to customers, except for certain creditworthy customers with long term relationship and stable repayment pattern, where the terms are extended to a longer period.

As at 30 June 2018, the ageing analysis of accounts and loans receivables net of impairment losses that were past due at the end of the reporting period but not impaired is as follows:

	2018 HK$'000
Within one month past due	3,661
More than one month and within three months past due	517
More than three months past due	150
	4,328

The ageing analysis of accounts and loans receivables net of impairment losses based on invoice/advance/trade date/contractual maturity date is as follows:

	2019 **HK$'000**	2018 HK$'000
Current and within one month	**277,866**	750,709
More than one month and within three months	**542**	4,178
More than three months	**16,333**	150
	294,741	755,037

Included in the above table, loans receivables of approximately HK$118,886,000 and HK$16,300,000 were aged within one month and more than three months respectively.

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21 Accounts, loans and other receivables (Continued)

The movements in the allowance for impairment losses for the Group were as follows:

	Amounts due from brokers and clearing houses HK$'000	Amounts due from margin clients HK$'000	Amounts due from cash clients HK$'000	Loans receivable HK$'000	Other accounts receivable HK$'000	Total HK$'000
At 1 July 2017	–	6,640	1,418	–	–	8,058
Impairment losses recognised	37	–	272	–	339	648
Amounts written off as uncollectible	–	(6,640)	(1,193)	–	(339)	(8,172)
At 30 June 2018 and 1 July 2018	**37**	**–**	**497**	**–**	**–**	**534**
Effect arising from initial application of HKFRS 9 (note 36(a))	**21**	**21**	**2**	**1,428**	**115**	**1,587**
Impairment losses recognised (note 36(a))	**(16)**	**10**	**16**	**5,161**	**3,159**	**8,330**
Amounts written off as uncollectible (note 36(a))	**(37)**	**–**	**(497)**	**–**	**(202)**	**(736)**
At 30 June 2019	**5**	**31**	**18**	**6,589**	**3,072**	**9,715**

22 Bank balances and cash – trust accounts

The Group maintains segregated clients' accounts with licensed banks to hold clients' monies arising from normal business in connection with the Group's brokerage activities. The cash held on behalf of clients is restricted and governed by the Securities and Futures (Client Money) Rules (Chapter 571) of the laws of Hong Kong under the Securities and Futures Ordinance. The Group has recognised the corresponding clients' account payable to respective clients.

23 Cash and cash equivalents

As at 30 June 2019, cash and cash equivalents included fixed deposits of HK$42,873,000 (30 June 2018: HK$26,680,000) with banks with an original maturity within 3 months.

24 Financial liabilities at fair value through profit or loss

	2019 HK$'000	2018 HK$'000
Financial liabilities at FVTPL arising from short selling activities	**6,358**	3,290

Balance represented the fair value of listed equity securities from short selling activities as at 30 June 2019 and 2018.

25 Net assets attributable to holders of non-controlling interests in consolidated investment fund

Net assets attributable to holders of non-controlling interests in consolidated investment fund, namely MEC Asia Fund, are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to holders of non-controlling interests in investment fund cannot be predicted with accuracy since these represent the interest of non-controlling shareholders in consolidated investment fund that are subject to the actions of the non-controlling investors.

The summarised financial information below represent amounts before intragroup eliminations.

MEC Asia Fund

	2019 **HK$'000**	2018 HK$'000
Current assets	**55,243**	65,694
Current liabilities	**4,620**	3,864
Equity attributable to owners of MEC Asia Fund	**50,623**	61,830
(Loss)/profit for the year	**(5,025)**	6,898

26 Accruals, accounts and other payables

	2019 **HK$'000**	2018 HK$'000
Accounts payable (on demand or within one month)		
Amounts due to brokers and clearing houses	**211**	130,339
Clients' accounts payable	**712,589**	1,012,921
Others	**42,607**	4,290
	755,407	1,147,550
Other creditors, accruals and other provision	**40,233**	60,314
	795,640	1,207,864

Other accounts payable of HK$34,103,000 (2018: HK$nil) represents the amount of bills receivable sold with recourse.

The settlement terms of payable to brokers, clearing houses and securities trading clients arising from the ordinary course of business of broking in securities range from one to three days after the trade date of those transactions. Deposits exceeding the margin requirement received from clients for their trading of commodities and futures contracts are payable on demand.

27 Contract liabilities

	2019	2018
	HK$'000	HK$'000
Provision of corporate finance advisory services	**31,835**	–

Contract liabilities, are expected to be settled within the Group's normal operating cycle, and accordingly are classified as current.

Revenue from provision of corporate finance services of HK$32,225,000 recognised in the current year relates to contract liabilities as of 1 July 2018.

For acting as sponsor, the Group normally receives fees by installments in accordance to the completion of milestones as specified in the mandate. This will give rise to contract liabilities over the life of the contract, until the performance obligation is satisfied when the revenue will be recognised at that point in time.

28 Bank loans

	2019	2018
	HK$'000	HK$'000
Secured bank loans *(Note)*	**20,000**	20,000

Note: The bank loan as at 30 June 2019 is repayable within one year (2018: two years). The term loan has a repayment on demand clause, hence, it is classified as a current liability. The loan is secured by the Group's investment property with fair value of approximately HK$64 million (2018: HK$62 million) and bear interest at 1.3% above HIBOR (2018: 1.3% above HIBOR).

Some of the Group's banking facilities are subject to the fulfillment of covenants relating to certain of the Group's consolidated statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 36. As at 30 June 2019 and 2018, none of the covenants relating to the drawn facilities had been breached.

29 Deferred taxation

(a) DEFERRED TAX LIABILITIES RECOGNISED

The following are the major deferred tax liabilities/(assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation and revaluation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 July 2017	30,155	(2,269)	27,886
(Credit)/charge to consolidated income statement *(note 9)*	(634)	1,349	715
Charge to other comprehensive income			
– properties revaluation reserve	7,639	–	7,639
At 30 June 2018 and 1 July 2018	**37,160**	**(920)**	**36,240**
Effect of adoption of HKFRS15	**–**	**(9,013)**	**(9,013)**
Charge to consolidated income statement *(note 9)*	**11**	**2,071**	**2,082**
Charge to other comprehensive income			
– properties revaluation reserve	**3,098**	**–**	**3,098**
At 30 June 2019	**40,269**	**(7,862)**	**32,407**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	HK$'000
Net deferred tax assets	(6,748)
Net deferred tax liabilities	39,155
	32,407

(b) DEFERRED TAX ASSETS NOT RECOGNISED

As at 30 June 2019, the Group has unused estimated tax losses of approximately HK$492 million (2018: HK$438 million). A deferred tax asset of HK$7,862,000 (2018: HK$920,000) has been recognised in respect of tax losses of approximately HK$48 million (2018: approximately HK$6 million). The Group has not recognised deferred tax asset in respect of the remaining tax losses of approximately HK$444 million (2018: HK$432 million) due to the unpredictability of future profit streams. The tax losses of approximately HK$430 million (2018: HK$420 million) are from subsidiaries incorporated in Hong Kong and will not expire under current tax regulation while tax losses of approximately HK$14 million (2018: HK$12 million) are from PRC subsidiaries and are subject to expiry periods from 2020 to 2024 (2018: from 2020 to 2023) under the current tax legislation.

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30 Share capital and share premium

	2019		2018	
	No. of shares	**Amount**	No. of shares	Amount
		HK$'000		HK$'000
Authorised:	**100,000,000**	**1,000,000**	10,000,000,000	1,000,000

The movements in the Company's issued share capital is as follow:

	Number of shares in issue	Issued capital	Share premium account	Total
		HK$'000	HK$'000	HK$'000
At 1 July 2017	5,521,304,882	552,130	352,909	905,039
Issue of shares on open offer	1,380,326,220	138,033	4,141	142,174
Shares issue costs	–	–	(3,526)	(3,526)
At 30 June 2018 and 1 July 2018	6,901,631,102	690,163	353,524	1,043,687
Share capital reduction	–	(621,147)	–	(621,147)
Scrip dividend issued	112,838,572	1,129	5,551	6,680
At 30 June 2019	7,014,469,674	70,145	359,075	429,220

During the year ended 30 June 2018 and 2019, the movements in share capital were as follows:

On 15 March 2018, the Company issued 1,380,326,220 new ordinary shares as a result of the open offer at the price of HK$0.103 per share on the basis of one offer share for every four existing shares. The net proceeds arising from the open offer was approximately HK$138.6 million. Approximately HK$75 million and HK$38 million were used for the Group's lending business in Hong Kong and the PRC respectively. Approximately HK$24 million was used for investment in fixed income products, including listed debt securities.

On 23 November 2018, the Company completed a capital reduction. The par value of each issued share was reduced from HK$0.10 to HK$0.01 by cancelling the paid-up capital to the extend of HK$0.09 on each issued share ("Capital Reduction"). The credit arising from the Capital Reduction amounted to HK$621,147,000 and was transferred to the contributed surplus of the Company and presented under accumulated losses under consolidated statement of changes in equity.

On 17 January 2019, the Company issued 112,838,572 new shares at HK$0.0592 on each issued share for the distribution of the scrip dividend declared for 2018 final dividend.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

30 Share capital and share premium (Continued)

CAPITAL MANAGEMENT

The Group's objective for capital management is to safeguard the Group's ability to continue as a going concern, to enhance shareholder value and to match the business funding needs. The Group manages its capital structure and makes adjustments to it in line with the changes in economic conditions and business strategies by adjusting the dividend payout ratio, returning capital to shareholders or issuing new shares. During the years ended 30 June 2019 and 2018, the Group consistently followed the objectives and applied the policies and process on managing capital.

The Company is not subject to externally imposed capital requirements. Certain subsidiaries of the Company are subject to regulatory imposed capital and liquid capital requirements. These subsidiaries complied with those requirements at all times during both the current and past financial years, except for the unintentional non-compliance of the liquid capital of a subsidiary during the period from 1 July 2018 to 12 February 2019 due to the interpretation and application of HKFRS 15. The Company injected sufficient funding in the subsidiary to rectify the matter.

The Group monitors capital using a target gearing ratio of 0-35%, which is total borrowings divided by the shareholders' equity. Total borrowing comprises bank borrowing and shareholders' equity comprises all components of equity attributable to the owners of the Company. The gearing ratio at year-end was as follows:

	2019	2018
	HK$'000	HK$'000
Total borrowings	**20,000**	20,000
Equity attributable to owners of the Company	**1,082,776**	1,164,122
Gearing ratio	**2%**	2%

31 Commitments

(a) COMMITMENTS UNDER OPERATING LEASES AS LESSEE

As at 30 June 2019 and 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and office equipment which fall due as follows:

	2019		2018	
	Rental premises HK$'000	**Hired equipment HK$'000**	Rental premises HK$'000	Hired equipment HK$'000
Within one year	**1,494**	**185**	2,322	167
Later than 1 year and not later than 5 years	**2,583**	**369**	3	500
	4,077	**554**	2,325	667

Leases are negotiated and rentals are fixed for lease term of 1 to 5 years. The Group does not have an option to purchase the leased assets at the expiry of the leased period.

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31 Commitments (Continued)

(b) COMMITMENTS UNDER OPERATING LEASES AS LESSOR

As at 30 June 2019 and 2018, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases in respect of office premises which fall due as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**2,322**	2,160
Later than 1 year and not later than 5 years	**290**	720
	2,612	2,880

Leases are negotiated and rentals are fixed for lease term of 2 to 5 years. The Group does not provide an option to the lessees to purchase the leased assets at the expiry of the leased period.

(c) OTHER COMMITMENTS

	2019	2018
	HK$'000	HK$'000
Capital commitments for acquisition of unlisted equity investment	**8,000**	11,200
Underwriting commitments for Initial Public Offering and open offer	**40**	30,006
	8,040	41,206

32 Contingent liabilities

During the ordinary course of business the Group is subject to threatened or actual legal proceedings brought by or on behalf of investors or other third parties, as well as legal and regulatory reviews, challenges, investigations and enforcement actions, in Hong Kong. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required at the relevant balance sheet date. In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed properly to assess the merits of the case, and no provisions are held in relation to such matters. However, the Group does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

33 Joint venture agreement

On 1 December 2016, the Group entered into a joint venture agreement with several joint venture partners to establish a joint venture company in Chongqing, the PRC. Subject to final approvals of the China Securities Regulatory Commission ("CSRC"), it is contemplated that the joint venture company will become a full-licensed securities company principally engaged in the provision of regulated securities brokerage services, securities underwriting and sponsor services, proprietary trading, securities and asset management and any other business approved by the CSRC in the PRC. Pursuant to the joint venture agreement, the Group will make a capital contribution of RMB330 million into the joint venture company, representing a 22% equity interest in the joint venture company. The transaction will be fully financed by the Group's internal resources. The joint venture agreement and the transactions were approved by the Company's shareholders at the special general meeting held in February 2017. The Group received an acknowledged receipt for the application from the CSRC on 28 December 2018. The Group is providing additional information to the CSRC currently.

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34 Related party and connected party transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group entered into the following material related party and connected party transactions.

(a) KEY MANAGEMENT PERSONNEL REMUNERATION

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 10(a), is as follows:

	2019	2018
	HK$'000	HK$'000
Fees	**2,400**	2,400
Salaries, commissions and other allowance	**6,189**	6,244
Bonuses	**525**	4,060
Retirement scheme contributions	**169**	114
	9,283	12,818

Total remuneration is included in "staff costs" (see note 7(c)).

(b) OTHERS

The following is a summary of majority related party and connected party (as defined in the Listing Rules) transactions which were carried out in the normal course of the Group's business:

	2019	2018
	HK$'000	HK$'000
Brokerage commission earned on securities, options, futures and commodities dealing		
– fellow subsidiaries	**–**	4
– Group's directors and their close family members	**119**	262
Consultancy and management fees received		
– a fellow subsidiary	**1,240**	840
Secretarial fee earned		
– fellow subsidiaries	**25**	22
Rental income from an investment property		
– a company controlled by Group's directors' close family member	**–**	887
Rental expense paid		
– a Company controlled by a Group's director	**–**	(324)
Underwriting fee paid		
– directors	**–**	(2,191)

During the year ended 30 June 2018, the Group has granted several initial public offering loans to two directors of a subsidiary with an aggregate amount of HK$28 million which has been fully settled. No loan granted to any director during the year ended 30 June 2019.

The above transactions are carried out at mutually agreed terms.

35 Particulars of significant subsidiaries

The following is a list of the significant subsidiaries as at 30 June 2019 and 2018:

Name	Place of incorporation/ operations	Paid share capital	Principal activities	Proportion of nominal value of issued capital and voting rights held by the Company: Directly 2019	Directly 2018	Indirectly 2019	Indirectly 2018
Bill Lam & Associates Limited	Hong Kong	Ordinary shares HK$20	Provision of corporate services	**–**	–	**100%**	100%
Billion On Development Limited	Hong Kong	Ordinary shares HK$10,000	Property holding and securities investment	**–**	–	**100%**	100%
Kingsway Asset Management Group Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%
Festival Developments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**100%**	100%	**–**	–
Kingsway Capital Limited	Hong Kong	Ordinary shares HK$55,362,894	Provision of financial advisory services	**–**	–	**100%**	100%
Kingsway China Investments Limited	Hong Kong/People's Republic of China	Ordinary shares HK$2	Investment holding	**–**	–	**100%**	100%
Kingsway Financial Services Group Limited	Hong Kong	Ordinary shares HK$300,000,000	Securities, options, fund and futures brokerage	**–**	–	**100%**	100%
Kingsway Group Services Limited	Hong Kong	Ordinary shares HK$100,000	Provision of management services	**–**	–	**100%**	100%
Kingsway Lion Spur Technology Limited	British Virgin Islands/ Hong Kong	Ordinary share US$1	Securities investment	**–**	–	**100%**	100%
Sunwah Kingsway Investments Limited	Hong Kong	Ordinary share HK$1	Investment holding	**–**	–	**100%**	100%
Sunwah Capital Holdings Limited	Hong Kong	Ordinary share HK$1	Property holdings	**–**	–	**100%**	100%

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35 Particulars of significant subsidiaries (Continued)

Name	Place of incorporation/ operations	Paid share capital	Principal activities	Proportion of nominal value of issued capital and voting rights held by the Company			
				Directly		Indirectly	
				2019	2018	**2019**	2018
Kingsway SW Asset Management Limited	British Virgin Islands/ Hong Kong	Ordinary shares US$550,000	Provision of investment advisory services	**–**	–	**100%**	100%
Kingsway SW Finance Limited	Hong Kong	Ordinary shares HK$50,000	Provision of loan services and financing	**–**	–	**100%**	100%
SW Kingsway Capital Group Limited	British Virgin Islands	Ordinary shares US$38,750,000	Investment holding	**100%**	100%	**–**	–
Primo Result Limited	Hong Kong	Ordinary share HK$1	Securities investment	**–**	–	**100%**	100%
Best Advisory Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%
Primo Performance Limited	Hong Kong	Ordinary share HK$1	Securities investment	**–**	–	**100%**	100%
Dragon Tycoon (HK) Holdings Limited	Hong Kong	Ordinary share HK$1	Investment holding	**–**	–	**100%**	100%
Dragon Sphere (HK) Holdings Limited	Hong Kong	Ordinary share HK$1	Investment holding	**–**	–	**100%**	100%
Dragon Sphere Holdings Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%
Dragon Tycoon Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%
Ultimate Bloom Investments Limited	British Virgin Islands	Ordinary share US$1	Investment holding	**–**	–	**100%**	100%
Primo Financial Group Limited	Hong Kong	Ordinary shares HK$10,000	Securities investment	**–**	–	**100%**	100%
Sunwah Kingsway Finance Limited	Hong Kong	Ordinary share HK$1	Investment holding	**–**	–	**100%**	100%
Sunwah Kingsway Vietnam Services Limited	Hong Kong	Ordinary shares HK$2	Investment holding	**–**	–	**100%**	100%
Sunwah Kingsway Leasing and Finance Limited	Hong Kong	Ordinary shares HK$8,000,000	Investment holding	**–**	–	**100%**	100%
Primo Excel Limited	Hong Kong	Ordinary shares HK$10,000	Investment holding	**–**	–	**100%**	100%

35 Particulars of significant subsidiaries (Continued)

Name	Place of incorporation/ operations	Paid share capital	Principal activities	Proportion of nominal value of issued capital and voting rights held by the Company			
				Directly		Indirectly	
				2019	2018	**2019**	2018
Primo Developments Limited (previously known as Sunwah Kingsway Vietnam Limited)	Hong Kong	Ordinary shares HK$10,000	Provision of consultancy services	**–**	–	**33%#**	100%
Rich Smart Corporation Limited	Hong Kong	Ordinary share HK$1	Property holding	**–**	–	**100%**	100%
廣東新華滙富商業保理有限公司^	PRC	Registered capital US$1,000,000	Provision of factoring services	**–**	–	**100%**	100%
CAP Management Limited	Cayman Islands	Ordinary shares US$10	Provision of investment advisory services	**–**	–	**70%**	70%
MEC Asia Fund	Cayman Islands	N/A	Investment fund	**–**	–	**81.21%***	72.21%*

* The Company does not have any voting right in this subsidiary as the subsidiary is an investment fund.

^ The company is a wholly foreign owned enterprise.

\# During the year ended 30 June 2019, Primo Development Limited issued new shares to independent business partners of the Group and changed its principal activity to property holding. The operation of the company was minimal and the company was changed to associate during the year (note 17).

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong and PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries **2019**	2018
Investment consulting	People's Republic of China	**4**	4
Investment holdings	British Virgin Islands	**2**	2
Dormant	Hong Kong	**2**	2
		8	8

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35 Particulars of significant subsidiaries (Continued)

Festival Developments Limited and SW Kingsway Capital Group Limited are directly held by the Company. All other subsidiaries shown above are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the year.

The table below shows the details of non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018
				HK$'000	HK$'000	**HK$'000**	HK$'000
MEC Asia Fund	Cayman Islands	**18.79%**△	27.79%△	**(1,488)**	1,917	**9,512**	17,183
Individually immaterial subsidiary with non-controlling interest				**(121)**	60	**65**	186
				(1,609)	1,977	**9,577**	17,369

△ The non-controlling interests do not have any voting right in the company as it is an investment fund.

Summarised financial information in respect of MEC Asia Fund is shown in note 25 and the (loss)/profit allocated to the non-controlling interest is shown in consolidated income statement as fair value change on non-controlling interests in consolidated investment fund.

36 Financial risk management

The financial assets of the Group mainly include financial assets at FVTPL, bank balances and cash-trust accounts, cash and cash equivalent, loans receivables, loans to associates, amounts due from associates, other assets and accounts and other receivables. The carrying amounts of which are set out in the consolidated statement of financial position and the corresponding disclosure notes. The financial liabilities of the Group represent financial liabilities at FVTPL, accounts and other payables and bank loans, details of which are set out in notes 24, 26 and 28 respectively.

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, price risk, foreign exchange risk and interest rate risk. These risks are limited by the Group's financial management policies and practices described below.

(a) CREDIT RISK AND IMPAIRMENT ASSESSMENT

Credit risk arises from a number of areas. These include the possibility that a counterparty in a transaction may default during the settlement process. It also arises from lending, settlement, treasury, market making, proprietary trading and other activities undertaken by the Group.

The Group's Finance and Credit Committees are responsible for establishing the credit approval and monitoring procedures, which are in accordance with sound business practices, the requirements and provisions of the relevant ordinances, and where applicable, the codes or guidelines issued by the Hong Kong Securities and Futures Commission.

Day-to-day credit management is performed by the Operations Department with reference to the aforementioned criteria including creditworthiness, collateral pledged and risk concentration of the counterparties. The Finance Committee and Credit Committee are responsible for review of guidelines on credit limits, review stock concentration and review portfolios of major clients on a regular basis and approval of specific loans or advances if the amount exceeds pre-set guidelines.

Accounts, loans and other receivables consist of amounts due from brokers, clearing houses, clients, loans receivables, and other receivable items. In respect of advances to clients, the Group generally requires collateral from clients before advances are granted. Collateral normally takes the form of listed securities or cash deposits. Amounts due from brokers are treated as lower credit risk as counterparties are reputable financial institutions. For loans receivable, individual credit reviews are performed for granting the credit facilities. These reviews focus on the customer's and guarantor's (if any) background information, past history of making payments when due and current ability to pay, value of collateral pledged (if any), status on register of trade receivables (if any) and the economic environment in which the customer operates. As the Group's accounts, loans and other receivables relate to a large number of diversified customers and counterparties, the Group does not have any significant concentration of credit risk.

The credit risk on listed debt securities is limited because most of the issuers are companies listed in Hong Kong with strong financial position. The management of the Group monitors listed debt securities on a regular basis to ensure that there is no significant concentration risk.

36 Financial risk management (Continued)

(a) CREDIT RISK AND IMPAIRMENT ASSESSMENT (Continued)

The maximum exposure to credit risk without taking account of any collateral held or other credit enhancements is represented by the carrying value of each financial asset recognised. The credit risk of amounts due from margin clients is mitigated because they are secured over listed securities. The Group does not provide any guarantees which would expose the Group to credit risk.

Bank balances are placed in various authorised institutions with high credit rating and the Group considers the credit risk not significant.

Except for bank balances, the Group considers there is no other significant concentration of credit risk.

Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as instrument type, credit risk grade, collateral type, remaining term to maturity and the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (loan-to-value ratios). The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Financial assets at amortised cost
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Watch list	Debtor frequently repays after due dates in full	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

36 Financial risk management (Continued)

(a) CREDIT RISK AND IMPAIRMENT ASSESSMENT (Continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

June 2019	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
				HK'000	HK'000
Financial assets at amortised cost					
Accounts, loans and other receivables	21	Low risk/watch list	12-month ECL	233,423	
		Doubtful	Lifetime ECL (not credit impaired)	45,030	
		Loss	Lifetime ECL credit-impaired	31,644	
		Written off	Amount is written off	736	310,833
Loans to associates	17	Low risk	12-month ECL		14,594
Bank balance and cash – trust accounts	22	Low risk	12-month ECL		667,654
Cash and cash equivalents	23	Low risk	12-month ECL		209,779
Other assets	19	Low risk	12-month ECL		22,130

Note:

Prepayment and deposits of HK$2,503,000 (2018: HK$3,822,000) under accounts, loans and other receivables were not classified as financial assets at amortised cost.

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36 Financial risk management (Continued)

(a) CREDIT RISK AND IMPAIRMENT ASSESSMENT (Continued)

The following tables show reconciliation of loss allowances that has been recognised for accounts, loans and other receivables.

	12 m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 30 June 2018 under HKAS 39	–	–	534	534
Adjustment upon application of HKFRS 9	390	1,159	38	1,587
As at 1 July 2018 (as restated)	390	1,159	572	2,121
Changes due to financial instruments recognised as at 1 July:				
– Transfer to 12m ECL	394	(387)	(7)	–
– Transfer to credit-impaired	(9)	(767)	776	–
– Repayment and derecognition	(142)	–	(9)	(151)
– Remeasurement of ECL	(195)	22	5,267	5,094
New financial assets originated or purchased	260	732	2,542	3,534
	308	(400)	8,569	8,477
Movement without impact on profit or loss				
– Write-offs	–	–	(736)	(736)
As at 30 June 2019	698	759	8,405	9,862

Amount of approximately HK$260,000 provision made under 12m ECL is in relating to financial assets with grosss amount of approximately HK$50,883,000. Amount of approximately HK$732,000 provision made under Lifetime ECL (not credit-impaired) is in relating to financial assets with gross amount of approximately HK$41,206,000. Amount of approximately HK$2,542,000 provision made under Lifetime ECL (credit-impaired) is in relating to financial assets with gross amount of approximately HK$2,542,000.

(b) LIQUIDITY RISK

The Group manages its liquidity position to ensure the Group maintains a prudent and adequate liquidity ratio, in strict accordance with statutory requirements. This is achieved by the management, comprising the Chief Financial Officer and the Financial Controller, monitoring the liquidity position of the Group on a daily basis to ensure the availability of sufficient liquid funds to meet all obligations and compliance with the statutory requirements, such as the Hong Kong Securities and Futures (Financial Resources) Rules, applicable to various licensed subsidiaries.

36 Financial risk management (Continued)

(b) LIQUIDITY RISK (Continued)

The following table details the maturities analysis at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

	Carrying amount HK$'000	Repayment on demand or within one month HK$'000	Total undiscounted cash flows HK$'000
As 30 June 2019			
Financial liabilities at fair value through profit or loss	**6,358**	**6,358**	**6,358**
Net assets attributable to holders of non-controlling interests in consolidated investment fund	**9,512**	**9,512**	**9,512**
Accounts and other payables	**756,953**	**756,953**	**756,953**
Bank loans	**20,000**	**20,061**	**20,061**
	792,823	**792,884**	**792,884**
As 30 June 2018			
Financial liabilities at fair value through profit or loss	3,290	3,290	3,290
Net assets attributable to holders of non-controlling interests in consolidated investment fund	17,183	17,183	17,183
Accounts and other payables	1,154,766	1,154,766	1,154,766
Bank loans	20,000	20,055	20,055
	1,195,239	1,195,294	1,195,294

Notes:

Bank loans with a repayment on demand clause are included in the "Repayment on demand or within one month" time band in the above maturity analysis. As at 30 June 2019, the aggregate undiscounted principal amounts of these bank loans amounted to HK$20,000,000 (2018: HK$20,000,000). Assuming the banks will not exercise their discretionary rights to demand immediate repayment, the aggregate principal and interest cash outflows for such bank loans up to maturity date within 1 year (2018: 2 years) amounted to approximately HK$20,061,000 (2018: HK$21,108,000).

36 Financial risk management (Continued)

(c) PRICE RISK

The Group is exposed to price changes arising from investments classified as financial assets/(liabilities) at fair value through profit or loss.

Decisions to buy or sell listed and unlisted instruments, excluding the investments in the investment fund and investment loan, rest with assigned investment managers and governed by specific investment guidelines. The Board has set up the Investment Management Committee ("IMC") for the purpose of independently monitoring the positions of the Group's proprietary trading activities involving equities and derivatives. In addition to the IMC, the Group's exposures are closely monitored by the Finance Department and senior management on a daily basis and are measured on a "mark-to-market" basis. The Group's various proprietary trading activities are reported monthly to senior management for review.

For sensitivity analysis purpose of listed equity investments, it is assumed that the market price of the Tracker Fund of Hong Kong increases/decreases in line with the movement of the Hang Seng Index. The risk exposure is quantified by comparing the Group's portfolio beta to the beta of Tracker Fund of Hong Kong. Assuming a 10% upward/downward movement in the Hang Seng Index with all other variables held constant at the end of the reporting period, the Group's loss before tax would decrease/increase by HK$6,411,000 (2018: the Group's profit before tax would increase/decrease by HK$7,365,000).

For listed debt securities, assuming that the yield of individual debt increases/decreases by 50 basis points and all other variables held constant at the end of the reporting period, the Group's loss before tax would increase/decrease by HK$712,000 (2018: the Group's profit before tax would decrease/increase by HK$789,000).

For unlisted investment funds and investment loan, assuming that the unit price of the fund/portfolio value of the investment loan increased/decreased by 10% and all other variables held constant at the end of the report period, the Group's loss before tax would decrease/increase by HK$7,479,000 (2018: the Group's profit before tax and investments revaluation reserve would increase/decrease by HK$4,259,000 and HK$2,093,000 respectively).

In management's opinion, the sensitivity analysis is unrepresentative of the price risk as the year end exposure does not reflect the exposure during the year.

36 Financial risk management (Continued)

(d) FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk to earnings or capital arising from movements of foreign exchange rates. Foreign exchange risk is monitored by the Finance Department and senior management on a daily basis. Certain financial assets are measured daily on a "mark-to-market" basis as appropriate. Other financial assets and liabilities are revalued regularly using the market exchange rates. Overall positions are reported monthly to senior management for review.

The Group's foreign exchange risk primarily arises from currency exposures originating from certain financial assets and liabilities. Principal brokerage and lending operations are mainly carried out in local currency to obviate foreign exchange risk. Accordingly, the Group has no significant exposure to foreign exchange fluctuations on accounts and loans receivables.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	USD HK$'000	RMB HK$'000	GBP HK$'000	JPY HK$'000	Others HK$'000
At 30 June 2019					
Other assets	391	5	–	–	–
Loans to associates	–	–	–	14,594	–
Financial assets at fair value through profit or loss	104,141	–	2,402	–	–
Accounts, loans and other receivables	51,234	85,868	230	70	103
Bank balances and cash – trust accounts	7,440	625	–	–	1,242
Cash and cash equivalents	18,756	33,351	2	–	14
Accounts and other payables	(13,192)	(35,803)	(227)	(70)	(1,339)
Net exposure arising from recognised assets and liabilities	168,770	84,046	2,407	14,594	20

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36 Financial risk management (Continued)

(d) FOREIGN EXCHANGE RISK (Continued)

	USD HK$'000	RMB HK$'000	GBP HK$'000	JPY HK$'000	Others HK$'000
At 30 June 2018					
Other assets	391	6	–	–	–
Available-for-sale investments	27,751	–	–	–	–
Loan to an associate	–	–	–	6,089	–
Financial assets at fair value through profit or loss	68,932	–	2,982	–	–
Accounts, loans and other receivables	9,578	40,494	148	892	240
Bank balances and cash – trust accounts	5,785	624	–	–	1,237
Cash and cash equivalents	30,512	22,544	–	–	4
Accounts and other payables	(8,909)	(1,237)	(183)	(957)	(1,237)
Net exposure arising from recognised assets and liabilities	134,040	62,431	2,947	6,024	244

Other than above, several subsidiaries of the Company have intra-group payables denominated in HK$ of HK$36,368,000 as at 30 June 2019 (2018: HK$35,090,000), which are foreign currencies of the relevant group entities whose functional currency is RMB.

An analysis of the estimated change in the Group's (loss)/profit before tax in response to reasonably possible changes in the foreign exchange rates against respective functional currencies to which the Group has significant exposure at the end of reporting date is presented in the following table.

	2019		2018	
	Increase/(decrease) in exchange rates	**(Decrease)/increase on loss before tax HK$'000**	Increase/(decrease) in exchange rates	Increase/(decrease) on profit before tax HK$'000
Renminbi, RMB	**+5%**	**(6,020)**	+5%	4,876
	-5%	**6,020**	-5%	(4,876)
Pound Sterling, GBP	**+5%**	**(120)**	+5%	147
	-5%	**120**	-5%	(147)
Japanese Yen, JPY	**+5%**	**(730)**	+5%	301
	-5%	**730**	-5%	(301)

The above analysis assumes the change in foreign exchange rates had occurred at the end of reporting period and had been applied to each of the Group entities' exposure to currency risk in existence at that date while all other variables remains constant. The stated changes also represent management's assessment of reasonably possible changes in foreign exchange rates until the end of the next reporting period. The Hong Kong Dollar and the United States Dollar peg are assumed to stay materially unaffected by any fluctuation in United States Dollar against other currencies.

In the management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk as the year end exposure does not reflect the exposure during the year.

36 Financial risk management (Continued)

(e) INTEREST RATE RISK

Interest rate risk primarily results from timing differences in the re-pricing of interest bearing assets, liabilities and commitments. The Group's interest rate risk exposure arises mainly from bank balances, margin financing, short-term bank loans, secured bank loans and other lending activities. The short-term bank loans are mainly utilised for re-financing customers' borrowings for which the Group has the legal capacity to quickly recall the margin loans or re-price the loans to an appropriate level and financing the proprietary trading activities. Interest rates paid by the Group are managed by the Finance Department with the aim of maximising the spread of interest consistent with liquidity and funding obligations.

Assuming that the Hong Kong market interest rates had been 25 basis points (2018: 50 basis points) higher/lower and all other variables held constant at the end of the reporting period, the Group's loss before tax would decreased/increase by HK$675,000 (2018: the Group's profit before tax would increase/decrease by HK$1,397,000).

In the management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as at the year end exposure does not reflect the exposure during the year.

(f) FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statements of financial position; or
- not offset in the consolidated statements of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), Clearing Participant of China Securities Depository and Clearing Corporation Limited – Shenzhen Branch ("CSDC – SZ Branch") and brokers, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC, CSDC – SZ Branch and brokers on the same settlement date and the Group intends to settle on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

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36 Financial risk management (Continued)

(f) FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING (Continued)

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, CSDC – SZ Branch, brokers and brokerage clients that are not to be settled on the same date and, financial collateral, including cash and securities received by the Group, and deposits placed with HKSCC, CSDC – SZ Branch and brokers, do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

As at 30 June 2019

	Gross amounts of recognised financial assets after impairment HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$'000	Net amount HK$'000
Financial assets						
Amounts due from clearing houses, brokers and brokerage clients	149,727	(41,382)	108,345	(15,131)	(47,015)	46,199
Deposit placed with clearing houses	21,828	–	21,828	–	–	21,828

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral pledged HK$'000	Net amount HK$'000
Financial liabilities						
Amounts due to clearing houses, brokers and brokerage clients	783,638	(41,382)	742,256	(15,031)	–	727,225
Financial liabilities at FVTPL	6,358	–	6,358	–	–	6,358

36 Financial risk management (Continued)

(f) FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING (Continued)

As at 30 June 2018

	Gross amounts of recognised financial assets after impairment HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$'000	Net amount HK$'000
Financial assets						
Amounts due from clearing houses, brokers and brokerage clients	826,081	(206,145)	619,936	(223,938)	(150,325)	245,673
Deposit placed with clearing houses	7,658	–	7,658	–	–	7,658

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral pledged HK$'000	Net amount HK$'000
Financial liabilities						
Amounts due to clearing houses, brokers and brokerage clients	1,349,405	(206,145)	1,143,260	(220,648)	–	922,612
Financial liabilities at FVTPL	3,290	–	3,290	(3,290)	–	–

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36 Financial risk management (Continued)

(f) FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING (Continued)

The tables below reconcile the "Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the line items presented in the consolidated statement of financial position.

	2019 **HK$'000**	2018 HK$'000
Trade receivables		
Net amount of receivables as stated above	**108,345**	619,936
Amount not in scope of offsetting disclosures	**179,634**	141,088
Amount of total accounts, loans and other receivables as stated in note 21	**287,979**	761,024
Trade payables		
Net amount of payables as stated above	**742,256**	1,143,260
Amount not in scope of offsetting disclosures	**53,384**	64,604
Amount of total accruals, accounts and other payables as stated in note 26	**795,640**	1,207,864

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position, both of which have been disclosed in the above tables, are measured as follows:

- amounts due from/to clearing houses, brokers and brokerage clients – amortised cost
- deposit placed with clearing houses – amortised cost
- financial liabilities at FVTPL – fair value

The collateral pledged by the Group, which is measured at amortised cost, is eligible to set off the Group's financial liabilities at FVTPL in the event of default. In addition, the collateral pledged by customers, which is measured at fair value, is eligible to set off the Group's receivable measured at amortised cost in the event of default. Other than these, the amounts which have been offset against the related recognised financial assets and financial liabilities in the Group's consolidated statement of financial position or subject to enforceable master netting arrangements or similar agreements are measured on the same basis as the recognised financial assets and financial liabilities.

37 Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
	30 June 2019 HK$'000	**30 June 2018 HK$'000**		
Financial assets				
Listed equity securities	**77,680**	86,478	Level 1	Quoted price in an active market
Listed debt securities	**69,006**	65,703	Level 1	Quoted price in an active market
Unlisted investment fund	**66,334**	41,774	Level 2	Dealing price of the fund derived from the net asset value of the investment with reference to observable quoted price of underlying investment portfolio in active markets
Financial liabilities				
Listed equity securities	**6,358**	3,290	Level 1	Quoted price in an active market
Net assets attributable to holders of non-controlling interests in consolidated investment fund	**9,512**	17,183	Level 2	Net asset value of underlying investments determined with reference to active market price

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37 Fair value measurements of financial instruments (Continued)

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30 June 2019	30 June 2018			
	HK$'000	HK$'000			
Financial assets					
Unlisted debt security	**351**	866	Level 3	Broker quotation	N/A
Investment loan	**8,452**	21,743	Level 3	Adjusted net asset value of underlying investments	The unaudited performance of underlying investments, management fee and performance fee charged
Overseas unlisted equity securities	**11,200**	–	Level 3	Market approach/ Income approach	Ev/EBITDA multiple 8.0x Cost of capital 18% Discount rates ranged from 8% – 25%

The overseas unlisted equity securities were classified as available-for-sale investments and stated at cost less impairment at 30 June 2018. Following the adoption of HKFRS 9, the investments where reclassified as financial assets at fair value through profit or loss and measured at fair value. The fair value of the investments was measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.

A slight decrease in the Ev/EBITDA multiple used in isolation would result in a decrease in the fair value measurement of the overseas unlisted equity securities, and vice versa. A slight increase in the cost of capital/discount rate used in isolation would result in a decrease in the fair value measurement of the overseas unlisted equity securities, and vice versa. No sensitivity analysis of above level 3 financial assets is disclosed as in the opinion of the directors of the Company, the impact to the consolidated financial statements is insignificant.

There were no transfers between Levels 1, 2 and 3 in the current period. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Reconciliation of Level 3 fair value measurements

	Financial assets mandatorily classified/designated at fair value through profit or loss	
	30 June 2019	30 June 2018
	HK$'000	HK$'000
Opening balance	**22,609**	–
Reclassified as financial assets at fair value through profit or loss at 1 July 2018 after the adoption of HKFRS 9	**34,170**	–
Total (loss)/gain in profit or loss	**(24,556)**	663
Transfer into level 3	**–**	21,946
Disposal	**(12,220)**	–
	20,003	22,609

37 Fair value measurements of financial instruments (Continued)

For the year ended 30 June 2019, of the total gains or losses for the year included in profit or loss, HK$23,485,000 (2018: HK$ nil) relate to unrealised loss for the year related to financial assets measured at FVTPL under Level 3 held at year end. Fair value losses on financial assets measured at FVTPL are included in "Net (loss)/gain on financial assets and liabilities at FVTPL as set out in note 5.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

FAIR VALUE MEASUREMENT AND VALUATION PROCESS

The management is responsible in determining the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the financial instruments, the Group uses market-observable data to the extent it is available.

38 Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's statement of cash flows as cash flows from financing activities.

	Bank loans	Dividend payable	Net assets attributable to holders of non-controlling interests in consolidated investment fund	Total
	HK$	HK$	HK$	HK$
At 1 July 2017	30,000	–	15,266	45,266
Financing cash inflow	780,000	–	–	780,000
Financing cash outflow	(790,000)	(24,846)	–	(814,846)
Cash dividend declared	–	24,846	–	24,846
Change in gain or losses	–	–	1,917	1,917
At 30 June 2018 and 1 July 2018	20,000	–	17,183	37,183
Financing cash inflow	90,308	–	2,158	92,466
Financing cash outflow	(90,308)	(28,054)	(8,341)	(126,703)
Cash dividend declared	–	28,054	–	28,054
Change in gain or losses	–	–	(1,488)	(1,488)
At 30 June 2019	20,000	–	9,512	29,512

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39 Key sources of estimation uncertainty and judgements

In preparing these consolidated financial statements, management is required to exercise significant judgments in the selection and application of accounting principles, including making estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimation uncertainty

- **IMPAIRMENT ALLOWANCES ON ACCOUNTS AND LOANS RECEIVABLE**

  The measurement of ECL under HKFRS 9 across all categories of financial assets to which ECL measurements apply requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, where the change of the factors which result in different levels of allowances, a lesser/further impairment loss may arise. The Group uses external credit rating reports, research reports and statistics, where available, to estimate the probability of default, and the loss given default as further adjusted, where appropriate, by forward-looking information. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

- **FAIR VALUE OF THE INVESTMENT LOAN**

  The Group invested in an investment portfolio through entering into a loan agreement. The borrower appointed a Hong Kong licensed corporation as the investment manager of the investment portfolio. The fair value of the investment loan is derived from unobservable inputs including the unaudited performance of underlying investments, management fee and performance fee charged. The determination of the valuation of the investment loan requires significant judgement. The Group estimates the fair value with reference to the loan balance calculation statement provided by the borrower and net asset value statements provided by the underlying invested fund. Details of the investment loan are disclosed in note 20.

- **OTHER ASSETS**

  The Group placed a 130% short selling deposit on a suspended security listed on the Main Board of the Stock Exchange at its Hong Kong clearing house account on behalf of its client. The clearing house should return the deposit once the client completes the rectification of the share certificate. As of the reporting date, the management of the Group performed scenario analysis and estimated the deposit will be fully recovered within 2 years. The Group has classified the deposit as a non-current asset and discounted the deposit using the effective interest method.

Judgement

- **INCOME TAX**

  The Group's tax losses are mainly from a subsidiary engaging in proprietary trading activities. At the end of each reporting period and based primarily on the performance of the Hong Kong financial market, the Group estimates whether there will be sufficient future profits or taxable temporary differences available so that deferred tax assets should be recognised. No deferred tax assets will be recognised if the future profit streams are unpredictable. For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management of the Group have determined that the investment properties are recovered entirely through sale and the presumption that the carrying amount of the investment properties will be recovered through sale is not rebutted. Details of the deferred tax are disclosed in note 29.

40 Statement of Financial Position of the Company

	2019	2018
	HK$'000	HK$'000
Non-current assets		
Interests in subsidiaries	**213,272**	213,272
Amounts due from subsidiaries	**232,559**	219,180
	445,831	432,452
Current assets		
Prepayments, deposits and other receivable	**352**	319
Amounts due from subsidiaries	**638,686**	631,902
Cash and cash equivalents	**32,968**	61,937
	672,006	694,158
Current liabilities		
Accruals, accounts and other payables	**2,201**	976
Tax payable	**902**	–
	3,103	976
Net current assets	**668,903**	693,182
NET ASSETS	**1,114,734**	1,125,634
CAPITAL AND RESERVES		
Share capital	**70,145**	690,163
Reserves	**1,044,589**	435,471
TOTAL EQUITY	**1,114,734**	1,125,634

Jonathan Koon Shum Choi
Director

Michael Koon Ming Choi
Director

Notes to the Consolidated Financial Statements
For the year ended 30 June 2019

41 Reserves of the Company

	Contributed surplus $'000	Share premium $'000	Retained profits $'000	Total $'000
At 1 July 2017	86,308	346,313	9,623	442,244
Profit and total comprehensive income for the year (note 11)	–	–	17,658	17,658
Issue of shares on open offer	–	4,141	–	4,141
Shares issue costs	–	(3,726)	–	(3,726)
Dividends paid				
– 2017, final	(13,803)	–	–	(13,803)
– 2018, interim	–	–	(11,043)	(11,043)
At 30 June 2018	72,505	346,728	16,238	435,471
At 1 July 2018	**72,505**	**346,728**	**16,238**	**435,471**
Profit and total comprehensive income for the year (note 11)	**–**	**–**	**17,154**	**17,154**
Capital reduction (note 30)	**621,147**	**–**	**–**	**621,147**
Dividends paid				
– 2018, final	**(20,705)**	**5,551**	**–**	**(15,154)**
– 2019, interim	**–**	**–**	**(14,029)**	**(14,029)**
At 30 June 2019	**672,947**	**352,279**	**19,363**	**1,044,589**

The movement in the Group's reserves has been disclosed in the consolidated statement of changes in equity and the nature and purpose of reserves of the Group is as follows:

SHARE PREMIUM

The application of share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

SPECIAL RESERVE

The special reserve of the Group represents the difference between the aggregate of the nominal value and the share premium of the shares of SW Kingsway Capital Group Limited at the date of acquisition by the Company and the nominal value of the shares of the Company issued for the acquisition at the time of the Reorganisation on 10 August 2000.

CAPITAL RESERVE ON CONSOLIDATION

The capital reserve on consolidation of the Group represents bargain purchase gain arising from acquisitions prior to 1 July 2001.

EXCHANGE RESERVE

The exchange reserve has been set up and will be dealt with in accordance with the accounting policies adopted for foreign currency translation.

PROPERTIES REVALUATION RESERVE

The properties revaluation reserve was set up to deal with the surplus or deficit arising from the revaluation of land and buildings held for own use.

INVESTMENTS REVALUATION RESERVE

The investments revaluation reserve was set up to deal with the fair value changes arising from available-for-sale investments.

Five Years Financial Summary

	2015 (restated) HK$'000	2016 (restated) HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Results					
Revenue	111,534	109,188	118,419	181,934	**170,950**
Profit/(loss) attributable to owners of the Company	9,086	(69,912)	(1,929)	20,401	**(32,821)**
Basic earnings/(loss) per share (cents)	0.19	(1.27)	(0.03)	0.34	**(0.47)**
Dividends paid and payable to owners of the Company attributable to the year	25,767	24,846	24,846	31,748	**31,565**
Assets and liabilities					
Total assets	2,174,901	1,658,862	2,083,828	2,450,887	**1,988,465**
Total liabilities	(1,221,701)	(689,450)	(1,108,723)	1,286,579	**905,624**
Net assets attributable to owners of the Company	952,696	969,294	974,979	1,164,122	**1,082,776**

The comparative figures have been restated for the years ended 30 June 2016 and 2015 to conform with the current annual year presentation.

Directory of Licensed Subsidiaries and Affiliates

Licensed Subsidiaries of Sunwah Kingsway Capital Holdings Limited

Kingsway Financial Services Group Limited

Licensed Corporation of the Hong Kong Securities and Futures Commission
Exchange Participant of The Stock Exchange of Hong Kong
Broker Participant of Hong Kong Securities Clearing Company Limited
Exchange Participant of Hong Kong Futures Exchange
Participant of HKFE Clearing Corporation Limited
Options Trading Exchange Participant of SEHK
SEOCH Direct Clearing Participant
Lead Underwriter and Securities Broker licence for B-Shares of Shenzhen and Shanghai Stock Exchanges granted by the China Securities Regulatory Commission
B-Shares Special Seat Holder of Shenzhen Stock Exchange
B-Shares Tangible Trading Seat Holder of Shanghai Stock Exchange
B-Shares Special Clearing Participant of China Securities Depository and Clearing Corporation Limited – Shenzhen Branch
B-Shares Clearing Participant of China Securities Depository and Clearing Corporation Limited – Shanghai Branch

Kingsway Capital Limited

Licensed Corporation of the Hong Kong Securities and Futures Commission
Main Board and GEM Board Sponsor of The Stock Exchange of Hong Kong

Kingsway SW Asset Management Limited

Licensed Corporation of the Hong Kong Securities and Futures Commission

Kingsway SW Finance Limited

Money Lender registered with the HKSAR Government

Affiliated & Overseas Offices

China

– Beijing Kingsway Advisory Limited
18/F, Block 1, Henderson Centre,
18 Jiangguomenneida
Beijing, 100005, PRC

– Shanghai Kingsway Financial Consultancy Limited
18/F, BEA Finance Tower, 66 Huayuan Shiqiao Road,
Pudong, Shanghai, 200120, PRC

– Shenzhen Kingsway Financial Consultancy Limited
701, Tower A, Aerospace Skyscraper,
4019 Shennan Road, Futian District, Shenzhen,
518048, PRC

Corporate Information

General Information

CHAIRMAN
Jonathan Koon Shum Choi

EXECUTIVE DIRECTOR
Michael Koon Ming Choi *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS
Janice Wing Kum Kwan
Lee G. Lam

INDEPENDENT NON-EXECUTIVE DIRECTORS
Robert Tsai To Sze
Elizabeth Law
Huanfei Guan

Legal Advisors to the Company

As to Hong Kong Law:
MinterEllison
Level 32, Wu Chung House,
213 Queen's Road East, Hong Kong

As to Bermuda Law:
Conyers Dill & Pearman
2901 One Exchange Square,
8 Connaught Place, Central, Hong Kong

Auditor

Deloitte Touche Tohmatsu
35th Floor, One Pacific Place,
88 Queensway, Hong Kong

Registered Office

Clarendon House,
2 Church Street,
Hamilton HM 11, Bermuda

Head Office and Principal Place of Business

7th Floor, Tower One, Lippo Centre
89 Queensway, Hong Kong

Company Secretary

Vincent Wai Shun Lai

Authorised Representatives

Michael Koon Ming Choi
Vincent Wai Shun Lai

Bermuda Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
4th Floor, North Cedar House,
41 Cedar Avenue,
Hamilton HM12 Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Room 1712-1716, 17th Floor,
Hopewell Centre, 183 Queen's Road East,
Hong Kong

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited

Composition of Board Committees

AUDIT COMMITTEE
Robert Tsai To Sze *(Chairman)*
Elizabeth Law
Huanfei Guan

NOMINATION COMMITTEE
Elizabeth Law *(Chairman)*
Jonathan Koon Shum Choi
Robert Tsai To Sze
Huanfei Guan

COMPENSATION COMMITTEE
Elizabeth Law *(Chairman)*
Jonathan Koon Shum Choi
Robert Tsai To Sze
Huanfei Guan

CORPORATE GOVERNANCE COMMITTEE
Lee G. Lam *(Chairman)*
Janice Wing Kum Kwan
Huanfei Guan

SUNWAH KINGSWAY
新華滙富

Sunwah Kingsway Capital Holdings Limited
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