

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



Prepared For A Strong Regional Recovery




Interim Report

2020/21

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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.

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

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As to Bermuda Law:

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8 Connaught Place, Central, Hong Kong

AUDITOR

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22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

REGISTERED OFFICE

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2 Church Street,
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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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 HM 12, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Room 1712-1716, 17th Floor,
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Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) 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

Condensed Consolidated Income Statement

	Notes	Six months ended 31 December	
		2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Revenue			
Commission and fee income		28,054	29,315
Interest income arising from financial assets at amortised cost		10,438	14,817
Interest income arising from debt securities		869	1,944
Dividend income		881	768
Rental income		1,488	1,362
		41,730	48,206
Net gain on financial assets and liabilities at fair value	3		
through profit or loss	4	27,169	8,201
Other income and gains or losses	5	3,356	2,718
		72,255	59,125
Commission expenses		(3,396)	(2,900)
General and administrative expenses		(51,166)	(58,346)
Finance costs		(1,879)	(1,842)
Net impairment losses on financial instruments		(11,248)	(6,229)
Fair value changes on investment properties		159	(2,107)
Changes on non-controlling interests in consolidated investment fund	5	(1,036)	472
Share of losses of associates	5	(144)	(451)
		3,545	(12,278)
Profit/(loss) before tax	6		
Income tax expenses	7	(1,948)	(974)
		1,597	(13,252)
Attributable to:			
Owners of the Company		1,959	(13,253)
Non-controlling interests		(362)	1
		1,597	(13,252)
			(restated)
Basic and diluted profit/(loss) per share	9	0.3 HK cent	(1.9 HK cent)

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 31 December	
	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Profit/(loss) for the period	1,597	(13,252)
Other comprehensive (expense)/income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Land and buildings held for own use (note 10)		
– Deficit on revaluation	(24,235)	(24,540)
– Income tax effect	3,845	4,883
	(20,390)	(19,657)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of overseas subsidiaries	3,683	(838)
Other comprehensive expense for the period	(16,707)	(20,495)
Total comprehensive expense for the period	(15,110)	(33,747)
Total comprehensive (expense)/income attributable to:		
Owners of the Company	(14,748)	(33,748)
Non-controlling interests	(362)	1
Total comprehensive expense for the period	(15,110)	(33,747)

Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	31 December 2020 Unaudited HK\$'000	30 June 2020 Audited HK\$'000
Non-current assets			
Investment properties		88,241	88,082
Properties and equipment	10	337,281	367,765
Intangible assets		2,320	2,320
Goodwill		4,965	4,965
Interests in associates		18,310	18,454
Loans to and amounts due from associates		13,932	13,607
Loan receivables	12	12,410	14,989
Other assets		9,507	8,216
Financial assets at fair value through profit or loss	11	36,473	34,145
Deferred tax assets		2,958	2,897
		526,397	555,440
Current assets			
Financial assets at fair value through profit or loss	11	252,159	234,681
Accounts, loans and other receivables	12	397,949	411,692
Contract assets		966	–
Bank balances and cash – trust accounts	13	585,586	658,034
Cash and cash equivalents		119,228	136,266
		1,355,888	1,440,673
Current liabilities			
Financial liabilities at fair value through profit or loss	14	9,355	8,267
Net assets attributable to holders of non-controlling interests in consolidated investment fund	15	10,200	9,164
Accruals, accounts and other payables	16	741,831	883,615
Lease liabilities		1,610	1,579
Contracts liabilities		18,900	17,560
Bank loans	17	110,000	60,000
Current tax liabilities		1,893	3,421
		893,789	983,606
Net current assets		462,099	457,067
Total assets less current liabilities		988,496	1,012,507
Non-current liabilities			
Deferred tax liabilities		26,764	30,000
Lease liabilities		458	1,271
		27,222	31,271
NET ASSETS		961,274	981,236
CAPITAL AND RESERVES			
Share capital	18	71,276	71,276
Reserves		888,287	910,163
Equity attributable to owners of the Company		959,563	981,439
Non-controlling interests		1,711	(203)
TOTAL EQUITY		961,274	981,236

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company							Total HK\$'000		
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Capital reserve on consolidation HK\$'000	Exchange reserve HK\$'000	Properties revaluation reserve HK\$'000	Retained profit HK\$'000		Non- controlling interests HK\$'000	Total HK\$'000
At 1 July 2020 (audited)	71,276	363,714*	39,800*	63,392*	(3,168)*	199,769*	246,656*	(203)	981,439	981,236
Profit/(loss) for the period	-	-	-	-	-	-	1,959	(362)	1,959	1,597
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	3,683	-	-	-	3,683	3,683
Deficit on revaluation of land and buildings held for own use	-	-	-	-	-	(20,390)	-	-	(20,390)	(20,390)
Total comprehensive income/(expense) for the period	-	-	-	-	3,683	(20,390)	1,959	(362)	(14,748)	(15,110)
2020 final dividend payable (note 8)	-	-	-	-	-	-	(7,128)	-	(7,128)	(7,128)
Capital contribution from minority shareholder	-	-	-	-	-	-	-	2,276	-	2,276
At 31 December 2020 (unaudited)	71,276	363,714*	39,800*	63,392*	515*	179,379*	241,487*	1,711	959,563	961,274
At 1 July 2019 (audited)	70,145	359,075	39,800	63,392	(1,701)	232,684	319,381	65	1,082,776	1,082,841
(Loss)/profit for the period	-	-	-	-	-	-	(13,253)	1	(13,253)	(13,252)
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	(838)	-	-	-	(838)	(838)
Deficit on revaluation of land and buildings held for own use	-	-	-	-	-	(19,657)	-	-	(19,657)	(19,657)
Total comprehensive (expense)/income for the period	-	-	-	-	(838)	(19,657)	(13,253)	1	(33,748)	(33,747)
2019 final dividend payable (note 8)	-	-	-	-	-	-	(17,536)	-	(17,536)	(17,536)
At 31 December 2019 (unaudited)	70,145	359,075	39,800	63,392	(2,539)	213,027	288,592	66	1,031,492	1,031,558

* Those reserve accounts comprise the consolidated reserves of HK\$888,287,000 (30 June 2020: HK\$910,163,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

	Six months ended 31 December	
	2020 Unaudited HK\$'000	2019 Unaudited HK\$'000
Operating activities		
Operating cash flows before changes in working capital	11,925	(13,589)
Increase in financial assets at fair value through profit or loss	(19,806)	(47,266)
Decrease/(increase) in accounts, loans and other receivables	11,194	(47,825)
Decrease in bank balances and cash – trust accounts	72,448	316,070
Decrease in accruals, accounts and other payables	(152,203)	(311,069)
Increase in contracts liabilities	1,340	2,576
Increase in financial liabilities at fair value through profit or loss	1,088	18,128
Other operating cash flows	(2,266)	14,399
Cash used in operations	(76,280)	(68,576)
Interest received	10,500	15,892
Dividend received	1,491	293
Interest paid	(1,825)	(1,797)
Interest portion of lease payments	(48)	(78)
Profits tax (paid)/refund	(2,928)	39
Net cash used in operating activities	(69,090)	(54,227)
Investing activities		
Payment for purchase of properties and equipment	(131)	(315)
Net cash used in investing activities	(131)	(315)
Financing activities		
Proceeds from bank loans	3,111,973	50,000
Repayment of bank loans	(3,061,973)	(35,000)
Principal portion of lease payments	(782)	(752)
Capital contribution from minority shareholder	2,276	–
Net cash generated from financing activities	51,494	14,248
Net decrease in cash and cash equivalents	(17,727)	(40,294)
Cash and cash equivalents at 1 July 2020/2019	136,266	209,779
Effect of foreign exchange rate changes, net	689	–
Cash and cash equivalents at 31 December 2020/2019	119,228	169,485
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	119,228	169,485

Notes to Condensed Consolidated Financial Statements

1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard 34, Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2 SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, land and buildings held for own use and financial assets/liabilities at fair value through profit or loss that are measured at revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of the *Conceptual Framework for Financial Reporting 2018* and the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the unaudited interim condensed consolidated financial statements for the six months ended 31 December 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2020.

Application of the *Conceptual Framework for Financial Reporting 2018* and the amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the *Conceptual Framework for Financial Reporting 2018* and the following amendments HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparing of the Group’s unaudited interim condensed consolidated financial statements.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

Conceptual Framework for Financial Reporting 2018 (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

Notes to Condensed Consolidated Financial Statements**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 July 2020. The amendments did not have any impact on the financial position and performance of the Group.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

Notes to Condensed Consolidated Financial Statements

3 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.

	Six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers		
<i>Commission and fee income</i>		
– securities, options, funds, futures and commodities brokerage	14,595	8,928
– underwriting and placements in equity capital markets	1,469	2,066
– corporate finance	9,327	15,747
– asset management	15	288
– miscellaneous fee income	2,648	2,286
	28,054	29,315
Revenue from other sources		
<i>Interest income arising from financial assets at amortised cost</i>		
– bank deposits	602	2,336
– margin and cash clients	3,329	2,274
– loans	6,478	10,131
– others	29	76
	10,438	14,817
<i>Interest income arising from debt securities</i>	869	1,944
<i>Dividend income</i>	881	768
<i>Rental income</i>	1,488	1,362
	13,676	18,891
	41,730	48,206

Notes to Condensed Consolidated Financial Statements

3 REVENUE (Continued)

DISAGGREGATION OF REVENUE

The following illustrates the disaggregated revenue information of the Group's revenue from contracts with customers:

For six months ended 31 December 2020

Segments	Brokerage and financing HK\$'000	Corporate finance and capital markets HK\$'000	Asset management HK\$'000	Others HK\$'000	Total HK\$'000
Type of services					
Brokerage service	14,595	–	–	–	14,595
Capital market service	–	1,469	–	–	1,469
Corporate finance service	–	9,327	–	–	9,327
Asset management service	–	–	15	–	15
Other services	2,037	–	–	611	2,648
Total revenue from contracts with customers	16,632	10,796	15	611	28,054
Geographical markets					
Hong Kong	15,427	10,796	15	611	26,849
The People's Republic of China (the "PRC")	1	–	–	–	1
Other countries	1,204	–	–	–	1,204
Total revenue from contracts with customers	16,632	10,796	15	611	28,054
Timing of revenue recognition					
Services transferred at a point in time	16,632	1,579	–	–	18,211
Services transferred over time	–	9,217	15	611	9,843
Total revenue from contracts with customers	16,632	10,796	15	611	28,054

Notes to Condensed Consolidated Financial Statements

3 REVENUE (Continued)**DISAGGREGATION OF REVENUE (Continued)**

For six months ended 31 December 2019

Segments	Brokerage and financing HK\$'000	Corporate finance and capital markets HK\$'000	Asset management HK\$'000	Others HK\$'000	Total HK\$'000
Type of services					
Brokerage service	8,928	–	–	–	8,928
Capital market service	–	2,066	–	–	2,066
Corporate finance service	–	15,747	–	–	15,747
Asset management service	–	–	288	–	288
Other services	1,684	–	–	602	2,286
Total revenue from contracts with customers	10,612	17,813	288	602	29,315
Geographical markets					
Hong Kong	9,659	17,813	288	602	28,362
PRC	192	–	–	–	192
Other countries	761	–	–	–	761
Total revenue from contracts with customers	10,612	17,813	288	602	29,315
Timing of revenue recognition					
Services transferred at a point in time	10,612	11,216	–	–	21,828
Services transferred over time	–	6,597	288	602	7,487
Total revenue from contracts with customers	10,612	17,813	288	602	29,315

4 NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Listed equity securities	20,407	6,262
Listed debt securities	445	(1,935)
Listed derivatives	(3,213)	414
Exchange traded funds	535	–
Unlisted debt security	–	(164)
Unlisted investment loan	5,282	1,238
Unlisted investment funds	3,430	2,188
Overseas unlisted equity securities	283	198
	27,169	8,201

Notes to Condensed Consolidated Financial Statements

5 SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment for the periods under review:

	Six months ended 31 December 2020						
	Proprietary investment	Property investment	Brokerage and financing	Corporate finance and capital markets	Asset management	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission and fee income	–	–	16,632	10,796	15	611	28,054
Interest income arising from financial assets at amortised cost	18	324	10,080	16	–	–	10,438
Interest income arising from debt securities	869	–	–	–	–	–	869
Other income	881	1,488	–	–	–	–	2,369
Inter-segment revenue	–	–	835	–	440	11,231	12,506
Segment revenue	1,768	1,812	27,547	10,812	455	11,842	54,236
Net gain on financial assets and liabilities at fair value through profit or loss	27,138	–	31	–	–	–	27,169
Other income and gains or losses	30	–	31	13	(3)	3,285	3,356
Eliminations	–	–	(835)	–	(440)	(11,231)	(12,506)
	28,936	1,812	26,774	10,825	12	3,896	72,255
Segment results	18,476	341	(6,637)	(6,101)	(1,309)	(45)	4,725
Share of (losses)/profits of associates	–	(430)	286	–	–	–	(144)
Changes on non-controlling interests in consolidated investment fund	(1,036)	–	–	–	–	–	(1,036)
Profit before tax							3,545

Notes to Condensed Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

	Six months ended 31 December 2019						
	Proprietary investment	Property investment	Brokerage and financing	Corporate finance and capital markets	Asset management	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission and fee income	–	–	10,612	17,813	288	602	29,315
Interest income arising from financial assets at amortised cost	482	152	13,792	386	–	5	14,817
Interest income arising from debt securities	1,944	–	–	–	–	–	1,944
Other income	768	1,362	–	–	–	–	2,130
Inter-segment revenue	5	–	485	–	558	14,356	15,404
Segment revenue	3,199	1,514	24,889	18,199	846	14,963	63,610
Net gain on financial assets and liabilities at fair value through profit or loss	8,174	–	27	–	–	–	8,201
Other income and gains or losses	2	1	3,415	2	(1)	(701)	2,718
Eliminations	(5)	–	(485)	–	(558)	(14,356)	(15,404)
	11,370	1,515	27,846	18,201	287	(94)	59,125
Segment results	(565)	(2,522)	(443)	(4,848)	(54)	(3,867)	(12,299)
Share of profits/(losses) of associates	–	159	(610)	–	–	–	(451)
Changes on non-controlling interests in consolidated investment fund	472	–	–	–	–	–	472
Loss before tax							(12,278)

The following is an analysis of the Group's assets by operating segment:

	31 December 2020	30 June 2020
	HK\$'000	HK\$'000
Proprietary investment	332,273	304,778
Property investment	104,317	104,774
Brokerage and financing	1,082,670	1,184,072
Corporate finance and capital markets	32,175	37,273
Asset management	11,496	9,347
Others	319,354	355,869
Total assets	1,882,285	1,996,113

Notes to Condensed Consolidated Financial Statements

6 PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after crediting/(charging):

	Six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Staff costs	(28,262)	(37,038)
Lease payments not included in the measurement of lease liabilities	(748)	(237)
Depreciation	(6,419)	(6,897)
Interest expenses on		
– unsecured bank loans wholly repayable within one month and overdrafts	(6)	–
– secured bank loans wholly repayable within one year	(1,820)	(352)
– other accounts payable	–	(930)
– others	(5)	(482)
– lease liabilities	(48)	(78)
Exchange gain/(loss) (net)	3,325	(679)

7 INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Current tax		
– Hong Kong	983	844
– PRC	437	383
	1,420	1,227
Over provision in prior years	(20)	–
Deferred tax	548	(253)
	1,948	974

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the current and prior periods. No tax is payable on the profits of certain subsidiaries arising in Hong Kong for the period since the estimated assessable profits of these subsidiaries of the Group of HK\$13.8 million (31 December 2019: HK\$4.1 million) are wholly set off by tax losses brought forward. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25%.

Notes to Condensed Consolidated Financial Statements

8 DIVIDENDS

Dividends recognised as distributions during the period:

	Six months ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Final dividend in respect of the previous financial year, declared and payable of 1 HK cent per share (after share consolidation) (2019: paid of 2.5 HK cents per share (after share consolidation))	7,128	17,536

Subsequent to the end of the interim reporting period, at a meeting held on 10 February 2021, the directors declared an interim dividend of 1.5 HK cents per share (31 December 2019: 2 HK cents per share (after share consolidation)) for an aggregate amount of HK\$10,792,000 (31 December 2019: HK\$14,255,000) based on the number of shares in issue at 10 February 2021.

9 PROFIT/(LOSS) PER SHARE

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

	Six months ended 31 December	
	2020 HK\$'000	2019 (restated) HK\$'000
Profit/(loss)		
Profit/(loss) for the purposes of basic and diluted profit/(loss) per share		
Profit/(loss) attributable to owners of the Company for the period	1,959	(13,253)
Number of shares		
Number of ordinary shares for the purpose of basic and diluted profit/(loss) per share	712,761,496	701,446,967

Note: On 26 November 2020, the Company implemented share consolidation (Note 18) and the weighted average number of ordinary shares in issue used in the basic and diluted loss per share calculation for the period ended 31 December 2019 was adjusted retrospectively.

Notes to Condensed Consolidated Financial Statements

10 PROPERTIES AND EQUIPMENT

As at 31 December 2020, the revaluation deficit, net of the related deferred tax, of approximately HK\$20,390,000 (31 December 2019: HK\$19,657,000) was debited to the properties revaluation reserve. The fair value of the Group's land and buildings as at 31 December 2020 and 30 June 2020 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 with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

Addition of the Group's properties and equipment amounted to HK\$131,000 for the period ended 31 December 2020 (31 December 2019: HK\$315,000).

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	31 December 2020 HK\$'000	30 June 2020 HK\$'000
Listed equity securities, at quoted price			
– in Hong Kong		144,191	126,733
– outside Hong Kong		1,691	1,442
Listed debt securities, at quoted price			
– in Hong Kong	<i>(a)</i>	18,922	24,504
– outside Hong Kong	<i>(a)</i>	16,084	23,867
Exchange traded funds, at quoted price	<i>(b)</i>	9,983	9,448
Overseas unlisted equity securities	<i>(c)</i>	8,890	8,607
Unlisted investment loan	<i>(d)</i>	14,439	9,157
Unlisted investment funds	<i>(e)</i>	74,432	65,068
		288,632	268,826
Represented by:			
Non-current		36,473	34,145
Current		252,159	234,681
		288,632	268,826

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes:

- (a) The Group held listed debt securities with fair value of HK\$33,468,000 as at 31 December 2020 (30 June 2020: HK\$46,963,000) which will be due in 2021 to 2027 (30 June 2020: 2020 to 2027). The Group also held listed perpetual debts with fair value of HK\$1,538,000 as at 31 December 2020 (30 June 2020: HK\$1,408,000).
- (b) The Group held exchange traded funds with fair value of HK\$9,983,000 as at 31 December 2020 (30 June 2020: HK\$9,448,000) which are open-end funds listed on overseas stock exchange.
- (c) The fair value of overseas unlisted equity securities has been arrived at on the basis of valuation carried out by independent qualified professional valuers not connected to the Group who have appropriate qualifications and recent experience in the valuation of similar securities. The fair value measurement of the overseas unlisted equity securities is described in note 24 to the condensed consolidated financial statements
- (d) The fair value is derived from unobservable inputs, which is the credit risk of borrower. 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 as adjusted by a discount to reflect the credit risk of the borrower.
- (e) The fair value is based on the net asset value of underlying investments reported by the administrator as of the end of the reporting period.

Notes to Condensed Consolidated Financial Statements

12 ACCOUNTS, LOANS AND OTHER RECEIVABLES

	<i>Notes</i>	31 December 2020 HK\$'000	30 June 2020 HK\$'000
Accounts and loan receivables			
Amounts due from brokers and clearing houses	<i>(a)</i>	160,314	210,700
Amounts due from margin clients	<i>(b)</i>	31,068	27,970
Amounts due from cash clients	<i>(c)</i>	83,621	46,523
Loan receivables	<i>(d)</i>	153,493	157,486
Other accounts receivable	<i>(e)</i>	2,498	2,527
		430,994	445,206
Less: Impairment allowances		(35,254)	(24,267)
		395,740	420,939
Less: Non-current portion		(12,410)	(14,989)
		383,330	405,950
Prepayments, deposits and other receivables			
Less: Impairment allowances		(1,998)	(2,069)
		14,619	5,742
		397,949	411,692

Notes:

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

Amounts due from brokers of HK\$11,227,000 (30 June 2020: HK\$9,920,000) was pledged as collateral for the stock borrowing transactions.

- (b) Margin clients of the brokerage division are required to pledge securities as 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 to the value of securities accepted by the Group. The amounts due from margin clients are repayable on demand and bear interest at commercial rates. At 31 December 2020, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK\$47 million (30 June 2020: HK\$46 million). As at 31 December 2020 and 30 June 2020, the market value of collateral held by substantial number of the margin clients were larger than their outstanding balance. There has been a significant change in the quality of collateral held by several margin clients during the period. As a result, the Group provided impairment losses of HK\$5 million (30 June 2020: HK\$9 million) during the period. 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 day determined under the relevant market practices or exchange rules.

Notes to Condensed Consolidated Financial Statements

12 ACCOUNTS, LOANS AND OTHER RECEIVABLES (Continued)

Notes:

- (d) Loan receivables comprised fixed-rate loan receivables of HK\$78 million (30 June 2020: HK\$82 million) and factoring receivables of HK\$75 million (30 June 2020: HK\$75 million), and impairment allowances of HK\$19 million (30 June 2020: HK\$14 million) as at 31 December 2020. The credit terms for loans granted by the Group's brokerage and financing division are determined by management with reference to the financial background and the value and nature of collateral pledged by the borrowers. The loan receivables are mainly secured by personal/corporate guarantee and trade receivables. The contractual maturity date of the loan receivables is normally 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 relationships and stable repayment patterns, where the terms are extended to a longer period.

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

	31 December 2020	30 June 2020
	HK\$'000	HK\$'000
Current and within one month	378,872	403,785
More than one month and within three months	263	137
More than three months	16,605	17,017
	395,740	420,939

Included in the above table, loan receivables of approximately HK\$125,299,000 and HK\$9,440,000 (30 June 2020: HK\$139,630,000 and HK\$3,522,000) were aged within one month and more than three months respectively.

The movements in the allowance for impairment losses for accounts, loans and other receivables for the Group were as follows:

	Amounts due from brokers and clearing houses	Amounts due from margin clients	Amounts due from cash clients	Loan receivables	Other accounts receivable	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2019	5	31	18	6,589	3,072	9,715
Impairment losses recognised	1	9,322	22	7,745	506	17,596
Amounts written off as uncollectible	–	–	–	–	(3,044)	(3,044)
At 30 June 2020 and 1 July 2020	6	9,353	40	14,334	534	24,267
Impairment losses recognised/(reversed)	–	5,280	(27)	4,420	1,550	11,223
Amounts written off as uncollectible	–	–	–	–	(236)	(236)
At 31 December 2020	6	14,633	13	18,754	1,848	35,254

Notes to Condensed Consolidated Financial Statements

13 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 571I) of the laws of Hong Kong under the Securities and Futures Ordinance. The Group has recognised the corresponding clients' accounts payable to respective clients.

14 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020 HK\$'000	30 June 2020 HK\$'000
Financial liabilities at fair value through profit or loss arising from short selling activities	9,355	8,267

Balance represented the fair value of listed equity securities from short selling activities as at 31 December 2020 and 30 June 2020.

15 NET ASSETS ATTRIBUTABLE TO HOLDERS OF NON-CONTROLLING INTERESTS IN CONSOLIDATED INVESTMENT FUND

Net assets attributable to holders of non-controlling interests in the consolidated investment fund, namely MEC Asian 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.

16 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	31 December 2020 HK\$'000	30 June 2020 HK\$'000
Accounts payable (on demand or within one month)		
Amounts due to brokers and clearing houses	801	36
Clients' accounts payable	703,516	837,413
Others	7,842	8,464
	712,159	845,913
Other creditors, accruals and other provisions	29,672	37,702
	741,831	883,615

The settlement terms of payable to brokers, clearing houses and securities trading clients from the ordinary course of business of broking in securities range from one to two 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.

Notes to Condensed Consolidated Financial Statements

17 BANK LOANS

	31 December 2020	30 June 2020
	HK\$'000	HK\$'000
Secured bank loans (<i>Note</i>)	110,000	60,000

Note: The bank loans are repayable within one year (30 June 2020: one year). The loan are secured by the Group's land and buildings held for own use with fair value of approximately HK\$320 million (30 June 2020: HK\$350 million) and bear interest at 1.4% above Hong Kong Interbank Offered Rate ("HIBOR") (30 June 2020: 1.4% above HIBOR).

One of the Group's banking facilities is subject to covenant which a certain loan-to-value ratio shall be maintained. The Group is required to repay part of the bank loans to maintain the specified ratio when necessary. The Group regularly monitors its compliance with these covenants. As at 31 December 2020 and 30 June 2020, none of the covenants relating to the facilities drawn had been breached.

18 SHARE CAPITAL

	31 December 2020		30 June 2020	
	No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
<i>Note</i>				
Authorised	10,000,000,000	1,000,000	100,000,000,000	1,000,000
Issued and fully paid:				
Balance brought forward	7,127,614,962	71,276	7,014,469,674	70,145
Scrip dividend issued	–	–	113,145,288	1,131
Share consolidation (<i>a</i>)	(6,414,853,466)	–	–	–
Balance carried forward	712,761,496	71,276	7,127,614,962	71,276

Note:

- (a) On 26 November 2020, the Company completed the share consolidation on the basis that every ten (10) issued and unissued existing shares are consolidated into one (1) consolidated share. The authorised share capital of the Company was HK\$1,000,000,000 divided into 100,000,000,000 existing shares with a par value of HK\$0.01 each before the share consolidation. After the share consolidation, the authorised share capital of the Company became HK\$1,000,000,000 divided into 10,000,000,000 consolidated shares with a par value of HK\$0.1 each. There was no changes on the amount of issued share capital.

Notes to Condensed Consolidated Financial Statements

19 COMMITMENTS**(A) COMMITMENTS UNDER OPERATING LEASES AS LESSOR**

As at 31 December 2020 and 30 June 2020, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases in respect of office premises which fall due as follows:

	31 December 2020 HK\$'000	30 June 2020 HK\$'000
Within one year	2,826	1,903
Between one and two years	800	450
	3,626	2,353

Leases are negotiated and rentals are fixed for lease terms of 2 to 3 years. The Group does not provide an option to the lessees to purchase the leased assets at the expiry of the lease period.

(B) Other commitments

	31 December 2020 HK\$'000	30 June 2020 HK\$'000
Capital commitments for acquisition of unlisted equity investments (Note)	17,891	12,161
	17,891	12,161

Note: The capital commitment of HK\$13,730,000 as at 31 December 2020 was settled on January 2021.

20 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.

In the previous years, the Group placed a 130% short selling deposit, of approximately HK\$29.8 million, 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 Hong Kong Clearing house refunded the deposit to the Group after the delisting of the security. The Group signed a letter of indemnity to Hong Kong Securities Clearing Co. Ltd. which agree to undertake all potential claims in connection with the shortfall of the shares.

Notes to Condensed Consolidated Financial Statements

21 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 the 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 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.

22 RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

The following is a summary of significant 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:

(a) Key management personnel remuneration

	Six months ended 31 December	
	2020 HK\$’000	2019 HK\$’000
Fees	1,100	1,200
Salaries, commission and other allowance	2,922	3,252
Retirement scheme contributions	87	87
	4,109	4,539

(b) Others

	Six months ended 31 December	
	2020 HK\$’000	2019 HK\$’000
Brokerage commission earned on securities, options, futures and commodities dealing		
– Group’s directors, their close family members and their companies	113	55
Consultancy and management fees earned		
– a company controlled by a Group’s director	620	620
Clients’ accounts payable		
– Group’s directors, their close family members and their companies	31,663	37,939

Notes to Condensed Consolidated Financial Statements

22 RELATED PARTY AND CONNECTED PARTY TRANSACTIONS (Continued)**(c) LOANS TO ASSOCIATES**

The Group provided pro-rata shareholder loans to associates for the acquisition of investment properties in Japan. As at 31 December 2020, a loan with the principal amount of HK\$6,089,000 (30 June 2020: HK\$6,089,000) is unsecured, interest bearing at 5% per annum and repayable in January 2023. The other loan with the principal amount, net of imputed interest, of HK\$6,499,000 (30 June 2020: HK\$6,499,000) is unsecured, interest free and repayable in October 2024.

23 FINANCIAL INSTRUMENTS

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.

The unaudited interim condensed consolidated financial statements do not include all financial risk management information and disclosures related to the unaudited interim condensed consolidated financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 30 June 2020.

There has been no change in the risk management policies during the current six-month period.

24 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).

Notes to Condensed Consolidated Financial Statements

24 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2020	30 June 2020		
	HK\$'000	HK\$'000		
<u>Financial assets</u>				
Listed equity securities	145,882	128,175	Level 1	Quoted price in an active market
Listed debt securities	35,006	48,371	Level 2	Quoted price in a market
Exchange traded funds	9,983	9,448	Level 1	Quoted price in an active market
Unlisted investment funds	74,432	65,068	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
<u>Financial liabilities</u>				
Listed equity securities	9,355	8,267	Level 1	Quoted price in an active market
Net assets attributable to holders of non-controlling interests in consolidated investment fund	10,200	9,164	Level 2	Net asset value of underlying investments determined with reference to active market price

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31 December 2020	30 June 2020			
	HK\$'000	HK\$'000			
<u>Financial assets</u>					
Unlisted investment loan	14,439	9,157	Level 3	Adjusted net asset value of underlying investments	Credit risk adjustment of 3.61% (30 June 2020: 3.61%)
Overseas unlisted equity securities	8,890	8,607	Level 3	Market approach	Enterprise value to earnings before interest, taxes, depreciation and amortization ratio ("EV/EBITDA") 6.6x (30 June 2020: 6.2x) Discount for lack of marketability of 22% (30 June 2020: 25%)
				Income approach	Cost of capital of 24.0% (30 June 2020: 20.4%) Discount for lack of control of 9.8% (30 June 2020: 9.8%) Discount for lack of marketability of 20.6% (30 June 2020: 20.6%)

Notes to Condensed Consolidated Financial Statements

24 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

For overseas unlisted equity security using market approach, a 10% increase in the EV/EBITDA multiple used in isolation would result in an increase in the fair value measurement of the overseas unlisted equity security of HK\$828,000 and vice versa. The effect of a 10% increase in the discount for lack of marketability used in isolation would result in a decrease in the fair value measurement of the overseas unlisted equity security of HK\$166,000, and vice versa.

For overseas unlisted equity security using income approach, a 10% increase/decrease in the cost of capital used in isolation would result in a decrease in the fair value measurement of the overseas unlisted equity security of HK\$100,000 or an increase of HK\$126,000. A 10% increase in discount for lack of control and discount for lack of marketability used in isolation would result in a decrease in the fair value measurement of the overseas unlisted equity security of HK\$8,000 and HK\$19,000 respectively, and vice versa.

For unlisted investment loan, a 10% increase in the credit risk adjustment used in isolation would result in a decrease in the fair value measurement of the unlisted investment loan of HK\$54,000 and vice versa.

Reconciliation of Level 3 fair value measurements

	Financial assets at fair value through profit or loss	
	31 December 2020 HK\$'000	30 June 2020 HK\$'000
Opening balance	17,764	20,003
Fair value change charged to profit or loss	5,565	(7,658)
Addition	–	5,790
Disposal	–	(371)
	23,329	17,764

For the six-month period ended 31 December 2020, of the total gains or losses for the period included in profit or loss, HK\$5,565,000 (31 December 2019: HK\$1,272,000) is related to unrealised gain/(loss) for the period related to financial assets measured at fair value through profit or loss under Level 3 held at the end of the reporting period.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the interim condensed 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. In estimating the fair value of a financial asset under level 3, the Group has engaged the valuer to establish appropriate valuation technique. The management reviews the valuations bi-annually.

25 KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these interim condensed 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 affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. In preparing the unaudited interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended 30 June 2020.

Management Discussion and Analysis

THE MARKET

The pandemic caused the Hong Kong stock market to fall sharply in the first half year of 2020, with the Hang Seng Index dropping to a 3-years low of 21,139 in March. Benefiting from the implementation of aggressive fiscal and monetary policies by global governments, the Hang Seng Index rebounded and fluctuated between 23,000 and 25,000 in mid-2020. The secondary listing of US-listed Chinese companies in Hong Kong has stimulated the Hong Kong market sentiment and turnover in the second half year of 2020. The announcements in November 2020 of the results of the US presidential election and the first successful testing of a vaccine that was safe and effective in preventing COVID-19 gave another boost to the stock markets. The Hang Seng Index closed at 27,231 at the end of December 2020, compared with 24,427 at the end of June 2020 and 28,190 at the end of December 2019. The average monthly aggregate turnover on the Main Board and GEM Board during the six months ended 31 December 2020 (“the first half year of FY2021”) increased by 82% to HK\$2,962 billion, as compared with HK\$1,631 billion for the first half year of FY2020. The increase in market turnover was mainly due to the increase in market turnover of “new economy stocks”, such as Tencent, Alibaba and Meituan. Although Ant Group suspended its IPO listing in November 2020, funds raised from IPOs on the Main Board still recorded an increase of 26% and, amounted to HK\$306 billion, in the first half year of FY2021, as compared with HK\$242 billion for the first half year of FY2020.

FINANCIAL HIGHLIGHTS

The Group recorded a profit after tax of HK\$2 million for the first half year of FY2021, as compared to a loss of HK\$13 million for the first half year of FY2020. In order to address the negative impact of COVID-19 on their economies, most governments adopted a loose monetary policy with increased fiscal spending, which resulted in ample liquidity in the capital markets and led to positive results in our financial investments. After taking into account the other comprehensive expense for the period, the Group recorded a total comprehensive expense of HK\$15 million for the first half year of FY2021, as compared to an expense of HK\$34 million for the first half year of FY2020. The rebound in coronavirus cases had delayed the anticipated recovery in the commercial property investment market in Hong Kong. The fair value of our Lippo Centre office fell by 14% to HK\$320 million at the end of December 2020, as compared with HK\$371 million at the end of December 2019. The Group recognised a revaluation deficit, net of tax, of HK\$20 million in both first half years of FY2021 and FY2020.

Commission and fee income from our financial intermediary business was HK\$28 million for the first half year of FY2021, as compared with HK\$29 million for the first half year of FY2020. Interest income was HK\$11 million for the first half year of FY2021, as compared with HK\$17 million for the first half year of FY2020. Dividend and rental income were HK\$2 million for both the first half year of FY2021 and FY2020. The Group recorded a net gain on financial assets and liabilities at fair value through profit or loss of HK\$27 million for the first half year of FY2021, as compared with a gain of HK\$8 million for the first half year of FY2020. General and administrative expenses amounted to HK\$51 million for the first half year of FY2021, a decrease of HK\$7 million from HK\$58 million for the first half year of FY2020, which was mainly caused by the decrease in the staff bonus provision and the deduction of the government COVID-19 grants from the staff costs.

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 the 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 acknowledged receipt for the application from the CSRC on 28 December 2018. The Group received document request lists from the CSRC through the JV company and is now providing additional and updated information. If CSRC approved 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

Total revenue of the division was HK\$28 million for the first half year of FY2021, compared with HK\$25 million for the first half year of FY2020. The average daily turnover increased by 82% to HK\$140 billion for the first half year of FY2021, as compared with HK\$77 billion for the first half year of FY2020. As a result, our brokerage commission income increased by HK\$6 million to HK\$15 million for the first half year of FY2021, as compared with HK\$9 million for the first half year of FY2020.

The gross fixed-rate loans and factoring receivables amounted to HK\$153 million at the end of December 2020, as compared with HK\$191 million at the end of December 2019. Interest income from loan financing clients decreased by HK\$4 million to HK\$6 million for the first half year of FY2021 from HK\$10 million for the first half year of FY2020. The economic and business environment of China and Hong Kong was extremely difficult after the onset of the coronavirus pandemic. Hong Kong’s GDP is shrinking, and the unemployment rate has reached a 16-year high in the second half year of 2020. Management adopted a prudent risk strategy to manage the loan financing business, hence, the loan portfolio amount was reduced significantly during the period.

With the unfavourable economic situation and volatile stock market, the aggregate provision of expected credit loss for the margin loans, fixed-rate loans and factoring receivables for the first half year of FY2021 was HK\$10 million, increased by HK\$6 million when compared with HK\$4 million for the first half year of FY2020.

CORPORATE FINANCE AND CAPITAL MARKETS

Total revenue of the division was HK\$11 million for the first half year of FY2021, as compared with HK\$18 million for the first half year of FY2020. The progress of the due diligence of IPO projects was affected by the quarantine caused by the pandemic, hence, the division focused on the advisory services provided for listed companies during the period.

Capital market remained lackluster in our target client segment and the division recognised underwriting and placement fee of HK\$1 million for the first half year of FY2021, as compared with HK\$2 million for the first half year of FY2020.

Management Discussion and Analysis

ASSET MANAGEMENT

Total revenue of the division was immaterial for the first half year of FY2021 and the first half year of FY2020. The division is now approaching several private equity funds and high net worth clients to provide assets management services to generate more revenue.

PROPRIETARY INVESTMENT

Total revenue of the division was HK\$2 million for the first half year of FY2021, as compared with HK\$3 million for the first half year of FY2020. After including net gain or loss on disposal of financial assets and liabilities at fair value through profit or loss, total income was HK\$29 million for the first half year of FY2021, as compared to HK\$11 million for the first half year of FY2020. During the first half year of FY2021, the Hang Seng Index rose by 11% and reached 27,231. As a result, the division recognised net gain of HK\$20 million on listed equity securities for the first half year of FY2021, as compared with HK\$6 million for the first half year of FY2020. The investment portfolio received bond interest and dividend income of HK\$2 million for the first half year of FY2021, as compared with HK\$3 million for the first half year of FY2020. The division reduced its proportion of investment in listed debt securities and exchange traded fund portfolio under the current low yield and high default risk environment.

As at 31 December 2020, the carrying value of the unlisted investments, listed securities and listed debt securities and exchange traded fund portfolio was HK\$98 million, HK\$146 million and HK\$45 million respectively (30 June 2020: HK\$83 million, HK\$128 million and HK\$58 million). The largest investment of the financial assets at fair value through profit or loss was an unlisted investment fund which accounted for approximately 1.5% of the Group's consolidated total assets as at 31 December 2020. The Directors considered that investments with a fair value of more than 5% of the Group's consolidated total assets as a significant investment.

PROPERTY INVESTMENTS

Total revenue of the division was HK\$2 million for both the first half years of FY2021 and FY2020. The rental income received from these properties provided stable cash inflow for the division. The retail property sentiment has been adversely affected by the coronavirus pandemic and strict social distancing measures. Our shop in Hong Kong recognised a revaluation deficit of HK\$2 million for the first half year of FY2021. The loss was offset by the strong rebound of the RMB which benefited our investment property in China and generated a revaluation surplus of HK\$2.2 million. In aggregate, the division recognised a revaluation gain of HK\$0.2 million for the first half year of FY2021.

To date, the division holds a shop and a carpark in Hong Kong and an office property in China. In addition, the Group has invested in two associated companies which hold commercial properties in Japan.

OUTLOOK

The approval by various governments of COVID-19 vaccines for mass immunization campaigns in December 2020 and the inauguration of the new US President in January 2021 didn't bring stability back to the markets as earlier anticipated. Additionally, the social media led attack on short sellers brought more volatility. Hong Kong is still in the fourth wave of the COVID-19 outbreak and the key retail peak season from Christmas to Chinese New Year was hit by the serious quarantine measures. China is the best performer amongst the major economies. The continuing migration of listing of big Chinese enterprises to Hong Kong will likely support the capital market. In the last 12 months, we have witnessed the damages caused by the global lockdown in response to the world-wide pandemic. With the help of the vaccines and the experience gained from dealing with the outbreak, we hope that the global business flow will gradually return.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at the end of December 2020 were HK\$1,882 million, of which approximately 72% were current in nature. Net current assets were HK\$462 million, accounting for approximately 48% of the net assets of the Group as at end of December 2020. The Group had cash and cash equivalents of HK\$119 million as at end of December 2020, which was mainly denominated in Hong Kong dollars.

The Group generally finances its daily operations from internal resources. Total secured borrowings of HK\$110 million as at the end of December 2020 were used to finance its investment portfolio and the IPO applications of its brokerage clients. The bank loans were denominated in Hong Kong dollars and charged at floating interest rate. The Group's gearing ratio was approximately 11% as at the end of December 2020. As at 31 December 2020, the office property with fair value of HK\$320 million was pledged to the bank as security for a banking facility.

Other than the indemnity signed to the Hong Kong Securities Clearing Co. Ltd., the Group had no other material contingent liabilities as at the end of December 2020. The Company provided corporate guarantees of HK\$210 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.

Risk Management

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 conditions or results of operations to differ materially from expected or historical results. Please refer to the note "Financial instruments" on page 24 for a more detailed discussion of specific risks. There may be other risks in addition to those mentioned in the Interim Report that are unknown to the Group, or which may not be material now but could be material in the future.

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 the 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.

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 results of operations. When the price of securities (listed or unlisted) decreases, it will adversely affect the value of our investment portfolio.

The introduction of new legislation and rules by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Hong Kong Securities and Futures Commission 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.

Management Discussion and Analysis

Risk Management Policies and Procedures

The Group has established policies and procedures for risk management which are reviewed regularly by the management to ensure the proper monitoring and control of all major risks arising from the Group's activities. The Group's Legal and Compliance Department, together with the Finance and Accounts Department and other control committees also perform regular reviews to supplement the various internal control measures adopted by management and various divisions within the Group to ensure compliance with policies and procedures.

Employees

As at 31 December 2020, the number of full time employees of the Group was 95 (30 June 2020: 103). Remuneration 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.

As a financial services provider, our most important assets are our staff, who interact and service our client's financial needs. Their health and safety is of paramount importance to the Group. In light of the outbreak of the COVID-19 pandemic in Hong Kong and the world, the Group has implemented certain protocols to protect our staff and our clients. These measures include: (i) sourcing and providing face masks and hand sanitizer to staff when supplies in Hong Kong were limited; (ii) flexible working hours and remote working arrangements; (iii) restrictions on access to our offices and temperature screening; (iv) meetings are held by video conference or conference call as far as possible; (v) cancellation of all non-essential travel; and (vi) self-isolation with pay in cases of developing symptoms or close contact with suspected cases of COVID-19.

Interim Dividend

The Board of Directors has declared an interim dividend of 1.5 HK cents per ordinary share for the six months ended 31 December 2020 (six months ended 31 December 2019: 2 HK cents after share consolidation). The dividend will be payable on Wednesday, 24 March 2021 to shareholders whose names appear on the Register of Members at the close of business on Friday, 5 March 2021.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 3 March 2021 to Friday, 5 March 2021, both days inclusive, during which period no transfers of shares will be registered. To determine entitlement to the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited (at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:30p.m. on Tuesday, 2 March 2021.

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 31 December 2020, 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	215,254,511	30.20%
Dr Jonathan Koon Shum Choi	Personal	180,501,212	25.32%
Mr Michael Koon Ming Choi	Personal	29,494,804	4.14%
Mr Michael Koon Ming Choi	Corporate	9,850,916	1.38%

* Dr Jonathan Koon Shum Choi is deemed to be interested in 215,254,511 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 34.

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 Issuers (the "Model Code").

Save as disclosed above, as at 31 December 2020, none of the directors and chief executive 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 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 period.

Save as disclosed above, at no time during the period 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.

Management Discussion and Analysis

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

As at 31 December 2020, 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.

	Name of shareholder	Country of incorporation	Number of ordinary shares in the Company		% of total issued shares	Note
			Direct interest	Deemed interest		
(1)	Dr Jonathan Koon Shum Choi	N/A	180,501,212	215,254,511	55.52%	(a)
(2)	World Developments Limited	British Virgin Islands	185,701,741	–	26.05%	(a)
(3)	Innovation Assets Limited	British Virgin Islands	–	185,701,741	26.05%	(a)
(4)	Sunwah International Limited ("SIL")	Bermuda	–	185,701,741	26.05%	(a)
(5)	Sun Wah Capital Limited	British Virgin Islands	29,552,749	185,701,741	30.20%	(a)
(6)	Mr Michael Koon Ming Choi	N/A	29,494,804	9,850,916	5.52%	
(7)	廣州匯垠發展投資合夥企業	PRC	35,640,000	–	5.00%	

Note:

- (a) 185,701,741 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 185,701,741 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 185,701,741 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 29,552,749 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 by any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Corporate Governance Code

The Company has applied the principles and has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the six months ended 31 December 2020.

Share Option Scheme

The Company adopted a share option scheme (the “Share Option Scheme”) on 24 November 2020. The principal terms of the Share Option Scheme are summarised in the circular of the Company dated 20 October 2020. The main purpose of the Share Option Scheme is to provide incentives or rewards to participants for their contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group.

During this period, no share option had been granted, exercised, cancelled or lapsed under the Share Option Scheme.

Purchase, sale or redemption of shares

During the six months ended 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares.

Securities Transactions by Directors

The Company has adopted 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 six months period under review and they have all confirmed that they have complied with the required standard set out in the Model Code.

Changes in Directors’ Information

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

Dr Huanfei Guan

During the period, Dr Guan resigned as independent non-executive director of Solis Holdings Limited.

Dr Guan was appointed as independent non-executive director of Shanghai Zendai Property Limited with effect from 11 January 2021.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the interim report and the unaudited interim condensed consolidated financial statements for the six months ended 31 December 2020. Terms of reference of the Audit Committee are available on request to shareholders of the Company. The Audit Committee is also responsible for reviewing the Group’s financial controls, risk management and internal control systems. The Audit Committee has begun to implement the above responsibilities, including without limitation, reviewing the Company’s risk relating to strategy, operation and finance and enhancing the Group’s capacity to cope with the risk associated with the business of the Group.

On behalf of the Board

Michael Koon Ming Choi
Chief Executive Officer

Hong Kong, 10 February 2021

Independent Review Report



Ernst & Young
22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

TO THE BOARD OF DIRECTORS OF SUNWAH KINGSWAY CAPITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 2 to 27, which comprises the condensed consolidated statement of financial position of Sunwah Kingsway Capital Holdings Limited (the “Company”) and its subsidiaries (the “Group”) as at 31 December 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

10 February 2021

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 Jianguomenneida,
Beijing, 100005, PRC
- Shenzhen Kingsway Financial Consultancy Limited
701, Tower A, Aerospace Skyscraper,
4019 Shennan Road, Futian District, Shenzhen,
518048, PRC

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新華滙富

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