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

15 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

Gaining Strength for Growth Ahead

Annual Report 2021

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 31 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.

CONTENTS

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 2021 ("fiscal 2021").

I am pleased to report that the Group returned to profitability in fiscal 2021. The coronavirus pandemic lasted longer than any initial estimates. The ample liquidity provided by all major economies also stayed with us and led to outstanding performance in capital markets. The US markets outperformed the rest of the world and keep breaking historical record high in 2021. HK market has a good start in fiscal 2021 but the technology stocks turned south close to the end of our financial year after China tightens the regulatory controls of these companies.

The down trend in fee income from our intermediary businesses continued with the pandemic. Expected credit loss was still on the rise but it will likely be contained next year as we have reduced our risk assets portfolio. As mentioned in my last report, brokerage commission income is a bright spot as the business benefited from the increase in market turnover following the listing of many big technology companies operating in the PRC.

The proprietary investment divisions as a whole produced very good returns during fiscal 2021. The capital markets benefited from the ample liquidity provided by all the major central banks. However, the valuation of our investment properties was affected by the lower market yields. We will continue to monitor the asset allocation of our investment portfolio to generate more returns for our Group.

With the emergence of new variants of the COVID-19 virus, even with accelerated vaccination programs globally, the various pandemic related restrictions are likely to stay. Currently there is no consensus on whether Hong Kong should adopt the "zero tolerance" or "live with the virus" approach, each of which will have very different impacts on the economies' recovery processes. The ongoing dispute between the two largest economies, the US and China, will create uncertainties to the local capital market. The timing of tightening of monetary policies globally will affect liquidity and put pressure on the markets which already have very high valuations. With the travel restrictions still in force, our corporate finance teams cannot reach their normal client base in China and other countries. We will therefore focus on asset management and proprietary investments in the coming quarters.

Our strong balance sheet and prudent financial management philosophy served us well in the current uncertain market. The pandemic lasted longer than most people expected but like any historical events, it will end. We miss the opportunities to interact in person with all our stakeholders and look forward to the removal of all social distancing restrictions. The Board, as well as all our staff, were very supportive during the last year. We will work closely in the coming year to bring more returns to our stakeholders.

Choi Koon Ming Michael
Chief Executive Officer

Management Discussion and Analysis

THE MARKET

The COVID-19 pandemic caused a sharp correction in the Hong Kong stock market in the first half year of 2020. The Hang Seng Index ("HSI") fell to a 3-years low of 21,139 in March 2020. Subsequently, the global governments implemented aggressive fiscal and monetary policies which stabilised the stock market sentiment. The announcement of the first successful vaccine testing in November 2020 stimulated market expectations for economic recovery. At the same time, the secondary listing of US-listed Chinese companies in Hong Kong creating a new upsurge in the Hong Kong IPO market. The stock market rebounded from September 2020 and the HSI reached 31,183 in February 2021. In early 2021, China launched antitrust investigations on some large internet companies and strengthened industry supervision. As a result, high-valuation technology stocks fell from their peak levels. Conversely, the performance of large financial stocks has improved, supporting the performance of the HSI. The HSI closed at 28,878 at the end of June 2021, compared with 24,427 at the end of June 2020 and 27,231 at the end of December 2020.

The average monthly aggregate turnover on the Main Board and GEM Board increased by 68% to HK$3,378 billion during the year ended 30 June 2021 ("FY2021"), as compared with HK$2,011 billion for the year ended 30 June 2020 ("FY2020"). Daily trading hit a new record above the HK$350 billion level in February 2021. Investors' strong interest in buying technology stocks was the main cause of the increase in market turnover. The technology sector accounted for 30% of the total trading in Hong Kong during the first half of 2021. Although Ant Group suspended its IPO listing in November 2020, four sizeable Chinese technology companies listed in Hong Kong and raised a total of HK$123 billion in FY2021. The fund raised from IPOs on the Main Board surged by 57% and, amounted to HK$518 billion, in FY2021, as compared with HK$330 billion in FY2020.

FINANCIAL HIGHLIGHTS

The Group recorded a profit after tax of HK$31 million for FY2021, as compared to a loss of HK$41 million for FY2020. After taking into account the other comprehensive expense for the year, the Group recorded a total comprehensive income of HK$29 million for FY2021, as compared to a total comprehensive expense of HK$75 million for FY2020. The rents of Grade-A office building in Central have been declining since March 2019. The outbreak of COVID-19 at the beginning of 2020 has exacerbated the downward trend. The Group recognised a revaluation deficit, net of tax, of HK$7 million for FY2021, as compared with HK$33 million for FY2020.

Commission and fee income from our financial intermediary business was HK$61 million for FY2021, as compared with HK$75 million for FY2020. Interest income was HK$23 million for FY2021, as compared with HK$33 million for FY2020. Bank interest income decreased by HK$3 million when compared with last year, mainly due to the current low interest rate environment. Dividend and rental income was HK$6 million for FY2021, as compared with HK$5 million for FY2020. The aggressive monetary policies adopted by most governments and the progress of global COVID-19 vaccination program have boosted the global stock markets, leading to outstanding performance in our financial investments. The Group recorded a net gain on financial assets and liabilities at fair value through profit or loss of HK$87 million for FY2021, as compared with a loss of HK$7 million for FY2020. General and administrative expenses decreased by HK$1 million, from HK$107 million for FY2020 to HK$106 million for FY2021, which was mainly caused by the decrease in variable compensation related to the decrease in fee income and receipt of government subsidy on wage payments. The decrease was offset by the impairment loss of goodwill and intangible assets of HK$5 million provided for FY2021.

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 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 as a result of reallocation of financial resources.

BROKERAGE AND FINANCING

Total revenue of the division was HK$54 million for FY2021, compared with HK$52 million for FY2020. The average daily turnover increased by 70% to HK$165 billion for FY2021, as compared with HK$97 billion for FY2020. As a result, our brokerage commission income increased by HK$8 million to HK$28 million for FY2021, as compared with HK$20 million for FY2020.

The gross fixed-rate loans and factoring receivables amounted to HK$135 million as at 30 June 2021, as compared with HK$157 million as at 30 June 2020. Interest income from loan financing clients decreased by HK$6 million to HK$14 million for FY2021 from HK$20 million for FY2020. The economic and business environment of China and Hong Kong was extremely difficult after the onset of the pandemic. Hong Kong's GDP declined by 6.1% in 2020 and the unemployment rate peaked at 7.2% in February 2021, the highest in 17 years. With the unfavourable economic situation and volatile stock market, the accumulated provision for expected credit loss for the margin loans, fixed-rate loans and factoring receivables as at 30 June 2021 was HK$41 million, an increase of HK$17 million when compared with HK$24 million as at 30 June 2020. During the year, additional provision of HK$9 million was made against certain margin clients with collateral held below the amount of outstanding balance of margin loans. A fixed-rate loan client and two factoring loan clients failed to settle their outstanding loan amounts on time, hence, a provision of HK$8 million was provided.

CORPORATE FINANCE AND CAPITAL MARKETS

Total revenue of the division was HK$28 million for FY2021, as compared with HK$51 million for FY2020. During the year, the Group completed the listing of Zhixin Group Holding Limited, a company which manufactures and distributes building products, on the Main Board of the Stock Exchange. However, the progress of the due diligence of other IPO projects was affected by the quarantine measures caused by the pandemic, hence, the division focused on the advisory services provided for listed companies during the year.

Capital market remained lackluster in our target client segment and the division recognised underwriting and placement fee of HK$5 million for FY2021, as compared with HK$6 million for FY2020.

ASSET MANAGEMENT

Total revenue of the division was immaterial for FY2021 and FY2020. 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 acquired a PRC asset management company and recognised a goodwill of HK$5 million in FY2020. China has adopted strict quarantine measures which has materially affected operations. Since we are in the initial stage of setting up a fund, this is a huge challenge for the division. The Group reassessed the business plan and profit forecast of the company and provided an impairment loss on the goodwill of HK$4 million. The Group is also exploring marketing Vietnam focused investment funds and setting up a new boutique investment fund in Hong Kong.

PROPRIETARY INVESTMENT

Total revenue of the division was HK$5 million for FY2021, as compared with HK$6 million for FY2020. After including net gain or loss on disposal of financial assets and liabilities at fair value through profit or loss, total income for the division was HK$92 million for FY2021, as compared to an expense of HK$1 million for FY2020. During FY2021, the HSI rose by 18% and reached 28,828 at the end of June 2021. As a result, the division recognised a trading gain of HK$47 million on listed equity securities for FY2021, as compared with HK$9 million for FY2020. The Group invested in a smart mobility company that develops leading L4 autonomous driving technologies in China. The investee completed two rounds of financing in 2021, and its valuation leaped to a higher level. The Group recorded a realised and unrealised trading gain of HK$33 million for this investment. The investment portfolio received bond interest and dividend income of HK$5 million for FY2021 and 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 30 June 2021, the carrying value of the unlisted investments, listed securities and listed debt securities and exchange traded fund portfolio was HK$126 million, HK$151 million and HK$44 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 equity security which accounted for approximately 1.7% of the Group's consolidated total assets as at 30 June 2021. 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$4 million for FY2021, as compared with HK$3 million for FY2020. The rental income received from these properties provided stable cash inflow for the division. A revaluation deficit of HK$6 million for the investment properties was recognised for FY2021, as compared with HK$8 million for FY2020. Travel restriction and strict social distancing measures adversely affected the retail property market. Our shop in Hong Kong recognised a revaluation deficit of HK$5 million for FY2021, as compared with HK$4 million for FY2020. The revaluation deficit of our office property in China was fully offset by the strong rebound of the RMB, hence, the net deficit was minimal.

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.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at the end of June 2021 were HK$1,975 million, of which approximately 72% were current in nature. Net current assets were HK$469 million, accounting for approximately 47% of the net assets of the Group as at end of June 2021. The Group had cash and cash equivalents of HK$169 million as at end of June 2021, which was mainly denominated in Hong Kong dollars.

The Group generally finances its daily operations from internal resources. Total secured borrowings of HK$130 million as at the end of June 2021 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 13% as at the end of June 2021. As at 30 June 2021, the office property with carrying value of HK$330 million was pledged to a bank as security for the banking facility.

Other than the indemnity provided to the Hong Kong Securities Clearing Co. Ltd., the Group had no other material contingent liabilities as at the end of June 2021. 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.

EMPLOYMENT, TRAINING AND DEVELOPMENT POLICIES

As at 30 June 2021, the number of full time employees of the Group was 95 (2020: 103). 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 which will be uploaded to the websites of the Group and the Stock Exchange before the end of November 2021.

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 2021.

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 2021.

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 21 to 24.

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 meeting(s), Audit Committee, Compensation Committee, Nomination Committee and Corporate Governance Committee of the Company during the year ended 30 June 2021 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	3/5	2/2	N/A	0/1	0/1	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	2/2	1/1	1/1	N/A
Elizabeth Law *(Note 3)*	5/5	2/2	2/2	1/1	1/1	N/A
Huanfei Guan	5/5	2/2	2/2	1/1	1/1	1/1
Total number of meetings held	5	2	2	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 and Ms Elizabeth Law, each has served the Board more than 9 years. The Nomination Committee determined the Independent Non-Executive Directors, including Mr Sze and Ms Law, 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 2021.

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

During the year, Mr Choi was appointed as independent non-executive director of EPS Creative Health Technology Group Limited.

Dr Lee G Lam

During the year, Dr Lam was appointed as non-executive director of Hong Kong Aerospace Technology Group Limited.

During the year, Dr Lam resigned as independent non-executive director of Huarong Investment Stock Corporation Limited and Aurum Pacific (China) Group Limited, and director of Sunwah International Limited.

Dr Lam was appointed as independent non-executive director of Huarong International Financial Holdings Limited with effect from 1 September 2021.

Dr Lam retired from the board of Tianda Pharmaceuticals Limited and Top Global Limited on 26 August 2021 and 31 August 2021 respectively.

Ms Elizabeth Law

During the year, Ms Law resigned as director of Sunwah International Limited.

Dr Huanfei Guan

During the year, Dr Guan resigned as executive director of Enterprise Development Holdings Limited.

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, Ms Elizabeth Law and Dr Huanfei Guan 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 2021, two committee meetings were held, one to consider the annual results of the Group for the financial year ended 30 June 2020, 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 2020. 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 2021, 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 2021 is set out below:

Remuneration Bands	Number of Individuals
HK$2,000,001 – HK$2,500,000	2

(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. The Company has 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's 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 2021, 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, 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 agreed-upon procedures for preliminary result announcement and environmental, social and governance report) provided by the existing external auditor, Ernst & Young, for the year ended 30 June 2021 were HK$1,950,000 and HK$940,000 respectively. Audit fees paid to other auditors for the year ended 30 June 2021 were HK$367,000.

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 maintain 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 Chief Executive Officer ("CEO") and a member of the Corporate Governance Committee. Senior management, which consist of the CEO, Chief Financial Officer ("CFO") and Chief Administrative Officer ("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, Investment Committee, Risk Management Committee, Credit Committee, Finance Committee and ESG Committee were established with the objectives of identifying risks, continuously assessing, quantifying and managing risk, setting prudent credit limits, and 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 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 CFO. The committee meets as required.

(b) Risk Management Committee

In order to monitor the Group's proprietary trading activities, the Board has established Risk Management 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 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.

(e) ESG Committee

The Board has established the ESG Committee during the year under review. The ESG Committee consist of the CEO, the Company Secretary, the Financial Controller, the Company Legal Counsel and the Corporate Communication Manager. The chairman of the Committee shall be the CEO who must be an executive director of the Company.

Pursuant to the ESG Committee's terms of reference, the duties and functions of the ESG Committee shall be oversight of the development and implementation of the ESG strategy and policies, the funding of ESG initiatives and the external communication policies.

The ESG Committee, amongst others, monitors and reviews emerging ESG trends and issues, provide guidance on the development of the Group's ESG objective, set out the measurable targets for ESG initiatives, review the ESG Policies from time to time and make recommendation to the Board on ESG matters.

The ESG Committee shall meet at least twice a year and 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 24. 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, GBM, GBS, BBS, JP, aged 64, 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 and Vietnam VinaCapital.

Dr Choi is a Standing Committee Member of the National Committee of Chinese People's Political Consultative Conference ("CPPCC"), PRC. He was awarded the Grand Bauhinia Medal, the highest honor in the Hong Kong SAR Award and Recognition System. 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 Permanent Honorary President 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, 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, 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 Polytechnic University, 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 Independence Non-Executive Director of BOC Hong Kong (Holdings) Limited. Dr Choi has over 40 years of experience in the food industry, real estate development and international trade, and over 30 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 53, 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 25 years of experience in the financing activities of corporate and property mortgage, real estate development and property investment. Mr Choi is an independent non-executive director of HK-listed EPS Creative Health Technology Group Limited.

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 64, was appointed as Non-Executive Director of the Company on 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 Tianjin Committee of the Chinese People's Political Consultative Conference and member of All China Women's Association, Standing Committee Member of The Chinese General Chamber of Commerce and Chairman of Ladies Committee, Chairman of Hong Kong Tianjin Business and Professional Women Association, Council Member (and former President) of Hong Kong Federation of Women Lawyers, Vice Patron of The Community Chest of Hong Kong, Vice President of Hong Kong Girl Guides Association, Vice Chairman of Hong Kong Federation of Women, Advisor of Our Hong Kong Foundation, Founding Director of Opera Hong Kong and the Founding Chairperson and Honorary President of Musicus Society. Ms. Kwan has been appointed by the Hong Kong SAR Government to The Hong Kong Law Reform Commission and the Court of The City University of Hong Kong. She was awarded Medal of Honour in 2009, was appointed a Justice of the Peace in 2017, was awarded 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 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, BBS, aged 62, 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 (CEDR), a Fellow of Certified Management Accountants (CMA) Australia, the Hong Kong Institute of Arbitrators, the Hong Kong Institute of Directors and the Institute of Corporate Directors Malaysia (ICDM) 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. In 2019, Dr. Lam was awarded by the Hong Kong Government a Bronze Bauhinia Star (BBS) for serving the public.

Actively participating in community service, Dr. Lam is Chairman of Hong Kong Cyberport, a member of the Committee on Innovation, Technology and Re-Industrialization, the Governance Committee of the Hong Kong Growth Portfolio, and the Development Bureau Common Spatial Data Advisory Committee of the Hong Kong Special Administrative Region Government, Convenor of the Panel of Advisors on Building Management Disputes of the HKSAR Government Home Affairs Department, a member of the Court of the City University of Hong Kong and the Tencent Finance Academy (Hong Kong) Advisory Board, Chairman of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN), Vice Chairman of Pacific Basin Economic Council (PBEC), and a member of the Hong Kong Trade Development Council Belt and Road and Greater Bay Area Committee and the Sir Murray MacLehose Trust Fund Investment Advisory Committee.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Robert Tsai To Sze, aged 80, 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 67, 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 HK-listed Clifford Modern Living Holdings Limited and The Wharf (Holdings) Limited.

Dr Huanfei Guan, aged 64, was appointed as an Independent Non-Executive Director in November 2015. Dr 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. Dr 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, and he has been a visiting professor of Jilin University of Finance and Economics since August 2018. Dr 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. Dr 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.

Dr Guan had been an economic and technical consultant of Jilin Province Government for many years. He has been the honorary chairman of Corporate Governance Research Association of Shenzhen since November 2020. Dr Guan is currently an independent non-executive director of a number of companies which are listed in HongKong including China Nonferrous Mining Corporation Limited, Huarong International Financial Holdings Limited, China Shandong Hi-Speed Financial Group Limited, and Shanghai Zendai Property Limited.

CHIEF FINANCIAL OFFICER

Mr Eric Kwok Keung Chan, aged 58, 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 fellow 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 60, 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 2021.

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 37 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 2021 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" and "Corporate Governance Report" in this Annual Report, and "Environment, Social and Governance Report" which will be uploaded to the websites of the Group and the Stock Exchange.

Results and appropriations

The profit of the Group for the year ended 30 June 2021 is set out in the consolidated income statement on pages 38.

An interim dividend for the year ended 30 June 2021 of 1.5 HK cents per ordinary share was paid on 24 March 2021. The directors propose, subject to the approval of the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of 1.5 HK cents 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 41.

Donations

Charitable and other donations made by the Group during the year amounted to HK$20,150 (2020: HK$15,250).

Investment properties

Movements in investment properties of the Group during the year are set out in note 13 to the consolidated financial statements.

Properties and equipment

Movements in properties and equipment of the Group during the year are set out in note 14 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.

Distributable reserves

The Company's reserves available for distribution to shareholders as at 30 June 2021 consisted of contributed surplus of HK$611,245,000 (2020: HK$655,411,000) and retained profits of HK$14,091,000 (2020: Nil).

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"):

INFORMATION OF THE SHARE OPTION SCHEME

Details of the share option scheme (the "Scheme") approved by the shareholders of the Company on 24 November 2020, 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 director (including executive, non-executive or independent non-executive directors) of any member of the Group; or (c) any adviser, consultant, distributor, contractor, contract manufacturer, supplier, agent, customer, business partner, joint venture business partner or service provider of any member of the Group, as determined by the Board in its sole discretion, from time to time.
(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, 71,945,286 shares (representing 10% 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)	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 10 years from the date of grant. Options granted during the life of the Scheme shall continue to be exercised in accordance with their terms of issue after the end of the life of the Scheme. 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)

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 10 business 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 determined by the Board at its absolute discretion and 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 23 November 2030.

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 Dr 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 21 to 24.

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 2021, 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	215,987,808	30.02%
Dr Jonathan Koon Shum Choi	Personal	184,918,139	25.70%
Mr Michael Koon Ming Choi	Personal	33,561,684	4.66%
Mr Michael Koon Ming Choi	Corporate	10,095,355	1.40%

* Dr Jonathan Koon Shum Choi is deemed to be interested in 215,987,808 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 29.

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 2021, 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 2021, 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 Direct interest	Deemed interest	% of total issued shares	Note
(1)	Dr Jonathan Koon Shum Choi	N/A	184,918,139	215,987,808	55.72%	(a)
(2)	World Developments Limited	British Virgin Islands	185,701,741	–	25.81%	(a)
(3)	Innovation Assets Limited	British Virgin Islands	–	185,701,741	25.81%	(a)
(4)	Sunwah International Limited ("SIL")	Bermuda	–	185,701,741	25.81%	(a)
(5)	Sun Wah Capital Limited	British Virgin Islands	30,286,067	185,701,741	30.02%	(a)
(6)	Mr Michael Koon Ming Choi	N/A	33,561,684	10,095,355	6.06%	

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 100% 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 30,286,067 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 36 to the consolidated financial statements.

During the financial year ending 30 June 2021, 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 7 to 20.

Environmental, Social and Governance Report

As a responsible corporate citizen, the Group is committed to the principles of good corporate governance, the integration of corporate social responsibility into our business culture and protecting the environment. The details of the Group's performance in environmental protection, social issues and community investment will be disclosed in the Environmental, Social and Governance Reprot ("ESG Report"). The ESG Report will be uploaded to the websites of the Group and the Stock Exchange before the end of November 2021.

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 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

During the year ended 30 June 2020, Deloitte Touche Tohmatsu resigned as auditors of the Company and Ernst & Young were appointed by the directors to fill the casual vacancy so arising in last year. There have been no other changes of auditors in the past three years. Ernst & Young will retire and a resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By order of the board

Jonathan Koon Shum Choi
Chairman

Hong Kong, 17 September 2021

Independent Auditor's Report

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

Independent auditor's report
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 (the "Group") set out on pages 38 to 130, which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 2021, 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 judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matters

Impairment assessment on loan receivables and amounts due from margin clients classified as stage 3

Refer to significant accounting policies, financial risk management and key sources of estimation uncertainty and judgements on impairment allowances on accounts and loan receivables in notes 3, 38(a) and 41 to the consolidated financial statements and the disclosures on accounts and loan receivables subject to expected credit loss ("ECL"), including loan receivables and amounts due from margin clients, in note 21 to the consolidated financial statements.

As at 30 June 2021, gross loan receivables and amounts due from margin clients amounted to HK$135,225,000 and HK$28,738,000 respectively. Their related impairment allowances amounted to HK$22,672,000 and HK$17,865,000, which included the impairment allowances made against credit exposures to loan receivables and amounts due from margin clients classified as stage 3 amounting to HK$22,133,000 and HK$17,865,000 respectively.

The assessment of ECL for loan receivables and amounts due from margin clients involves significant management judgement and estimates to identify significant increases in credit risk and determine key parameters used for measuring ECL, such as probability of default, loss given default, exposure at default and forward-looking information.

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. Also, the Group applies benchmarking to external credit rating reports, research reports and statistics to the probability of default and the loss given default assigned to individual exposures as further adjusted by forward-looking information considering expected future changes in macroeconomic conditions.

In view of the significance of the impairment allowances recorded by the Group and the judgements and estimates involved, impairment assessment on loan receivables and amounts due from margin clients classified as stage 3 is considered as a key audit matter.

The procedures we performed to address the key audit matter included the following:

- We obtained an understanding of the Group's credit risk management approach and practices and impairment provisioning policy;

- We evaluated the appropriateness of the Group's criteria for the determination of significant increase in credit risk and tested the application of staging classification, including the identification of credit-impaired exposures, in the ECL model by assessing the historical information such as number of overdue days and margin call history;

- We tested the accuracy of the input of major parameters used in the year end computation of ECL by comparing details of individual items in the analysis to the underlying loan documents, examined the valuation of the underlying collateral and other sources of cash flows and developed a reasonable range of expected cash flow shortfall for comparison with the Group's assessment;

- With the assistance of our internal specialists, we evaluated, on a sample basis, the key parameters and related judgement involved such as probability of default, loss given default and exposure at default used in the ECL model, and where appropriate, compared with external data sources, including the price volatility of the underlying collateral used in multiple scenario analysis;

- With the assistance of our internal specialists, we assessed the Group's consideration of forward-looking information, including review of the reasonableness of the Group's judgement and the adjustment of macroeconomic information and probability weighted economic scenarios; and

- We evaluated the Group's disclosures in relation to the impairment allowances against its accounts and loan receivables, financial risk management and key sources of estimation uncertainty and judgements in notes 21, 38(a) and 41 to the consolidated financial statements against the requirements of HKFRS.

Key audit matters	How our audit addressed the key audit matters
Valuation of overseas unlisted equity securities classified as level 3 under the fair value hierarchy	
Refer to significant accounting policies, disclosures on financial assets at fair value through profit or loss, fair value measurements of financial instruments and key sources of estimation uncertainty and judgements in relation to overseas unlisted equity securities included in notes 3, 20, 39 and 41 to the consolidated financial statements. As at 30 June 2021, the Group's overseas unlisted equity securities classified as level 3 under the fair value hierarchy amounted to HK$12,243,000. With the assistance from external specialists, the Group applied valuation techniques to determine the fair values of the overseas unlisted equity securities. These valuation techniques, which involve the use of significant unobservable inputs, including the enterprise value to earnings before interest, taxes, depreciation and amortization ratio ("EV/EBITDA"), cost of capital and discount for lack of marketability, require subjective management judgements and assumptions. With different valuation techniques, inputs and assumptions applied, the valuation results can vary significantly. Given the level of judgement and degree of complexity involved in the valuations, the valuation of overseas unlisted equity securities classified as level 3 under the fair value hierarchy is considered as a key audit matter.	The procedures we performed to address the key audit matter included the following: • We obtained 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 classified as level 3 under the fair value hierarchy; • With the assistance of our internal valuation specialists, we evaluated the appropriateness of the valuation methodologies applied by the Group, and assessed the reasonableness of the valuation results by evaluating the valuation techniques, inputs and assumptions used in the valuation through comparison with valuation techniques that are commonly used in the market, independent checking of observable inputs against available external market data and evaluating the rationale of management's judgement on significant unobservable inputs, including EV/EBITDA, cost of capital and discount for lack of marketability; • We assessed the competence, capabilities, objectivity, and independence of the third party valuers engaged by management; and • We evaluated the Group's disclosures in relation to valuation techniques and key inputs used and sensitivity analysis performed by management with respect to the overseas unlisted equity securities classified as level 3 under the fair value hierarchy in note 39 to the consolidated financial statements against the requirements of HKFRS.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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 the directors 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 judgement and maintain professional scepticism 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 the Audit Committee 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 the Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, 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 this independent auditor's report is Yeung Ho Yin.

Ernst & Young
Certified Public Accountants
Hong Kong

17 September 2021

Consolidated Income Statement

For the year ended 30 June 2021

	Notes	2021	2020
		HK$'000	HK$'000
Revenue			
Commission and fee income	4	**60,982**	74,974
Interest income arising from financial assets at amortised cost	4	**21,081**	29,322
Interest income arising from debt securities	4	**1,552**	3,494
Dividend income	4	**3,487**	1,923
Rental income	4	**2,915**	3,061
		90,017	112,774
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	5	**87,274**	(6,884)
Other income and gain or losses	6	**1,694**	2,998
		178,985	108,888
Commission expenses		**(8,526)**	(6,457)
General and administrative expenses		**(106,303)**	(107,280)
Finance costs	7(a)	**(2,851)**	(4,087)
Net impairment losses on financial instruments	7(b)	**(18,521)**	(19,466)
Loss on disposal of a subsidiary	32	**–**	(104)
Fair value changes on investment properties	13	**(5,508)**	(8,132)
Changes on non-controlling interests in consolidated investment fund		**(2,341)**	1,047
Share of (losses)/profits of associates	18	**(1,015)**	532
Profit/(loss) before tax	7	**33,920**	(35,059)
Income tax expenses	9(a)	**(2,962)**	(5,979)
Profit/(loss) for the year		**30,958**	(41,038)
Attributable to:			
Owners of the Company		**31,758**	(40,934)
Non-controlling interests		**(800)**	(104)
Profit/(loss) for the year		**30,958**	(41,038)
			(restated)
Basic and diluted earnings/(loss) per share	12	**4.44 HK cents**	(5.80) HK cents

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

	Note	2021 HK$'000	2020 HK$'000
Profit/(loss) for the year		**30,958**	(41,038)
Other comprehensive (expense)/income:			
Item that will not be reclassified to profit or loss:			
Land and buildings held for own use			
– Deficit on revaluation	*14*	**(9,661)**	(41,520)
– Income tax effect	*14*	**2,668**	8,605
		(6,993)	(32,915)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of overseas subsidiaries		**4,704**	(1,467)
Other comprehensive expense for the year		**(2,289)**	(34,382)
Total comprehensive income/(expense) for the year		**28,669**	(75,420)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**29,469**	(75,316)
Non-controlling interests		**(800)**	(104)
Total comprehensive income/(expense) for the year		**28,669**	(75,420)

Consolidated Statement of Financial Position

At 30 June 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Investment properties	13	**82,574**	88,082
Properties and equipment	14	**350,468**	367,765
Intangible assets	16	**2,489**	3,220
Goodwill	17	**1,149**	4,965
Interests in associates	18	**17,439**	18,454
Loans to and amounts due from associates	18	**14,257**	13,607
Loan receivables	21	**7,619**	14,989
Other assets	19	**5,033**	7,316
Financial assets at fair value through profit or loss	20	**74,640**	34,145
Deferred tax assets	29	**2,946**	2,897
		558,614	555,440
Current assets			
Financial assets at fair value through profit or loss	20	**246,528**	234,681
Accounts, loans and other receivables	21	**332,533**	411,692
Contract assets	27	**300**	–
Bank balances and cash – trust accounts	22	**668,244**	658,034
Cash and cash equivalents	23	**168,610**	136,266
		1,416,215	1,440,673
Current liabilities			
Financial liabilities at fair value through profit or loss	24	**13,107**	8,267
Net assets attributable to holders of non-controlling interests in consolidated investment fund	25	**11,931**	9,164
Accruals, accounts and other payables	26	**768,891**	883,615
Lease liabilities	15	**2,116**	1,579
Contract liabilities	27	**17,882**	17,560
Bank loan	28	**130,000**	60,000
Current tax liabilities		**3,199**	3,421
		947,126	983,606
Net current assets		**469,089**	457,067
Total assets less current liabilities		**1,027,703**	1,012,507
Non-current liabilities			
Deferred tax liabilities	29	**27,431**	30,000
Lease liabilities	15	**3,315**	1,271
		30,746	31,271
NET ASSETS		**996,957**	981,236
CAPITAL AND RESERVES			
Share capital	30	**71,945**	71,276
Reserves		**923,740**	910,163
Equity attributable to owners of the Company		**995,685**	981,439
Non-controlling interests		**1,272**	(203)
TOTAL EQUITY		**996,957**	981,236

The consolidated financial statements on pages 38 to 130 were approved and authorised for issue by the Board of Directors on 17 September 2021 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 2021

	Attributable to owners of the Company									
	Share capital	Share premium	Special reserve	Capital reserve on consolidation	Exchange reserve	Properties revaluation reserve	Retained profits/ (Accumulated losses)	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
At 1 July 2020	**71,276**	**363,714**	**39,800**	**63,392**	**(3,168)**	**199,769**	**246,656**	**981,439**	**(203)**	**981,236**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**31,758**	**31,758**	**(800)**	**30,958**
Exchange differences on translation of overseas subsidiaries	**–**	**–**	**–**	**–**	**4,704**	**–**	**–**	**4,704**	**–**	**4,704**
Deficit on revaluation of land and buildings held for own use (net of tax) *(note 14)*	**–**	**–**	**–**	**–**	**–**	**(6,993)**	**–**	**(6,993)**	**–**	**(6,993)**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**4,704**	**(6,993)**	**31,758**	**29,469**	**(800)**	**28,669**
2020 Final dividend paid in cash and scrip *(note 11b and note 30)*	**669**	**2,028**	**–**	**–**	**–**	**–**	**(7,128)**	**(4,431)**	**–**	**(4,431)**
2021 Interim dividend paid *(note 11b)*	**–**	**–**	**–**	**–**	**–**	**–**	**(10,792)**	**(10,792)**	**–**	**(10,792)**
Contribution from minority shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,275**	**2,275**
At 30 June 2021	**71,945**	**365,742***	**39,800***	**63,392***	**1,536***	**192,776***	**260,494***	**995,685**	**1,272**	**996,957**
At 1 July 2019	70,145	359,075	39,800	63,392	(1,701)	232,684	319,381	1,082,776	65	1,082,841
Loss for the year	–	–	–	–	–	–	(40,934)	(40,934)	(104)	(41,038)
Exchange differences on translation of overseas subsidiaries	–	–	–	–	(1,467)	–	–	(1,467)	–	(1,467)
Deficit on revaluation of land and buildings held for own use (net of tax) *(note 14)*	–	–	–	–	–	(32,915)	–	(32,915)	–	(32,915)
Total comprehensive (expense)/income for the year	–	–	–	–	(1,467)	(32,915)	(40,934)	(75,316)	(104)	(75,420)
2019 Final dividend paid in cash and scrip *(note 11b and note 30)*	1,131	4,639	–	–	–	–	(17,536)	(11,766)	–	(11,766)
2020 Interim dividend paid *(note 11b)*	–	–	–	–	–	–	(14,255)	(14,255)	–	(14,255)
Acquisition of a subsidiary *(note 31)*	–	–	–	–	–	–	–	–	(120)	(120)
Disposal of a subsidiary *(note 32)*	–	–	–	–	–	–	–	–	(44)	(44)
At 30 June 2020	71,276	363,714*	39,800*	63,392*	(3,168)*	199,769*	246,656*	981,439	(203)	981,236

* Those reserve accounts comprise the consolidated reserves of HK$923,740,000 (2020: HK$910,163,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Notes	2021 HK$'000	2020 HK$'000
Operating activities			
Profit/(loss) before tax		**33,920**	(35,059)
Adjustments for:			
Depreciation	*14*	**12,402**	13,501
Finance costs	*7(a)*	**2,851**	4,087
Dividend income	*4*	**(3,487)**	(1,923)
Interest income	*4*	**(22,633)**	(32,816)
Share of losses/(profits) of associates		**1,015**	(532)
Loss on disposal of a subsidiary	*32*	**–**	104
Net impairment losses on financial instruments	*7(b)*	**18,521**	19,466
Impairment loss on goodwill		**4,293**	–
Impairment loss on intangible assets		**731**	–
Loss on non-substantial modification on financial asset measured at amortised cost		**2,373**	–
Fair value changes on investment properties	*13*	**5,508**	8,132
Fair value changes on non-controlling interests in consolidated investment fund		**2,341**	(1,047)
Operating cash flows before movements in working capital		**57,835**	(26,087)
(Increase)/decrease in other assets		**(1,646)**	13,914
Increase in financial assets at fair value through profit or loss		**(52,198)**	(35,803)
Decrease/(increase) in accounts, loans and other receivables		**78,036**	(146,519)
Increase in contract assets		**(575)**	–
(Increase)/decrease in bank balances and cash – trust accounts		**(10,210)**	9,620
Increase in financial liabilities at fair value through profit or loss		**4,840**	1,909
(Decrease)/increase in accruals, accounts and other payables		**(118,979)**	85,182
Increase/(decrease) in contract liabilities		**322**	(14,275)
Cash used in operations		**(42,575)**	(112,059)
Interest received		**21,162**	33,012
Dividends received		**3,553**	2,182
Interest paid		**(2,743)**	(3,942)
Interest portion of lease payments	*15*	**(107)**	(141)
Profit tax paid		**(3,134)**	(2,381)
Net cash used in operating activities		**(23,844)**	(83,329)

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Notes	**2021**	2020
		HK$'000	HK$'000
Investing activities			
Payments for purchase of properties and equipment	*14*	**(220)**	(687)
Acquisition of a subsidiary, net of cash acquired	*31*	**–**	(2,528)
Net cash used in investing activities		**(220)**	(3,215)
Financing activities			
Repayment of bank loans	*28*	**(4,215,973)**	(1,337,230)
Proceeds from new bank loans	*28*	**4,285,973**	1,377,230
Dividends paid to owners of the Company		**(15,223)**	(26,021)
Injection from holders of non-controlling interests in consolidated investment fund		**426**	699
Principal portion of lease payments	*15*	**(1,868)**	(1,520)
Contribution of capital from minority shareholder		**2,275**	–
Net cash generated from financing activities		**55,610**	13,158
Net increase/(decrease) in cash and cash equivalents		**31,546**	(73,386)
Cash and cash equivalents at 1 July		**136,266**	209,779
Effect of foreign exchange rate changes, net		**798**	(127)
Cash and cash equivalents at 30 June		**168,610**	136,266
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		**168,610**	136,266

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

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 37.

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.

Certain comparative figures have been reclassified to conform with the current year presentation.

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

In the current year, the Group has applied the Conceptual Framework for Financial Reporting 2018 and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time which are relevant to the Group:

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

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.

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

Amendments to HKFRS 3 Definition of a Business

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 Interest Rate Benchmark Reform

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 Definition of Material

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 the Consolidated Financial Statements
For the year ended 30 June 2021

2 Application of 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:

Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2[1]
Amendments to HKAS 1	Classification of liabilities as current or non-current[3, 4]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for annual periods beginning on or after 1 January 2022

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

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion.

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 July 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

New and revised HKFRSs in issue but not yet effective (Continued)

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 July 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had interest-bearing bank borrowing denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate as at 30 June 2021. If the interest rate of this borrowing is replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of this borrowing when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to this change.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 July 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective (Continued)

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 July 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's consolidated financial statements.

- HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3 Significant accounting policies

The consolidated financial statements has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements includes 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 and financial assets/liabilities at fair value through profit or loss ("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.

3 Significant accounting policies (Continued)

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.

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 or, when applicable, the cost on initial recognition of an investment in an associate.

3 Significant accounting policies (Continued)

BASIS OF CONSOLIDATION (Continued)

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; 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.

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.

3 Significant accounting policies (Continued)

BASIS OF CONSOLIDATION (Continued)

Business combinations (Continued)

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 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.

FAIR VALUE MEASUREMENT

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 HKFRS 16 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)

FAIR VALUE MEASUREMENT (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.

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.

3 Significant accounting policies (Continued)

INVESTMENTS IN ASSOCIATES (Continued)

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, 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.

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.

3 Significant accounting policies (Continued)

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 liability 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.

Corporate finance and equity capital market fee income

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.

Recognition of sponsor fee income at a point in time or over time depends on the specific terms in the contract with the customer and the enforceability of the contract terms. In determining the timing of satisfaction of the performance obligation, the Group examines its services on a contract by contract basis and considers if it has a right to payment at an amount that reasonably compensates it for its performance completed to date at all times throughout the contract. For sponsor fee income recognised at a point in time, the fee income will only be recognised when all the relevant duties of a sponsor as stated in the contract are completed. For sponsor fee income recognised over time, the Group measures the progress using the output method and estimates the percentage of completion by key tasks performed to date. 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.

3 Significant accounting policies (Continued)

REVENUE RECOGNITION (Continued)

Corporate finance and equity capital market fee income (Continued)

The Group also provides other corporate finance advisory services, and the recognition of advisory fee income at a point in time or over time depends on the performance obligation of the contract. The performance obligations for certain corporate finance advisory services are fulfilled when all the relevant duties of the Group as stated in the contract are completed. Certain corporate finance advisory services' performance obligations are satisfied as services rendered if the customer simultaneously receives and consumes the benefits provided by the Group. The Group measures the progress using the output method and estimates the percentage of completion by key tasks performed to date. 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 service.

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.

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, PRC license 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.

3 Significant accounting policies (Continued)

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. 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.

Financial assets

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value. 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 fair value through other comprehensive income ("FVTOCI").

All other financial assets are subsequently measured at FVTPL, except that at the date of 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.

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

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.

(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 gain/(loss) on financial assets and liabilities at fair value through profit or loss" line items in the income statement.

Impairment of financial assets

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, contract assets 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.

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The Group always recognises lifetime ECL for accounts receivable and contract assets (if any) that result from transactions within the scope of HKFRS 15 of which do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component 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.

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;

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

- 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.

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.

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

Modification

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised (an instrument is derecognised when a modification results in a change in cash flows that the Group would consider substantial), the resulting modification loss is recognised in profit or loss with a corresponding decrease in the gross carrying value of the asset.

Expected credit loss for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recongised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification. In addition to the recognition of modification gains and losses, the revised carrying value of modified financial assets will impact the calculation of expected credit losses, with any increase or decrease in expected credit loss recognised.

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.

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".

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

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.

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 is recognised in profit or loss.

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 is recognised in profit or loss.

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.

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

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, net assets attributable to holders of non-controlling interests in consolidated investment fund 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.

Other financial liabilities

Other financial liabilities (including bank loan 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.

3 Significant accounting policies (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial liabilities and equity instruments (Continued)

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.

LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

3 Significant accounting policies (Continued)

LEASES (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land and buildings	Over the lease terms
Office equipment	Over the lease terms

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

3 Significant accounting policies (Continued)

LEASES (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the rewards and risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the minimum lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

3 Significant accounting policies (Continued)

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.

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.

3 Significant accounting policies (Continued)

EMPLOYEE BENEFITS (Continued)

(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.

(iv) Social security system

The employees of the Group's subsidiaries which operate in PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs, depending on the location of the subsidiaries, of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

TAXATION

Income tax expenses represent 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.

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.

3 Significant accounting policies (Continued)

TAXATION (Continued)

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.

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is deducted in reporting the related expense on a systematic basis over the periods that the cost, which it is intended to compensate.

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).

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.

3 Significant accounting policies (Continued)

SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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.

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 leasing of investment properties.

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers		
Commission and fee income		
– securities, options, funds, futures and commodities brokerage	**28,323**	19,942
– underwriting and placements in equity capital markets	**4,542**	6,142
– corporate finance	**23,274**	44,153
– asset management	**33**	510
– miscellaneous fee income	**4,810**	4,227
	60,982	74,974
Revenue from other sources		
Interest income arising from financial assets at amortised cost		
– bank deposits	**896**	4,068
– margin and cash clients	**5,664**	4,673
– loans	**14,461**	20,421
– others	**60**	160
	21,081	29,322
Interest income arising from debt securities	**1,552**	3,494
Dividend income	**3,487**	1,923
Rental income	**2,915**	3,061
	29,035	37,800
	90,017	112,774

BROKING SERVICES

The Group provides broking services to customers on securities, options, funds, futures and commodities 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 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.

4 Revenue (Continued)

CORPORATE FINANCE SERVICES

The Group provides sponsor, financial and compliance advisory services to customers. During the year, the revenue for sponsor and financial advisory services are recognised over time or at a point in time, while for compliance 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. For the contracts that provide the Group an enforceable right to payment for performance completed to date, the sponsor fees are recognised over time by measuring the progress using the output method and estimating the percentage of completion by key tasks performed to date. For other sponsor contracts, 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 certain 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. For other advisory services of which the performance obligations are fulfilled when all the relevant duties of the Group as stated in the contract are completed, the fee is recognised at a point in 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.

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 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 2021 has been excluded from the transaction price and hence not disclosed. For the year ended 30 June 2021, there was no revenue recognised (2020: Nil) from performance obligations satisfied (or partially satisfied) in previous periods.

4 Revenue (Continued)

DISAGGREGATION OF REVENUE

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

For the year ended 30 June 2021

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	**28,323**	**–**	**–**	**–**	**28,323**
Capital market service	**–**	**4,542**	**–**	**–**	**4,542**
Corporate finance service	**–**	**23,274**	**–**	**–**	**23,274**
Asset management service	**–**	**–**	**33**	**–**	**33**
Other services	**3,556**	**–**	**–**	**1,254**	**4,810**
Total revenue from contracts with customers	**31,879**	**27,816**	**33**	**1,254**	**60,982**
Geographical markets					
Hong Kong	**29,049**	**27,816**	**33**	**1,254**	**58,152**
The People's Republic of China (the "PRC")	**3**	**–**	**–**	**–**	**3**
Other countries	**2,827**	**–**	**–**	**–**	**2,827**
Total revenue from contracts with customers	**31,879**	**27,816**	**33**	**1,254**	**60,982**
Timing of revenue recognition					
Services transferred at a point in time	**31,879**	**13,707**	**–**	**–**	**45,586**
Services transferred over time	**–**	**14,109**	**33**	**1,254**	**15,396**
Total revenue from contracts with customers	**31,879**	**27,816**	**33**	**1,254**	**60,982**

4 Revenue (Continued)

DISAGGREGATION OF REVENUE (Continued)

For the year ended 30 June 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	19,942	–	–	–	19,942
Capital market service	–	6,142	–	–	6,142
Corporate finance service	–	44,153	–	–	44,153
Asset management service	–	–	510	–	510
Other services	2,984	–	–	1,243	4,227
Total revenue from contracts with customers	22,926	50,295	510	1,243	74,974
Geographical markets					
Hong Kong	20,396	50,295	510	1,243	72,444
The People's Republic of China (the "PRC")	225	–	–	–	225
Other countries	2,305	–	–	–	2,305
Total revenue from contracts with customers	22,926	50,295	510	1,243	74,974
Timing of revenue recognition					
Services transferred at a point in time	22,926	39,367	–	–	62,293
Services transferred over time	–	10,928	510	1,243	12,681
Total revenue from contracts with customers	22,926	50,295	510	1,243	74,974

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

	2021 HK$'000	2020 HK$'000
Listed equity securities	**46,912**	8,597
Listed debt securities	**(383)**	(6,029)
Listed derivatives	**(3,501)**	(2,260)
Exchange traded funds	**461**	(614)
Unlisted debt security	**186**	(351)
Unlisted investment loan	**5,823**	(4,714)
Unlisted investment funds	**721**	1,080
Overseas unlisted equity securities	**37,055**	(2,593)
	87,274	(6,884)

6 Other income and gain or losses

	2021 HK$'000	2020 HK$'000
Exchange gain/(loss) (net)	**4,000**	(1,475)
Others	**(2,306)**	4,473
	1,694	2,998

7 Profit/(loss) before tax

Profit/(loss) before tax has been arrived at after charging:

	2021 HK$'000	2020 HK$'000
(a) Finance costs:		
Interest on:		
– unsecured bank loans wholly repayable within one month and overdrafts	**9**	520
– secured bank loans wholly repayable within one year	**2,546**	1,175
– other accounts payable	**–**	1,556
– others	**189**	695
– lease liabilities	**107**	141
	2,851	4,087
(b) Net impairment losses on financial instruments:		
Accounts, loans and other receivables	**18,026**	19,518
Bank balances and cash-trust accounts	**–**	(45)
Other assets subject to ECL	**495**	(7)
	18,521	19,466
(c) Staff costs, including directors' remuneration:		
Salaries and other allowances	**59,424**	64,531
Less: Government grants*	**(3,562)**	(712)
	55,862	63,819
Pension costs – defined contribution plan	**1,340**	1,414
	57,202	65,233

7 Profit/(loss) before tax (Continued)

	2021 HK$'000	2020 HK$'000
(d) Other items:		
Depreciation (note 14)	**12,402**	13,501
Lease payments not included in the measurement of lease liabilities (note 15c)	**620**	171
Auditors' remuneration	**3,257**	3,124
Impairment loss on goodwill	**4,293**	–
Impairment loss on intangible assets	**731**	–
Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income	**–**	53
Loss on non-substantial modification of financial asset measured at amortised cost	**2,373**	–

* Government grant has been received for the Employment Support Scheme to provide time-limited financial support to employers to retain employees who may otherwise be made redundant. The government grant received has been deducted from the salaries and other allowances to which they relate. The Group is required to undertake and warrant that they will not implement redundancies during the subsidy period and spend all the wages subsidies on paying salaries to their employees.

8 Segment reporting

Information reported to senior management of the Company 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 service

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements. Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that share of (losses)/profits of associates and changes on non-controlling interests in consolidated investment fund are excluded from such measurement, and the segment assets are measured consistently with the Group's total assets except that inter-company balances are excluded from such measurement. 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 senior management.

8 Segment reporting (Continued)

	2021						
	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	–	–	31,879	27,816	33	1,254	60,982
Interest income arising from financial assets at amortised cost	48	650	20,366	16	1	–	21,081
Interest income arising from debt securities	1,552	–	–	–	–	–	1,552
Other income	3,487	2,915	–	–	–	–	6,402
Inter-segment revenue	–	–	1,700	–	982	28,086	30,768
Segment revenue	5,087	3,565	53,945	27,832	1,016	29,340	120,785
Net gain on financial assets and liabilities at fair value through profit or loss	87,059	–	29	–	–	186	87,274
Other income and gain or losses	102	–	(2,306)	13	–	3,885	1,694
Eliminations	–	–	(1,700)	–	(982)	(28,086)	(30,768)
	92,248	3,565	49,968	27,845	34	5,325	178,985
Segment results	67,813	(4,660)	(14,056)	(3,118)	(7,442)	(1,261)	37,276
Share of losses of associates	–	(938)	(77)	–	–	–	(1,015)
Changes on non-controlling interests in consolidated investment fund	(2,341)	–	–	–	–	–	(2,341)
Profit before tax							33,920
Segment assets							
Segment assets	375,469	98,132	1,132,802	34,690	10,240	329,017	1,980,350
Eliminations							(5,521)
Total assets							1,974,829
Other segmental information							
Depreciation	6	709	59	44	494	11,090	12,402
Addition to non-current assets*	–	–	10	–	4,449	210	4,669
Net impairment losses on financial instruments	–	–	17,501	1,020	–	–	18,521
Commission expenses	1,178	–	6,932	416	–	–	8,526
Finance costs	184	–	1,679	–	25	963	2,851

* Addition to non-current assets consists of additions to property and equipment.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

8 Segment reporting (Continued)

	2020						
	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	–	–	22,926	50,295	510	1,243	74,974
Interest income arising from financial assets at amortised cost	503	304	27,446	652	–	417	29,322
Interest income arising from debt securities	3,494	–	–	–	–	–	3,494
Other income	1,923	3,061	–	–	–	–	4,984
Inter-segment revenue	5	–	1,213	–	1,035	33,404	35,657
Segment revenue	5,925	3,365	51,585	50,947	1,545	35,064	148,431
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	(6,909)	–	25	–	–	–	(6,884)
Other income and gain or losses	922	1	3,491	12	(2)	(1,426)	2,998
Eliminations	(5)	–	(1,213)	–	(1,035)	(33,404)	(35,657)
	(67)	3,366	53,888	50,959	508	234	108,888
Segment results	(23,271)	(8,487)	(17,018)	15,405	(708)	(2,559)	(36,638)
Share of profits/(losses) of associates	–	(200)	732	–	–	–	532
Changes on non-controlling interests in consolidated investment fund	1,047	–	–	–	–	–	1,047
Loss before tax							(35,059)
Segment assets							
Segment assets	321,656	104,774	1,184,072	37,273	9,347	355,869	2,012,991
Eliminations							(16,878)
Total assets							1,996,113
Other segmental information							
Depreciation	7	1,207	115	44	9	12,119	13,501
Addition to non-current assets*	–	–	7	30	5,714	4,908	10,659
Net impairment losses on financial instruments	(376)	–	19,343	506	–	(7)	19,466
Commission expenses	1,176	–	5,281	–	–	–	6,457
Finance costs	326	35	2,245	–	–	1,481	4,087

* Addition to non-current assets consists of additions to investment properties, property and equipment, intangible assets, goodwill and interests in associates.

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 loans to and amount due from associates, loan receivables, other assets, financial assets at FVTPL and deferred tax assets), based on the location of assets.

	Revenue		**Non-current assets**	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**77,974**	96,437	**407,273**	435,384
PRC	**8,566**	13,317	**45,756**	45,074
Others	**3,477**	3,020	**1,090**	2,028
	90,017	112,774	**454,119**	482,486

9 Income tax expenses

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

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The charge for the year to Hong Kong Profits Tax has been relieved by approximately HK$6,229,000 (2020: HK$2,981,000) as a result of tax losses brought forward from previous years of HK$37,751,000 (2020: HK$18,121,000).

9 Income tax expenses (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%.

	2021 HK$'000	2020 HK$'000
Current tax		
– Hong Kong	**2,460**	1,313
– PRC	**496**	1,474
	2,956	2,787
Overprovision in prior years	**(44)**	(109)
Deferred tax (note 29)	**50**	3,301
	2,962	5,979

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

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

	2021 HK$'000	2020 HK$'000
Profit/(loss) before tax	**33,920**	(35,059)
Changes on non-controlling interests in consolidated investment fund	**2,341**	(1,047)
	36,261	(36,106)
Tax at the domestic income tax rate	**5,983**	(5,957)
Tax relief of 8.25% on first HK$2 million assessable profits	**(165)**	(165)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,961)**	1,776
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiary	**–**	36
Losses/(profits) attributable to associates	**168**	(88)
Tax effect of non-deductible expenses	**4,702**	1,424
Tax effect of non-taxable income	**(2,379)**	(2,306)
Tax effect of utilisation of tax losses not previously recognised	**(6,229)**	(2,985)
Tax effect of tax losses not recognised	**1,704**	9,708
Over provision in prior years	**(44)**	(109)
Others	**1,183**	4,645
	2,962	5,979

10 Directors' and management's emoluments

(a) DIRECTORS' EMOLUMENTS

The emoluments paid to each of 7 (2020: 7) directors and the chief executive officer were as follows:

	2021					
	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	**1,200**	**–**	**–**	**–**	**–**	**1,200**
Chief Executive Officer and Executive Director						
Michael Koon Ming Choi	**–**	**2,280**	**–**	**844**	**78**	**3,202**
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**
	2,200	**2,280**	**–**	**844**	**78**	**5,402**

	2020					
	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	1,350	–	–	–	–	1,350
Chief Executive Officer and Executive Director						
Michael Koon Ming Choi	–	2,456	–	–	78	2,534
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
	2,350	2,456	–	–	78	4,884

Note: The discretionary bonus is determined by reference to the Group and the individual performance during the year. Michael Koon Ming Choi was also 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.

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 2021, the five individuals whose emoluments (excluding commissions) were the highest in the Group included 1 director (2020: 1 director) whose emolument (excluding commissions) received in his capacity as director of the Company as reflected in the analysis presented above. There were no emoluments 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 (2020: 4) individuals during the year are as follows:

	2021	2020
	HK$'000	HK$'000
Salaries, other allowances and benefits in kind	**4,524**	6,945
Bonuses	**4,478**	7,600
Retirement scheme contributions	**132**	72
	9,134	14,617

The emoluments are within the following bands:

	2021	2020
	Number of individuals	Number of individuals
HK$2,000,001 – HK$2,500,000	**4**	1
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**–**	1
HK$6,000,001 – HK$6,500,000	**–**	1

11 Dividends

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

	2021 HK$'000	2020 HK$'000
Interim dividend paid of 1.5 HK cents per share (2020: 2 HK cents per share (after share consolidation))	**10,792**	14,255
Final dividend proposed after the end of the reporting period of 1.5 HK cents per share (2020: 1 HK cent per share (after share consolidation))	**10,792**	7,128
	21,584	21,383

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

	2021 HK$'000	2020 HK$'000
Final dividend in respect of the previous financial year, approved and paid of 1 HK cent per share (after share consolidation) (2020: 2.5 HK cents per share (after share consolidation))	**7,128**	17,536
Interim dividend paid of 1.5 HK cents per share (2020: 2 HK cents per share (after share consolidation))	**10,792**	14,255
	17,920	31,791

The Company offered its shareholders the option of receiving their dividends in the form of scrip for the 2020 final dividend. The Company paid HK$4,431,000 in cash and issued 6,691,372 new shares in January 2021 for the distribution of the dividend.

12 Earnings/(loss) per share

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

	2021 HK$'000	2020 HK$'000
Earnings/(loss)		
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share		
Earnings/(loss) for the year attributable to owners of the Company	**31,758**	(40,934)
Number of shares		(restated)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	**715,749,698**	706,393,209

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. As a result, the loss per share in last year was restated. For details, please refer to note 30 to the consolidated financial statements.

13 Investment properties

	HK$'000
At 1 July 2019	**96,214**
Net change in fair value recognised in profit or loss	**(8,132)**
At 30 June 2020 and 1 July 2020	**88,082**
Net change in fair value recognised in profit or loss	**(5,508)**
At 30 June 2021	**82,574**

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, the office property located at Room 801, Building A, Beijing Fortune Plaza, No. 7 Dongsanhuan Zhong Road, Chaoyang District, Beijing, 100020, PRC and a car parking space No. P34 on 5th Floor, COS Centre, 56 Tsuen Yip Street, Kowloon, Hong Kong.

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 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 30 June 2021 and 30 June 2020 was 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 investment properties situated in Hong Kong and PRC classified as level 3 under 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.

13 Investment properties (Continued)

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

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 2021: -20% to 20% (2020: -10% to 3%) (2) View adjustment 2021: N/A (2020: -8%) (3) Size adjustment 2021: -6% to 8% (2020: -18% to 1%) (4) Time adjustment 2021: 1% to 5% (2020: -10%) (5) Pedestrian flow adjustment* 2021: -20% to 0% (2020: 5%) (6) Asking price adjustment# 2021: -5% (2020: -5%)	Valuation of properties is affected by the key input used, other than time adjustment, higher quality properties will lead to higher premium and result in a higher fair value measurement.

* 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

14 Properties and equipment

	Right-of-use assets			Owned assets					
	Land and buildings held for own use HK$'000	Office equipment HK$'000	Total HK$'000	Land and buildings held for own use HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Total HK$'000	Total HK$'000
Cost or valuation:									
At 1 July 2019	3,734	524	4,258	414,272	16,723	1,577	10,555	443,127	447,385
Exchange adjustments	–	–	–	–	(2)	–	(9)	(11)	(11)
Additions	–	–	–	–	44	8	635	687	687
Acquisition of a subsidiary (note 31)	–	–	–	–	441	–	39	480	480
Elimination on revaluation	–	–	–	(10,237)	–	–	–	(10,237)	(10,237)
Deficit on revaluation	–	–	–	(41,520)	–	–	–	(41,520)	(41,520)
At 30 June 2020 and 1 July 2020	3,734	524	4,258	362,515	17,206	1,585	11,220	392,526	396,784
Exchange adjustments	58	–	58	–	47	–	26	73	131
Additions	4,449	–	4,449	–	–	–	220	220	4,669
Elimination on revaluation	–	–	–	(9,144)	–	–	–	(9,144)	(9,144)
Deficit on revaluation	–	–	–	(9,661)	–	–	–	(9,661)	(9,661)
Written off	–	–	–	–	(71)	–	–	(71)	(71)
At 30 June 2021	8,241	524	8,765	343,710	17,182	1,585	11,466	373,943	382,708
Accumulated depreciation:									
At 1 July 2019	–	–	–	–	14,366	1,465	9,932	25,763	25,763
Exchange adjustments	–	–	–	–	(2)	–	(6)	(8)	(8)
Charge for the year	1,358	175	1,533	10,237	1,390	29	312	11,968	13,501
Elimination on revaluation	–	–	–	(10,237)	–	–	–	(10,237)	(10,237)
At 30 June 2020 and 1 July 2020	1,358	175	1,533	–	15,754	1,494	10,238	27,486	29,019
Exchange adjustments	8	–	8	–	8	–	18	26	34
Charge for the year	1,724	175	1,899	9,144	984	29	346	10,503	12,402
Elimination on revaluation	–	–	–	(9,144)	–	–	–	(9,144)	(9,144)
Written off	–	–	–	–	(71)	–	–	(71)	(71)
At 30 June 2021	3,090	350	3,440	–	16,675	1,523	10,602	28,800	32,240
Carrying values:									
At 30 June 2021	5,151	174	5,325	343,710	507	62	864	345,143	350,468
At 30 June 2020	2,376	349	2,725	362,515	1,452	91	982	365,040	367,765
Representing:									
Cost	8,241	524	8,765	–	17,182	1,585	11,466	30,233	38,998
Valuation	–	–	–	343,710	–	–	–	343,710	343,710
At 30 June 2021	8,241	524	8,765	343,710	17,182	1,585	11,466	373,943	382,708
Representing:									
Cost	3,734	524	4,258	–	17,206	1,585	11,220	30,011	34,269
Valuation	–	–	–	362,515	–	–	–	362,515	362,515
At 30 June 2020	3,734	524	4,258	362,515	17,206	1,585	11,220	392,526	396,784

14 Properties and equipment (Continued)

The Group's interest in land and buildings held for own use represents two office units and a carparking space located in Hong Kong and PRC (2020: two office units and a carparking space located in Hong Kong and PRC) which are held on lease of less than 50 years remaining.

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 2021 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 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.

14 Properties and equipment (Continued)

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

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 2021: -5% to 0% (2020: -6% to 0%) (2) View adjustment 2021: -10% to 0% (2020: -15% to 0%) (3) Size adjustment 2021: -6% to 5% (2020: -9% to 8%) (4) Time adjustment 2021: -3% to 0% (2020: -12% to 0%) (5) Asking price adjustment# 2021: -5% (2020: -10%)	Valuation of properties is affected by the key input used, other than time adjustment, higher quality properties will lead to higher premium and result in a higher fair value measurement.

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

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 deficit of HK$9,661,000 (2020: deficit of HK$41,520,000), net of the related deferred tax of HK$2,668,000 (2020: HK$8,605,000) was charged 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$176,425,000 (2020: HK$181,131,000).

Land and buildings held for own use with a carrying amount of approximately HK$330 million (2020: HK$350 million) had been pledged to secure the bank facilities granted by the banks. As at 30 June 2021, the Group had secured bank loan of HK$130 million (2020: HK$60 million).

15 Leases

The Group has lease contracts for various items of property and office equipment used in its operations. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The Group's right-of-use assets are disclosed in note 14 to the consolidated financial statements.

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021	2020
	HK$'000	HK$'000
Carrying amount at 1 July 2020 and 2019	**2,850**	4,370
Addition	**4,449**	–
Accretion of interest recognised during the year	**107**	141
Payments	**(1,975)**	(1,661)
Carrying amount at 30 June 2021 and 2020	**5,431**	2,850
Analysed into:		
Current portion	**2,116**	1,579
Non-current portion	**3,315**	1,271

The maturity analysis of lease liabilities is disclosed in note 38(b) to the consolidated financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021	2020
	HK$'000	HK$'000
Interest on lease liabilities	**107**	141
Depreciation charge of right-of-use assets	**1,899**	1,533
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 30 June 2021/2020	**620**	171
Total amount recognised in profit or loss	**2,626**	1,845

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

16 Intangible assets

	Club memberships HK$'000	Exchange trading rights HK$'000	PRC license HK$'000	Total HK$'000
Cost				
At 1 July 2019	1,490	1,555	–	3,045
Acquisition of a subsidiary (note 31)	–	–	269	269
At 30 June 2020 and 1 July 2020 and 30 June 2021	1,490	1,555	269	3,314
Impairment				
At 1 July 2019, 30 June 2020, 1 July 2020	70	24	–	94
Impairment during the year	–	731	–	731
At 30 June 2021	**70**	**755**	**–**	**825**
Carrying amount				
At 30 June 2021	**1,420**	**800**	**269**	**2,489**
At 30 June 2020	1,420	1,531	269	3,220

17 Goodwill

	2021 HK$'000	2020 HK$'000
At 1 July		
Cost	**4,965**	–
Acquisition of a subsidiary (note 31)	**–**	4,965
Accumulated impairment	**(4,293)**	–
Exchange realignment	**477**	–
At 30 June	**1,149**	4,965
At 30 June		
Cost	**5,442**	4,965
Accumulated impairment	**(4,293)**	–
Net carrying amount	**1,149**	4,965

Impairment testing of goodwill

The recoverable amount of the asset management unit has been determined based on a value in use calculation using cash flow projection based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 27.47% which is determined based on the management's expectation of the market development and future business plan. The discount rate used reflects specific risks relating to the unit and have taken into account of the risk of business uncertainties in the foreseeable future.

18 Interests in associates, amount due from associates and loans to associates

Interests in associates

	2021 **HK$'000**	2020 HK$'000
Cost of investments in associates	**8,019**	8,019
Share of post acquisition profit	**9,420**	10,435
Carrying amount of unlisted associates	**17,439**	18,454

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**	
					2021	2020	**2021**	2020
KCG Securities Asia Limited	Incorporated	Hong Kong	Securities brokerage	HK$20,000,000	**30%**	30%	**30%**	30%
Silk Road Renaissance Limited	Incorporated	Hong Kong	Investment holding	HK$10,000 (issued) Nil (paid)	**0%**	40%	**0%**	40%
Green Property Management Company Limited	Incorporated	Japan	Property investment	JPY100,000 (issued) Nil (paid)	**30%**	30%	**30%**	30%
Primo Development Limited	Incorporated	Hong Kong	Investment holding	HK$10,000	**33%**	33%	**33%**	33%
18V Co., Ltd	Incorporated	Japan	Property investment	JPY 100,000	**33%**	33%	**33%**	33%

18 Interests in associates, amount 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	Profit/(loss) HK$'000
2021					
100 per cent	**298,981**	**244,614**	**54,367**	**17,948**	**(3,022)**
Group's effective interest	**92,130**	**75,139**	**16,991**	**5,470**	**(1,015)**
2020					
100 per cent	298,324	241,983	56,341	11,766	2,484
Group's effective interest	92,081	75,169	16,912	3,610	532

Amount due from associates

The amount due from associates are unsecured, interest free and repayable within five years.

Loans to associates

The Group provided pro-rata shareholder loans to associates for the acquisition of investment properties in Japan. As at 30 June 2021, a loan with principal amount of HK$6,089,000 (2020: HK$6,089,000) is unsecured, interest bearing at 5% per annum and repayable in January 2023. The other loan with principal amount, net of imputed interest, of HK$7,255,000 (2020: HK$6,910,000) is unsecured, interest free and repayable in October 2024.

19 Other assets

	2021 HK$'000	2020 HK$'000
Statutory deposits	**4,541**	6,464
Other deposits and receivables	**492**	852
	5,033	7,316

20 Financial assets at fair value through profit or loss

	Notes	**2021** **HK$'000**	2020 HK$'000
Listed equity securities, at quoted price			
– in Hong Kong		**148,612**	126,733
– outside Hong Kong		**2,116**	1,442
Listed debt securities, at quoted price			
– in Hong Kong	*(a)*	**19,988**	24,504
– outside Hong Kong	*(a)*	**14,232**	23,867
Exchange traded funds, at quoted price	*(b)*	**9,909**	9,448
Overseas unlisted equity securities	*(c)*	**46,416**	8,607
Unlisted debt security		**330**	–
Unlisted investment loan	*(d)*	**–**	9,157
Unlisted investment funds	*(e)*	**79,565**	65,068
		321,168	268,826
Represented by:			
Non-current		**74,640**	34,145
Current		**246,528**	234,681
		321,168	268,826

Notes:

(a) The Group held listed debt securities with fair value of HK$32,899,000 as at 30 June 2021 (2020: HK$46,963,000) which will be due in 2021 to 2027 (2020: 2020 to 2024). The Group also held listed perpetual debts with fair value of HK$1,321,000 as at 30 June 2021 (2020: HK$1,408,000).

(b) The Group held exchange traded funds with fair value of HK$9,909,000 as at 30 June 2021 (2020: HK$9,448,000) which are open-end funds listed on overseas stock exchange.

(c) The fair value of the 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 39 to the consolidated financial statements.

(d) The fair value is derived from unobservable input, 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. The unlisted investment loan has been repaid in full during the year.

(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 the Consolidated Financial Statements
For the year ended 30 June 2021

21 Accounts, loans and other receivables

	Notes	**2021** **HK$'000**	2020 HK$'000
Accounts and loan receivables			
Amounts due from brokers and clearing houses	*(a)*	**76,213**	210,700
Amounts due from margin clients	*(b)*	**28,738**	27,970
Amounts due from cash clients	*(c)*	**125,636**	46,523
Loan receivables	*(d)*	**135,225**	157,486
Other accounts receivable	*(e)*	**2,460**	2,527
		368,272	445,206
Less: Impairment allowances		**(41,812)**	(24,267)
		326,460	420,939
Less: Non-current portion		**(7,619)**	(14,989)
		318,841	405,950
Prepayments, deposits and other receivables		**15,623**	7,811
Less: Impairment allowances		**(1,931)**	(2,069)
		13,692	5,742
		332,533	411,692

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$15,728,000 (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 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 2021, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$79 million (2020: HK$46 million). As at 30 June 2021 and 2020, the market value of collateral held by a substantial number of our margin clients was larger than their outstanding loan balance. The Group provided additional impairment against several margin clients with value of collateral held which was below the outstanding balance of their margin loans. As a result, the Group provided accumulated impairment losses of HK$18 million (2020: HK$9 million) as at 30 June 2021. Management monitors the market value of collateral during the reviews of the adequacy of the impairment allowances. The fair value of collateral can be objectively ascertained to cover the outstanding amount of the loan balances based on quoted prices of the 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: (Continued)

(d) Loan receivables comprise fixed-rate loan receivables of HK$68 million (2020: HK$82 million) and factoring receivables of HK$67 million (2020: HK$75 million), and accumulated impairment allowances of HK$23 million (2020: HK$14 million) as at 30 June 2021. 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 relationship and stable repayment pattern, where the terms are extended to a longer period.

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

	2021	2020
	HK$'000	HK$'000
Current and within one month	**300,421**	403,785
More than one month and within three months	**–**	137
More than three months	**26,039**	17,017
	326,460	420,939

Included in the above table, loan receivables of approximately HK$87,715,000 and HK$24,838,000 (2020: HK$139,630,000 and HK$3,522,000) were aged within one month and more than three months respectively.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

21 Accounts, loans and other receivables (Continued)

The movements in the allowance for impairment losses for accounts and loan receivables of 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$'000	Loan receivables HK$'000	Other accounts receivable HK$'000	Total HK$'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	**–**	**8,512**	**6**	**8,338**	**962**	**17,818**
Amounts written off as uncollectible	**–**	**–**	**–**	**–**	**(273)**	**(273)**
At 30 June 2021	**6**	**17,865**	**46**	**22,672**	**1,223**	**41,812**

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 571I) 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 2020, cash and cash equivalents included fixed deposits of HK$8,094,000 with banks with an original maturity within 3 months.

24 Financial liabilities at fair value through profit or loss

	2021 HK$'000	2020 HK$'000
Financial liabilities at FVTPL arising from short selling activities	**13,107**	8,267

Balance represented the fair value of listed equity securities from short selling activities as at 30 June 2021 and 2020.

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 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.

The summarised financial information below represent amounts before intragroup eliminations.

MEC Asian Fund

	2021	2020
	HK$'000	HK$'000
Current assets	**74,030**	55,123
Current liabilities	**16,295**	9,349
Equity attributable to owners of MEC Asian Fund	**57,735**	45,774
Profit/(loss) for the year	**11,535**	(5,548)

26 Accruals, accounts and other payables

	2021	2020
	HK$'000	HK$'000
Accounts payable (on demand or within one month)		
Amounts due to brokers and clearing houses	**8,151**	36
Clients' accounts payable	**713,599**	837,413
Others	**10,151**	8,464
	731,901	845,913
Other creditors, accruals and other provisions	**36,990**	37,702
	768,891	883,615

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 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.

27 Contract assets and liabilities

	2021	2020
	HK$'000	HK$'000
Provision of corporate finance advisory services:		
Contract assets, net of impairment allowances	**300**	–
Contract liabilities	**17,882**	17,560

Contract assets are initially recognised for revenue earned from the provision of corporate finance advisory services. Upon completion of relevant milestones, the amounts recognised as contract assets are reclassified to account receivables. During the year ended 30 June 2021, HK$275,000 (2020: Nil) was recognised as an allowance for expected credit losses on contract assets.

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

While revenue from provision of corporate finance services of HK$3,110,000 is recognised in the year ended 30 June 2021 related to contract liabilities as of 1 July 2020, revenue from provision of corporate finance services of HK$20,525,000 is recognised in the year ended 30 June 2020 related to contract liabilities as of 1 July 2019.

For acting as sponsor, the Group normally receives fees by installments according to the mandate. This may 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 or over time, by determining if it has a right to payment at an amount that reasonably compensates it for its performance completed to date at all times throughout the contract.

28 Bank loan

	2021	2020
	HK$'000	HK$'000
Secured bank loan *(Note)*	**130,000**	60,000

Note: The bank loan as at 30 June 2021 is repayable within one year (2020: one year). The loan is secured by the Group's land and building held for own use with fair value of approximately HK$330 million (2020: HK$350 million) and bear interest at 1.4% above Hong Kong Interbank Offered Rate ("HIBOR") (2020: 1.4% above HIBOR).

One of the Group's banking facilities is subject to a loan-to-value ratio. The Group is required to repay part of the bank loan to maintain the specified ratio when necessary. The Group regularly monitors its compliance with these covenants. As at 30 June 2021 and 2020, none of the covenants relating to the facilities drawn had been breached.

29 Deferred taxation

(a) DEFERRED TAX 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$'000	Withholding taxes HK$'000	Tax losses HK$'000	Total HK$'000
At 1 July 2019	40,269	–	(7,862)	32,407
(Credit)/charge to consolidated income statement (note 9)	(355)	36	3,620	3,301
Credit to other comprehensive income				
– properties revaluation reserve	(8,605)	–	–	(8,605)
At 30 June 2020 and 1 July 2020	**31,309**	**36**	**(4,242)**	**27,103**
Charge/(credit) to consolidated income statement *(note 9)*	**365**	**(36)**	**(279)**	**50**
Credit to other comprehensive income				
– properties revaluation reserve	**(2,668)**	–	**–**	**(2,668)**
At 30 June 2021	**29,006**	**–**	**(4,521)**	**24,485**

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:

	2021 HK$'000	2020 HK$'000
Net deferred tax assets	**(2,946)**	(2,897)
Net deferred tax liabilities	**27,431**	30,000
	24,485	27,103

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

29 Deferred taxation (Continued)

(b) DEFERRED TAX ASSETS NOT RECOGNISED

As at 30 June 2021, the Group has unused estimated tax losses of approximately HK$508 million (2020: HK$527 million). A deferred tax asset of HK$4,521,000 (2020: HK$4,242,000) has been recognised in respect of tax losses of approximately HK$27 million (2020: approximately HK$26 million). The Group has not recognised deferred tax asset in respect of the remaining tax losses of approximately HK$481 million (2020: HK$501 million) due to the unpredictability of future profit streams. The tax losses of approximately HK$467 million (2020: HK$488 million) are from subsidiaries incorporated in Hong Kong and will not expire under current tax regulation while tax losses of approximately HK$14 million (2020: HK$13 million) are from PRC subsidiaries and are subject to expiry periods from 2022 to 2026 (2020: from 2021 to 2025) under the current tax legislation.

30 Share capital and share premium

	2021		2020	
	No. of shares	**Amount**	No. of shares	Amount
	'000	**HK$'000**	'000	HK$'000
Authorised:	**10,000,000**	**1,000,000**	100,000,000	1,000,000

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

	Number of shares in issue	**Issued capital**	**Share premium account**	**Total**
		HK$'000	HK$'000	HK$'000
At 1 July 2019	7,014,469,674	70,145	359,075	429,220
Scrip dividend issued	113,145,288	1,131	4,639	5,770
At 30 June 2020 and 1 July 2020	7,127,614,962	71,276	363,714	434,990
Share consolidation	(6,414,853,466)	–	–	–
Scrip dividend issued	6,691,372	669	2,028	2,697
At 30 June 2021	719,452,868	71,945	365,742	437,687

During the years ended 30 June 2020 and 2021, the movements in share capital were as follows:

30 Share capital and share premium (Continued)

On 23 January 2020, the Company issued 113,145,288 new shares at HK$0.051 on each issued share for the distribution of the scrip dividend declared for 2019 final dividend.

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.

On 19 January 2021, the Company issued 6,691,372 new shares at HK$0.403 on each consolidated issued share for the distribution of the scrip dividend declared for 2020 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.

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 2021 and 2020, 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 prior financial years.

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:

	2021 **HK$'000**	2020 HK$'000
Total borrowings	**130,000**	60,000
Equity attributable to owners of the Company	**995,685**	981,439
Gearing ratio	**13%**	6%

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

31 Business combination

On 22 May 2020, the Group acquired a 65% interest in 廣東國富滙基金管理有限公司 ("GoldFull"), from an independent third party. GoldFull is engaged in the provision of asset management services in the PRC. The acquisition was made as part of the Group's strategy to expand its asset management segment. The purchase consideration for the acquisition was in the form of cash, with RMB3,986,000 (equivalent to HK$4,555,000) paid as at 30 June 2021 and the remaining RMB340,000 will be settled in the next twelve months. The Group has elected to measure the non-controlling interest in GoldFull at the non-controlling interest's proportionate share of GoldFull's identifiable net assets.

The fair values of the identifiable assets and liabilities of GoldFull as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000
Property and equipment	14	480
Intangible assets	16	269
Cash and cash equivalents		434
Other receivables		1,257
Accruals and other payables		(2,784)
Total identifiable net liabilities at fair value		(344)
Non-controlling interests		120
		(224)
Goodwill on acquisition		4,965
Satisfied by cash		4,741

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(2,962)
Cash and cash equivalents acquired	434
Net outflow of cash and cash equivalents included in cash flows from investing activities	(2,528)

GoldFull did not contribute any revenue to the Group for the year ended 30 June 2021 and 2020.

32 Disposal of a subsidiary

On 19 June 2020, the Group disposed a 70% interest in CAP Management Limited to the existing shareholder. The consideration for the disposal was in the form of cash, with US$7 paid at the acquisition date.

	2020 HK$'000
Net assets disposed of:	
Amount due from a subsidiary	301
Amount due to a minority shareholder	(153)
Non-controlling interests	(44)
	104
Loss on disposal of a subsidiary	(104)
Satisfied by cash	–

33 Commitments

(a) COMMITMENTS UNDER OPERATING LEASES AS LESSOR

As at 30 June 2021 and 2020, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases in respect of a shop, an office premise and a car parking space which fall due as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year	**2,057**	1,903
Between one and two years	**–**	450
	2,057	2,353

Leases are negotiated and rentals are fixed for lease term 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 leased period.

(b) OTHER COMMITMENTS

	2021 **HK$'000**	2020 HK$'000
Capital commitments for acquisition of unlisted equity investments	**–**	12,161

34 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 year end 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.

35 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.

36 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:

	2021	2020
	HK$'000	HK$'000
Fees	**2,200**	2,350
Salaries, commissions and other allowance	**5,844**	6,284
Bonuses	**1,931**	–
Retirement scheme contributions	**174**	174
	10,149	8,808

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:

	2021	2020
	HK$'000	HK$'000
Brokerage commission earned on securities, options, futures and commodities dealing		
– Group's directors, their close family members and their companies	**234**	140
Consultancy and management fees earned		
– a company controlled by a Group's director	**1,240**	1,240
Secretarial fee earned		
– a company controlled by a Group's director	**19**	19
Clients' accounts payable		
– Group's directors, their close family members and their companies	**(13,216)**	(35,388)

(c) LOANS TO ASSOCIATES

The Group provided pro-rata shareholder loans to associates for the acquisition of investment properties in Japan. As at 30 June 2021, a loan with the principal amount of HK$6,089,000 (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$7,255,000 (2020: HK$6,910,000) is unsecured, interest free and repayable in October 2024.

37 Particulars of significant subsidiaries

The following is a list of the significant subsidiaries as at 30 June 2021 and 2020:

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	
				2021	2020	**2021**	2020
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$10,000,000	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%
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%	**–**	–

37 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	
				2021	2020	**2021**	2020
Primo Result Limited	Hong Kong	Ordinary share HK$50,000,000	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%
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%
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%
Primo Holdings Limited	Hong Kong	Ordinary shares HK$1,000,000	Investment holding	**100%**	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%
廣東國富滙基金管理有限公司	PRC	Registered capital RMB10,000,000 (Paid: RMB7,318,000)	Provision of asset management services	**–**	–	**65%**	65%
MEC Asian Fund	Cayman Islands	N/A	Investment fund	**–**	–	**79.34%***	79.98%*

37 Particulars of significant subsidiaries (Continued)

* 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.

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 **2021**	2020
Investment consulting	People's Republic of China	**4**	4
Investment holdings	British Virgin Islands	**1**	2
Dormant	Hong Kong	**2**	2
		7	8

Festival Developments Limited, SW Kingsway Capital Group Limited and Primo Holdings 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		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	**2021**	2020	**2021**	2020
				HK$'000	HK$'000	**HK$'000**	HK$'000
MEC Asian Fund	Cayman Islands	**20.66%△**	20.02%△	**2,341**	(1,047)	**11,931**	9,164
廣東國富滙基金管理有限公司	PRC	**35%**	35%	**(800)**	(83)	**1,272**	(203)
CAP Management Limited	Cayman Islands	**–**	–	**–**	(21)	**–**	–
				1,541	(1,151)	**13,203**	8,961

△ 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 Asian Fund is shown in note 25 to the consolidated financial statements and the profit/(loss) allocated to the non-controlling interest is shown in consolidated income statement as fair value change on non-controlling interests in consolidated investment fund.

38 Financial risk management

At the end of the reporting period, except for financial assets at FVTPL, all other financial assets of the Group are categorised as financial assets at amortised cost and these include cash and cash equivalents, bank balances and cash – trust accounts, accounts, loans and other receivables, loans to and amounts due from associates, contract assets and other assets. Financial liabilities at FVTPL and net assets attributable to holders of non-controlling interests in consolidated investment fund are categorised as financial liabilities at fair value through profit or loss and other financial liabilities such as accounts and other payables, lease liabilities and bank loan are categorised as financial liabilities at amortised cost. The carrying amounts of the financial assets and liabilities are set out in the consolidated statement of financial position and the details of which are disclosed in the corresponding notes to the consolidated financial statements.

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, loan receivables, and other receivables 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 loan receivables, 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

38 Financial risk management (Continued)

(a) CREDIT RISK AND IMPAIRMENT ASSESSMENT (Continued)

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.

The maximum exposure to credit risk without taking into 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.

During the year ended 30 June 2021, the Group has renegotiated the contractual terms with one fixed-rate loan client. Based on the assessment performed by the Group, it is regarded as non-substantial modification.

The amortised cost before the modification of the loan receivable was HK$10,620,000 and the modification loss amounting to HK$2,373,000 was recorded in profit or loss during the year ended 30 June 2021. As at 30 June 2021, the gross receivable of HK$10,356,000 was classified under lifetime ECL – not credit-impaired (doubtful) since there is a significant increase in credit risk after the modification.

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

38 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 2021	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	296,232	
		Doubtful	Lifetime ECL (not credit impaired)	10,356	
		Loss	Lifetime ECL (credit-impaired)	69,338	
		N/A	Lifetime ECL (simplified approach)	2,460	378,386
Loans to and amount due from associates	18	Low risk	12-month ECL		14,257
Bank balance and cash – trust accounts	22	Low risk	12-month ECL		668,244
Cash and cash equivalents	23	Low risk	12-month ECL		168,610
Other assets	19	Low risk	12-month ECL		5,033
Contract assets	27	N/A	Lifetime ECL (simplified approach)		575

June 2020	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	408,836	
		Doubtful	Lifetime ECL (not credit impaired)	–	
		Loss	Lifetime ECL (credit-impaired)	40,337	
		N/A	Lifetime ECL (simplified approach)	2,527	451,700
Loans to and amount due from associates	18	Low risk	12-month ECL		13,607
Bank balance and cash – trust accounts	22	Low risk	12-month ECL		658,034
Cash and cash equivalents	23	Low risk	12-month ECL		136,266
Other assets	19	Low risk	12-month ECL		8,216

Note:

Prepayment of HK$5,509,000 (2020: HK$1,317,000) under accounts, loans and other receivables was not classified as financial assets at amortised cost.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

38 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.

30 June 2021	12m – ECL (Stage 1) HK$'000	Lifetime ECL (not credit-impaired) (Stage 2) HK$'000	Lifetime ECL (credit-impaired) (Stage 3) HK$'000	Lifetime ECL (Simplified approach) HK$'000	Total HK$'000
As at 1 July 2020	974	–	24,828	534	26,336
Changes due to financial instruments recognised as at 1 July:					
– Transfer to lifetime ECL (not credit-impaired)	(14)	14	–	N/A	–
– Transfer to credit-impaired	(92)	–	92	N/A	–
– Repayment and derecognition	(504)	–	(72)	–	(576)
– Remeasurement of ECL	(171)	210	16,866	627	17,532
New financial assets originated or purchased	128	–	607	335	1,070
	(653)	224	17,493	962	18,026
Movement without impact on profit or loss					
– Write-offs	–	–	(346)	(273)	(619)
As at 30 June 2021	321	224	41,975	1,223	43,743
Arising from:					
– Amount due from brokers and clearing houses	6	–	–	N/A	6
– Amount due from margin clients	–	–	17,865	N/A	17,865
– Amount due from cash clients	–	–	46	N/A	46
– Loan receivables	315	224	22,133	N/A	22,672
– Other accounts receivable	–	–	–	1,223	1,223
– Deposits and other receivables	–	–	1,931	N/A	1,931
	321	224	41,975	1,223	43,743

38 Financial risk management (Continued)

(a) CREDIT RISK AND IMPAIRMENT ASSESSMENT (Continued)

30 June 2020	12m – ECL (Stage 1) HK$'000	Lifetime ECL (not credit-impaired) (Stage 2) HK$'000	Lifetime ECL (credit-impaired) (Stage 3) HK$'000	Lifetime ECL (Simplified approach) HK$'000	Total HK$'000
As at 1 July 2019	698	757	5,335	3,072	9,862
Changes due to financial instruments recognised as at 1 July:					
– Transfer to 12m ECL	3,274	(221)	(3,053)	N/A	–
– Transfer to credit-impaired	(78)	(504)	582	N/A	–
– Repayment and derecognition	(274)	(25)	(774)	(28)	(1,101)
– Remeasurement of ECL	(3,230)	(7)	22,473	36	19,272
New financial assets originated or purchased	584	–	265	498	1,347
	276	(757)	19,493	506	19,518
Movement without impact on profit or loss					
– Write-offs	–	–	–	(3,044)	(3,044)
As at 30 June 2020	974	–	24,828	534	26,336
Arising from:					
– Amount due from brokers and clearing houses	6	–	–	N/A	6
– Amount due from margin clients	–	–	9,353	N/A	9,353
– Amount due from cash clients	1	–	39	N/A	40
– Loan receivables	967	–	13,367	N/A	14,334
– Other accounts receivable	N/A	N/A	N/A	534	534
– Deposits and other receivables	–	–	2,069	N/A	2,069
	974	–	24,828	534	26,336

38 Financial risk management (Continued)

(a) CREDIT RISK AND IMPAIRMENT ASSESSMENT (Continued)

New financial assets originated or purchased

Amount of approximately HK$128,000 (2020: HK$584,000) represented provision made under 12m ECL in relation to financial assets with gross amount of approximately HK$15,015,000 (2020: HK$108,850,000). There was no provision made under Lifetime ECL (not credit-impaired) as at 30 June 2021. Amount of approximately HK$607,000 (2020: HK$265,000) represented provision made under Lifetime ECL (credit-impaired) in relation to financial assets with gross amount of approximately HK$9,640,000 (2020: HK$265,000). Amount of approximately HK$335,000 (2020: HK$498,000) represented provision made under Lifetime ECL (simplified approach) in relation to financial assets with gross amount of approximately HK$625,000 (2020: HK$1,839,000).

The following significant changes in the gross carrying amounts of amounts due from margin clients and loan receivables contributed to the increase in ECL during the year ended 30 June 2021 and 2020:

30 June 2021

– Transfer of loan receivables of HK$23,602,000 from 12m – ECL to Lifetime ECL (credit-impaired), resulting in an increase in ECL of HK$7,939,000; and

– The collaterals of certain margin clients have been impaired during the year, resulting in an increase in ECL of HK$8,512,000.

30 June 2020

– Transfer of amounts due from margin clients of HK$26,866,000 from Lifetime ECL (not credit impaired) to Lifetime ECL (credit-impaired), resulting in an increase of ECL of HK$9,331,000; and

– Transfer of loan receivables of HK$12,000,000 from Lifetime ECL (not credit-impaired) to Lifetime ECL (credit-impaired), resulting in an increase in ECL of HK$11,475,000.

(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.

38 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$'000	Repayment on demand or within 1 month HK$'000	1 to less than 3 months HK$'000	3 to less than 12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000
As 30 June 2021						
Financial liabilities at fair value through profit or loss	**13,107**	**13,107**	**–**	**–**	**–**	**13,107**
Net assets attributable to holders of non-controlling interests in consolidated investment fund	**11,931**	**11,931**	**–**	**–**	**–**	**11,931**
Accounts and other payables	**750,283**	**750,283**	**–**	**–**	**–**	**750,283**
Bank loan	**130,000**	**130,072**	**–**	**–**	**–**	**130,072**
Lease liabilities	**5,431**	**213**	**427**	**1,551**	**3,405**	**5,596**
	910,752	**905,606**	**427**	**1,551**	**3,405**	**910,989**
As 30 June 2020						
Financial liabilities at fair value through profit or loss	8,267	8,267	–	–	–	8,267
Net assets attributable to holders of non-controlling interests in consolidated investment fund	9,164	9,164	–	–	–	9,164
Accounts and other payables	861,674	861,674	–	–	–	861,674
Bank loan	60,000	60,092	–	–	–	60,092
Lease liabilities	2,850	138	277	1,246	1,292	2,953
	941,955	939,335	277	1,246	1,292	942,150

Notes: As at 30 June 2021 and 30 June 2020, bank loan 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 2021, the aggregate undiscounted principal amounts of the bank loan amounted to HK$130,000,000 (2020: HK$60,000,000). Assuming the banks will not exercise their discretionary rights to demand immediate repayment, the aggregate principal and interest cash outflows for such bank loan up to maturity date within 1 year amounted to approximately HK$130,072,000 (2020: HK$60,092,000).

38 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 funds and unlisted investment loan, rest with assigned investment managers and governed by specific investment guidelines. The Board has set up the Risk Management Committee ("RMC") for the purpose of independently monitoring the positions of the Group's proprietary trading activities involving equities and derivatives. In addition to the RMC, 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 securities, 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 profit before tax would increase/decrease by HK$11,737,000 (2020: loss before tax would decrease/increase by HK$7,471,000).

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 profit before tax would decrease/increase by HK$180,000 (2020: loss before tax would increase/decrease by HK$282,000).

For exchange traded funds, unlisted debt security and unlisted investment funds, assuming that the unit price of the security or funds increased/decreased by 10% and all other variables held constant at the end of the report period, the Group's profit before tax would increase/decrease by HK$8,943,000 (2020: loss before tax would decrease/increase by HK$8,367,000).

At the reporting date, the exposure to overseas unlisted equity securities at fair value was HK$46,416,000 (2020: HK$8,607,000). Sensitivity analyses of these investments have been provided in note 39 to the consolidated financial statements.

38 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 loan 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 2021					
Other assets	391	20	–	–	–
Loans to and amount due from associates	–	–	–	14,257	–
Financial assets at fair value through profit or loss	149,007	6,014	2,116	–	–
Accounts, loans and other receivables	7,327	67,452	–	71	279
Bank balances and cash – trust accounts	7,059	568	29	–	3,537
Cash and cash equivalents	10,918	17,565	–	–	71
Accounts and other payables	(8,838)	(1,524)	(29)	(67)	(3,785)
Net exposure arising from recognised assets and liabilities	165,864	90,095	2,116	14,261	102

38 Financial risk management (Continued)

(d) FOREIGN EXCHANGE RISK (Continued)

	USD	RMB	GBP	JPY	Others
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 30 June 2020					
Other assets	391	16	–	–	–
Loans to and amount due from associates	–	–	–	12,999	–
Financial assets at fair value through profit or loss	138,127	–	1,442	–	–
Accounts, loans and other receivables	11,298	75,416	–	73	125
Bank balances and cash – trust accounts	3,279	999	47	–	1,181
Cash and cash equivalents	29,618	9,348	16	–	4
Accounts and other payables	(14,619)	(4,950)	(47)	(70)	(1,298)
Net exposure arising from recognised assets and liabilities	168,094	80,829	1,458	13,002	12

Other than above, several subsidiaries of the Company have intra-group payables denominated in HK$ of HK$45,226,000 as at 30 June 2021 (2020: HK$38,818,000), which are foreign currencies of the relevant group entities whose functional currency is RMB.

An analysis of the estimated change in the Group's profit/(loss) 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.

	2021		2020	
	Increase/(decrease) in exchange rates	**Increase/(decrease) on profit before tax HK$'000**	Increase/(decrease) in exchange rates	(Decrease)/increase on loss before tax HK$'000
Renminbi, RMB	**+5%**	**6,766**	+5%	(5,982)
	-5%	**(6,766)**	-5%	5,982
Pound Sterling, GBP	**+5%**	**106**	+5%	(73)
	-5%	**(106)**	-5%	73
Japanese Yen, JPY	**+5%**	**713**	+5%	(650)
	-5%	**(713)**	-5%	650

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.

38 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 (2020: 25 basis points) higher/lower and all other variables held constant at the end of the reporting period, the Group's profit before tax would increase/decrease by HK$378,000 (2020: loss before tax would decrease/increase HK$302,000).

(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.

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

38 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 2021

	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	269,120	(56,448)	212,672	(27,560)	(19,169)	165,943
Deposit placed with clearing houses	8,105	–	8,105	–	–	8,105

	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	778,197	(56,448)	721,749	(27,560)	–	694,189
Financial liabilities at FVTPL	13,107	–	13,107	–	–	13,107

38 Financial risk management (Continued)

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

As at 30 June 2020

	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	330,278	(85,855)	244,423	(11,552)	(40,750)	192,121
Deposit placed with clearing houses	6,464	–	6,464	–	–	6,464

	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	923,304	(85,855)	837,449	(11,552)	–	825,897
Financial liabilities at FVTPL	8,267	–	8,267	–	–	8,267

38 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.

	2021 HK$'000	2020 HK$'000
Trade receivables		
Net amount of receivables as stated above	**212,672**	244,423
Amount not in scope of offsetting disclosures	**127,480**	182,258
Amount of total accounts, loans and other receivables as stated in note 21	**340,152**	426,681
Trade payables		
Net amount of payables as stated above	**721,749**	837,449
Amount not in scope of offsetting disclosures	**47,142**	46,166
Amount of total accruals, accounts and other payables as stated in note 26	**768,891**	883,615

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.

39 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 2021	30 June 2020		
	HK$'000	HK$'000		
Financial assets				
Listed equity securities	**150,728**	128,175	Level 1	Quoted price in an active market
Listed debt securities	**34,220**	48,371	Level 2	Quoted price in a market
Exchange traded funds	**9,909**	9,448	Level 1	Quoted price in an active market
Unlisted investment funds	**79,565**	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
Unlisted debt security	**330**	–	Level 2	Quoted price in an inactive market
Overseas unlisted equity security	**34,173**	–	Level 2	Recent transaction price in an inactive market
Financial liabilities				
Listed equity securities	**13,107**	8,267	Level 1	Quoted price in an active market
Net assets attributable to holders of non-controlling interests in consolidated investment fund	**11,931**	9,164	Level 2	Net asset value of underlying investments determined with reference to active market price

Notes to the Consolidated Financial Statements

For the year ended 30 June 2021

39 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 2021	30 June 2020			
	HK$'000	HK$'000			
Financial assets					
Overseas unlisted equity securities	**12,243**	8,607	Level 3	Market approach	Enterprise value to earnings before interest, taxes, depreciation and amortization ratio ("EV/EBITDA") 6.9x (2020: 6.2x) Discount for lack of marketability of 25% (2020: 25%)
				Income approach	Cost of capital of 23.86% (2020: 20.4%) Discount for lack of control of 11.2% (2020: 9.8%) Discount for lack of marketability of 21.9% (2020: 20.6%)
Unlisted investment loan	–	9,157	Level 3	Adjusted net asset value of underlyng investments and credit risk adjustment	Credit risk adjustment of Nil (2020: 3.61%)

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$970,000 and vice versa. The effect of a 10% increase in the discount for lack of marketability used in isolation to the fair value measurement of the overseas unlisted equity security is immaterial.

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$109,000 or an increase of HK$111,000. 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$10,000 and HK$21,000 respectively, and vice versa.

39 Fair value measurements of financial instruments (Continued)

Reconciliation of Level 3 fair value measurements

	Financial assets mandatorily classified/designated at fair value through profit or loss	
	30 June 2021 HK$'000	30 June 2020 HK$'000
Opening balance	**17,764**	20,003
Fair value change charged to profit or loss	**9,459**	(7,658)
Addition	**–**	5,790
Disposal	**(14,980)**	(371)
	12,243	17,764

For the year ended 30 June 2021, of the total gains or losses for the year included in profit or loss, HK$3,636,000 (2020: HK$8,029,000) is relate to unrealised gain/(loss) for the year related to financial assets measured at FVTPL under Level 3 held at year end.

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. 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 valuation bi-annually.

40 Notes to the consolidated statement of cash flows

(a) Changes in 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.

	Lease liabilities	Bank loan	Dividend payable	Net assets attributable to holders of non-controlling interests in consolidated investment fund	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2019	4,370	20,000	–	9,512	33,882
Financing cash inflow	–	1,377,230	–	699	1,377,929
Financing cash outflow	(1,520)	(1,337,230)	(26,021)	–	(1,364,771)
Financing costs recognised	141	–	–	–	141
Interest portion of lease payments classified as operating cash flows	(141)	–	–	–	(141)
Cash dividend declared	–	–	26,021	–	26,021
Change in gain or losses	–	–	–	(1,047)	(1,047)
At 30 June 2020 and 1 July 2020	2,850	60,000	–	9,164	72,014
Financing cash inflow	–	4,285,973	–	426	4,286,399
Financing cash outflow	(1,868)	(4,215,973)	(15,223)	–	(4,233,064)
New lease	4,449	–	–	–	4,449
Financing costs recognised	107	–	–	–	107
Interest portion of lease payments classified as operating cash flows	(107)	–	–	–	(107)
Cash dividend declared	–	–	15,223	–	15,223
Change in gain or losses	–	–	–	2,341	2,341
At 30 June 2021	5,431	130,000	–	11,931	147,362

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021	2020
	HK$'000	HK$'000
Within operating activities	**727**	312
Within financing activities	**1,868**	1,520
	2,595	1,832

41 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.

Judgements

- **REVENUE FROM CONTRACTS WITH CUSTOMERS**

  The Group applied judgements on the identification of the performance obligations, recognition of revenue over time versus at a point in time, and choosing an appropriate method of measuring progress of corporate finance services. The Group follows the accounting standard to assess the performance obligations in the contract and the revenue recognition approach. In determining the timing of satisfaction of the performance obligation, the Group examines its services on a contract by contract basis and considers if it has a right to payment at an amount that reasonably compensates it for its performance completed to date at all times throughout the contract. For income being recognised overtime, the Group measures the progress using the output method and estimates the percentage of completion by key tasks performed to date. For income not being recognised overtime, the fee will only be recognised when the performance obligation is completed.

Estimation uncertainty

- **IMPAIRMENT ALLOWANCES ON ACCOUNTS AND LOAN RECEIVABLES**

  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 at the reporting date and the risk of default at the date of initial recognition.

  The Group calibrates the model to adjust the ECL experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the financing sectors, the probability of default rates is adjusted. When estimating the ECL on amounts due from margin clients, the Group has incorporated forward-looking economic information through the use of industry trend and expected future changes in macroeconomic conditions to reflect the qualitative factors, and through the use of probability-weighted scenarios by the stock market analysis. At each reporting date, the parameters are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among the probability of default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions. The Group's probability of default rates and forecast of economic conditions may also not be representative of a customer's actual default in the future.

  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. Details of the impairment allowances on accounts and loan receivables are disclosed in note 21 to the consolidated financial statements.

41 Key sources of estimation uncertainty and judgements (Continued)

- **FAIR VALUE OF THE OVERSEAS UNLISTED EQUITY SECURITIES**

  The fair value of overseas unlisted equity securities that are not traded in an active market is determined by using external valuations. The Group uses a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flows analysis and other valuation techniques commonly used by other market participants. These valuation techniques, which involve the use of significant unobservable inputs, including the EV/EBITDA, cost of capital and discount for lack of marketability, require subjective management judgements and assumptions. Changes in assumptions on the valuation techniques could affect the reported fair values of these financial assets. Details of the overseas unlisted equity securities are disclosed in note 39 to the consolidated financial statements.

- **VALUATION OF INVESTMENT PROPERTIES AND LAND AND BUILDINGS HELD FOR OWN USE**

  The valuation of investment properties and land and buildings held for own use that are not traded in an active market is determined by using external valuations. In estimating the fair values of the investment properties and land and buildings held for own use, the Group uses market-observable data to the extent it is available. The fair values of these assets were 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. Changes in the inputs on valuation techniques could affect the reported fair values of these assets. Details of the investment properties and land and buildings held for own use are disclosed in notes 13 and 14 to the consolidated financial statements.

- **DEFERRED 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 deferred tax assets and liabilities are disclosed in note 29 to the consolidated financial statements.

42 Statement of Financial Position of the Company

	2021 HK$'000	2020 HK$'000
Non-current assets		
Interests in subsidiaries	**161,272**	161,272
Amounts due from subsidiaries	**393,751**	371,614
	555,023	532,886
Current assets		
Prepayments, deposits and other receivable	**121**	318
Amounts due from subsidiaries	**534,773**	569,680
Cash and cash equivalents	**7,752**	11,192
	542,646	581,190
Current liabilities		
Accruals, accounts and other payables	**1,344**	1,370
Bank loan	**40,000**	60,000
Tax payable	**98**	1,031
	41,442	62,401
Net current assets	**501,204**	518,789
NET ASSETS	**1,056,227**	1,051,675
CAPITAL AND RESERVES		
Share capital	**71,945**	71,276
Reserves	**984,282**	980,399
TOTAL EQUITY	**1,056,227**	1,051,675

Jonathan Koon Shum Choi
Director

Michael Koon Ming Choi
Director

Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

43 Reserves of the Company

	Contributed surplus $'000	Share premium $'000	Retained profits/ (Accumulated losses) $'000	Total $'000
At 1 July 2019	672,947	352,279	19,363	1,044,589
Loss and total comprehensive expense for the year	–	–	(37,038)	(37,038)
Dividends paid				
– 2019, final	(17,536)	4,639	–	(12,897)
– 2020, interim	–	–	(14,255)	(14,255)
At 30 June 2020	655,411	356,918	(31,930)	980,399
At 1 July 2020	655,411	356,918	(31,930)	980,399
Reduction of contributed surplus to offset the loss for previous year	(37,038)	–	37,038	–
Profit and total comprehensive income for the year	–	–	19,775	19,775
Dividends paid				
– 2020, final	(7,128)	2,028	–	(5,100)
– 2021, interim	–	–	(10,792)	(10,792)
At 30 June 2021	611,245	358,946	14,091	984,282

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.

44 Events after the reporting period

No significant events have occurred since the year end which would require adjustments to or disclosure in the consolidated financial statements.

Five Years Financial Summary

	2017	2018	2019	2020	**2021**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Results					
Revenue	118,419	181,934	170,950	112,774	**90,017**
Profit/(loss) attributable to owners of the Company	(1,929)	20,401	(32,821)	(40,934)	**31,758**
Basic earnings/(loss) per share (cents)	(0.03)	0.34	(0.47)	(0.58)	**4.44**
Dividends paid and payable to owners of the Company attributable to the year	24,846	31,748	31,565	21,383	**21,584**
Assets and liabilities					
Total assets	2,083,828	2,450,887	1,988,465	1,996,113	**1,974,829**
Total liabilities	1,108,723	1,286,579	905,624	1,014,877	**977,872**
Net assets attributable to owners of the Company	974,979	1,164,122	1,082,776	981,439	**995,685**

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

– Shenzhen Kingsway Financial Consultancy Limited
701, Tower A, Aerospace Skyscraper,
4019 Shennan Road, Futian District, Shenzhen,
518048, PRC

– 廣東新華滙富商業保理有限公司
廣東國富滙基金管理有限公司
2701, Dongshan Plaza,
69 Xianlie Middle Road, Yuexiu District
Guangzhou, 510095, 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 LLP
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

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, 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

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

SUNWAH KINGSWAY
新華滙富

Sunwah Kingsway Capital Holdings Limited
新 華 滙 富 金 融 控 股 有 限 公 司

7th Floor, Tower One, Lippo Centre,
89 Queensway, Hong Kong
Tel : (852) 2283 7000 Fax : (852) 2877 2665
Email: pr@sunwahkingsway.com

www.sunwahkingsway.com