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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

The Board of Directors of Sunwah Kingsway Capital Holdings Limited (the "Company") hereby submit the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2018.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 31 December	
	Notes	**2018**	2017
		Unaudited	Unaudited
		HK$'000	*HK$'000*
Revenue			
Commission and fee income		**51,897**	61,483
Interest income		**16,051**	10,886
Dividend income		**958**	1,189
Rental income		**1,956**	2,302
	3	**70,862**	75,860
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	*3*	**(37,971)**	7,287
Other income and gains or losses	*3*	**(2,586)**	1,871
	3	**30,305**	85,018
Operating expenses			
Commission expenses		**(3,889)**	(5,492)
General and administrative expenses		**(64,266)**	(68,704)
Finance costs		**(530)**	(399)
Net impairment losses on financial instruments		**(1,055)**	(339)
		(39,435)	10,084
Fair value changes on investment properties		**(1,605)**	2,858
Changes on non-controlling interests in consolidated investment fund	*3*	**1,499**	(736)
Share of (loss)/profit of associates	*3*	**(384)**	2,810
(Loss)/profit before tax	*4*	**(39,925)**	15,016
Income tax expenses	*5*	**(1,824)**	(2,208)
(Loss)/profit for the period		**(41,749)**	12,808
Attributable to:			
Owners of the Company		**(41,761)**	12,602
Non-controlling interests		**12**	206
(Loss)/profit for the period		**(41,749)**	12,808
Basic (loss)/earnings per share	*7*	**(0.61 HK cent)**	0.23 HK cent
Diluted (loss)/earnings per share	*7*	**(0.61 HK cent)**	0.23 HK cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 December	
	2018	2017
	Unaudited	Unaudited
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(41,749)**	12,808
Other comprehensive income/(expense):		
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of land and buildings held for own use (net of tax)	**10,796**	30,982
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of overseas subsidiaries	**(440)**	91
Reclassification adjustment for foreign operation deregistered during the period	**634**	–
Fair value changes on available-for-sale investments	**–**	615
	194	706
Other comprehensive income for the period	**10,990**	31,688
Total comprehensive (expense)/income for the period	**(30,759)**	44,496
Total comprehensive (expense)/income attributable to:		
Owners of the Company	**(30,771)**	44,290
Non-controlling interests	**12**	206
Total comprehensive (expense)/income for the period	**(30,759)**	44,496

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2018 Unaudited** ***HK$'000***	30 June 2018 Audited *HK$'000*
Non-current assets			
Investment properties		**94,153**	95,758
Properties and equipment		**407,532**	401,051
Intangible assets		**2,051**	2,051
Interests in associates		**15,870**	16,254
Loans to associates		**6,089**	6,089
Loans receivable	*8*	**22,578**	–
Available-for-sale investments		**–**	55,098
Other assets		**14,081**	14,225
Financial assets at fair value through profit or loss		**36,498**	21,743
Deferred tax assets		**8,242**	–
		607,094	612,269
Current assets			
Financial assets at fair value through profit or loss		**164,880**	173,893
Accounts, loans and other receivables	*8*	**383,665**	761,024
Bank balances and cash – trust accounts		**533,294**	673,038
Cash and cash equivalents		**194,078**	230,663
		1,275,917	1,838,618
Current liabilities			
Financial liabilities at fair value through profit or loss		**8,589**	3,290
Net assets attributable to holders of non-controlling interests in consolidated investment fund		**17,842**	17,183
Accruals, accounts and other payables	*9*	**688,763**	1,207,864
Contracts liabilities		**39,905**	–
Bank loan		**20,000**	20,000
Current taxation		**2,474**	2,002
		777,573	1,250,339
Net current assets		**498,344**	588,279
Total assets less current liabilities		**1,105,438**	1,200,548
Non-current liabilities			
Deferred tax liabilities		**37,266**	36,240
NET ASSETS		**1,068,172**	1,164,308
CAPITAL AND RESERVES			
Share capital		**69,016**	690,163
Reserves		**998,958**	473,959
Equity attributable to owners of the Company		**1,067,974**	1,164,122
Non-controlling interests		**198**	186
TOTAL EQUITY		**1,068,172**	1,164,308

NOTES

1 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34, Interim Financial Reporting ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2 SIGNIFICANT ACCOUNTING POLICIES

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

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

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amended HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparing of the Group's unaudited condensed consolidated financial statements.

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

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

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

2.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

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

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

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Accounts receivable arising from contracts with customers are initially measured in accordance with HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15").

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

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

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

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

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

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

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.

Financial assets at FVTPL

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

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

The management of the Company reviewed and assessed the Group's financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.1.2.

Impairment under expected credit loss ("ECL") model

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, lease receivables, loan commitments, financial guarantee contracts and contract assets (if any)). 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, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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

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

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:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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 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 otherwise.

Write-off policy

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

Measurement and recognition of ECL

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

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

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

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".

As at 1 July 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and lease receivables for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.1.2.

Classification and measurement of financial liabilities

For financial liabilities at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the own credit risk of that liability is recognised in OCI, and such amount is not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

2.1.2 *Summary of effects arising from initial application of HKFRS 9*

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

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

Notes:

(a) From available-for-sale investments to FVTPL

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

(b) Impairment under ECL model

Such amount represents the impairment under ECL model upon application of HKFRS 9 as detailed in 2.1.1.

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

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

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

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

2.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

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

The Group recognises revenue from the following major sources:

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

– Commission income on underwriting and placing;

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

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

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

– Rental income arising on investment properties.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 July 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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 and 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.

Under HKFRS 15, the Group assessed that the performance obligation for corporate finance advisory fee is fulfilled when all the relevant duties of a sponsor as stated in the contract are completed. As at 1 July 2018, any incomplete corporate finance advisory contracts with revenue recognised to profit or loss in prior years by the Group under HKAS 18 were reclassified to other accounts payable with a corresponding adjustment to its opening accumulated losses.

2.2.2 Summary of effects arising from initial application of HKFRS 15

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

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

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

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

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

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 31 December 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Non-current Assets			
Deferred tax assets	8,242	(8,242)	–
Current Assets			
Accounts, loans and other receivables	383,665	7,395	391,060
Capital and Reserves			
Reserves	(998,958)	(39,058)	(1,038,016)
Current Liabilities			
Contracts liabilities	(39,905)	39,905	–

Impact on the condensed consolidated statement of profit and loss and other comprehensive income

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	*HK$'000*	*HK$'000*
Commission and fee income	51,897	(4,675)	47,222
Loss before tax	(39,925)	(4,675)	(44,600)
Income tax expense	(1,824)	771	(1,053)
Loss for the period	(41,749)	(3,904)	(45,653)
Total comprehensive expense for the period	(30,759)	(3,904)	(34,663)

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

3 SEGMENT INFORMATION

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

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

	Six months ended 31 December 2018						
	Proprietary investment *HK$'000*	Property investment *HK$'000*	Brokerage and financing *HK$'000*	Corporate finance and capital markets *HK$'000*	Asset management *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Commission and fee income	–	–	13,366	37,785	138	608	51,897
Interest income	4,553	157	11,251	3	–	87	16,051
Other income	958	1,956	–	–	–	–	2,914
Inter-segment revenue	11	–	453	–	1,386	18,613	20,463
Segment revenue	5,522	2,113	25,070	37,788	1,524	19,308	91,325
Net loss on financial assets and liabilities at fair value through profit or loss	(37,946)	–	(25)	–	–	–	(37,971)
Other income and gains or losses	2	–	(270)	(43)	(4)	(2,271)	(2,586)
Eliminations	(11)	–	(453)	–	(1,386)	(18,613)	(20,463)
	(32,433)	2,113	24,322	37,745	134	(1,576)	30,305
Segment results	(42,799)	(1,432)	(471)	5,418	(832)	(924)	(41,040)
Share of profit/(loss) of associates	–	72	(456)	–	–	–	(384)
Changes on non-controlling interests in consolidated investment fund	1,499	–	–	–	–	–	1,499
Loss before tax							(39,925)

	Six months ended 31 December 2017						
	Proprietary investment	Property investment	Brokerage and financing	Corporate finance and capital markets	Asset management	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Commission and fee income	–	–	18,143	42,569	252	519	61,483
Interest income	2,627	–	8,249	–	–	10	10,886
Other income	1,189	2,302	–	–	–	–	3,491
Inter-segment revenue	2	–	857	–	1,095	15,660	17,614
Segment revenue	3,818	2,302	27,249	42,569	1,347	16,189	93,474
Net gain on financial assets and liabilities at fair value through profit or loss	6,344	–	943	–	–	–	7,287
Other income and gains or losses	204	2	220	–	2	1,443	1,871
Eliminations	(2)	–	(857)	–	(1,095)	(15,660)	(17,614)
	10,364	2,304	27,555	42,569	254	1,972	85,018
Segment results	1,069	2,989	14	8,045	576	249	12,942
Share of profit of associates	–	–	2,810	–	–	–	2,810
Changes on non-controlling interests in consolidated investment fund	(736)	–	–	–	–	–	(736)
Profit before tax							15,016

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

	31 December 2018	30 June 2018
	HK$'000	*HK$'000*
Proprietary investment	**291,928**	298,679
Property investment	**103,457**	105,684
Brokerage and financing	**982,251**	1,525,510
Corporate finance and capital markets	**20,049**	22,153
Asset management	**5,329**	5,326
Others	**479,997**	493,535
Total assets	**1,883,011**	2,450,887

4 (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax is arrived at after crediting/(charging):

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss		
– listed equity securities	**(19,486)**	8,196
– listed debt securities	**(744)**	2,014
– listed derivatives	**4,048**	(3,128)
– unlisted investment loan	**1,671**	205
– unlisted investment funds	**(3,989)**	–
– unlisted overseas equity securities	**(19,471)**	–
Interest income from		
– bank deposits	**2,503**	867
– margin and cash clients	**3,583**	3,027
– debt securities	**2,423**	2,144
– loans	**7,523**	4,814
– others	**19**	34
Staff costs	**(43,352)**	(46,955)
Operating lease charges – land and buildings	**(1,567)**	(1,569)
Depreciation	**(5,747)**	(4,951)
Interest expenses on		
– unsecured bank loans wholly repayable within one month and overdrafts	**(1)**	(88)
– secured bank loans wholly repayable within one year	**(269)**	(278)
– others	**(260)**	(33)
Exchange (loss)/gain (net)	**(1,967)**	1,797

5 INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Current tax		
– Hong Kong		
under provision for prior years	**–**	988
current period	**1,120**	252
– PRC	**228**	175
	1,348	1,415
Deferred tax	**476**	793
	1,824	2,208

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the current and prior periods. No tax is payable on the profits of certain subsidiaries arising in Hong Kong for the period since the estimated assessable profits of these subsidiaries of the Group of HK$5.9 million (31 December 2017: HK$14.9 million) are wholly absorbed by tax losses brought forward. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25%.

6 DIVIDENDS

Dividends recognised as distributions during the period

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, declared and payable of 0.3 HK cent per share (2017: paid of 0.25 HK cent per share)	**20,705**	13,803

Subsequent to the end of the interim reporting period, at a meeting held on 13 February 2019, the directors declared an interim dividend of 0.2 HK cent per share (31 December 2017: 0.2 HK cent per share) with an aggregate amount of HK$14,029,000 (31 December 2017: HK$11,043,000) based on the number of shares in issue at 13 February 2019.

7 (LOSS)/EARNINGS PER SHARE

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

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit		
(Loss)/profit for the purposes of basic and diluted (loss)/earnings per share (loss)/profit attributable to owners of the Company for the period)	**(41,761)**	12,602
Number of shares		restated
Number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**6,901,631,102**	5,531,943,234

The number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for the period ended 31 December 2017 have been adjusted to reflect the bonus element of the open offer completed during the year ended 30 June 2018.

8 ACCOUNTS, LOANS AND OTHER RECEIVABLES

		31 December	30 June
	Notes	**2018**	2018
		HK$'000	*HK$'000*
Accounts and loans receivables			
Amounts due from brokers and clearing houses	*(a)*	**161,653**	284,195
Amounts due from margin clients	*(b)*	**86,705**	68,638
Amounts due from cash clients	*(c)*	**33,835**	267,637
Loans receivable	*(d)*	**118,751**	120,108
Other accounts receivable	*(e)*	**1,356**	14,993
		402,300	755,571
Less: Impairment losses		**(3,016)**	(534)
		399,284	755,037
Less: Non-current portion		**(22,578)**	–
		376,706	755,037
Prepayments, deposits and other receivables		**6,959**	5,987
		383,665	761,024

The summary of effects arising from initial application of HKFRS 9 in relation to accounts, loans and other receivables as at 30 June 2018 is disclosed in Note 2.

Notes:

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

The amount due from a broker of HK$1,718,000 (30 June 2018: HK$3,950,000) was pledged as collateral for the stock borrowing transactions.

(b) Margin clients of the brokerage division are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount to the value of securities accepted by the Group. At 31 December 2018, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$404 million (30 June 2018: HK$270 million). The amounts due from margin clients are repayable on demand and bear interest at commercial rates.

(c) There are no credit terms granted to cash clients of the brokerage division except for financing of IPO subscriptions. They are required to settle their securities trading balances on the settlement day determined under the relevant market practices or exchange rules. A receivable of HK$18 million (30 June 2018: HK$18 million) is due from a cash client related to the net balance of a 130% short selling deposit on a suspended security listed on the Main Board of the Stock Exchange. The management of the Group considers that the amount of HK$18 million as at 31 December 2018 is expected to be settled within one year.

(d) Loans receivable comprise of fixed-rate loans receivable of HK$77 million as at 31 December 2018 (30 June 2018: HK$82 million) and factoring receivables of HK$42 million (30 June 2018: HK$38 million). The credit terms for loans granted by the Group's brokerage and financing division are set by management with reference to the financial background and the value and nature of collateral pledged by the borrowers. The loans receivable are secured by personal/corporate guarantee, properties located in Hong Kong, unlisted securities and trade receivables. The contractual maturity date of the loan receivables is normally within one year.

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

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

	31 December 2018 ***HK$'000***	30 June 2018 *HK$'000*
Current and within one month	**365,474**	733,179
More than one month and within three months	**12,006**	4,178
More than three months	**21,804**	17,680
	399,284	755,037

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

	HK$'000
At 1 July 2017	8,058
Impairment loss recognised	648
Amounts written off as uncollectible	(8,172)
At 30 June 2018	534
Impact of adopting HKFRS 9	1,587
At 1 July 2018	2,121
Impairment loss recognised	895
At 31 December 2018	3,016

9 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	31 December 2018 *HK$'000*	30 June 2018 *HK$'000*
Accounts payable (on demand or within one month)		
Amounts due to brokers and clearing houses	**8,689**	130,339
Clients' accounts payable	**631,430**	1,012,921
Others	**20,892**	4,290
	661,011	1,147,550
Other creditors, accruals and other provisions	**27,752**	60,314
	688,763	1,207,864

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

MANAGEMENT DISCUSSION AND ANALYSIS

THE MARKET

The Hong Kong stock market was affected by the trade war between China and the United States, the weakening of the renminbi and the capital outflows from the emerging markets. The Hang Seng Index showed an accelerating decline since the recent high at 31,513 in June 2018 and dropped to a 17-month low of 24,541 in October 2018. The index fell 13.6% in December 2018 when compared to the end of 2017. The US stock market surged to a record high of 26,828 in October 2018, supported by an influx of liquidity and strong economic fundamentals. However, the gain was erased in December 2018 due to the political and liquidity concerns. A US government shutdown had also dented market sentiment. The Dow and S&P 500 fell 5.6% and 6.2% respectively in 2018. The IPO fever has abated in the past few months because of rising interest rates and the poor performance of certain newly listed stocks. The subscription rate of the large caps listed during the period was low, in contrast to the oversubscription recorded by China Literature and ZhongAn Online which were listed in the last financial year. All these factors caused the drop in trading turnover in the second half year of calendar 2018.

The Hang Seng Index closed at 25,846 at the end of December 2018, compared with 28,955 at the end of June 2018 and 29,919 at the end of December 2017. The average monthly turnover on the Main Board and GEM Board during the six months ended 31 December 2018 ("the first half year of FY2019") was approximately HK$1,850 billion, a decrease of 11% as compared with HK$2,085 billion for the first half year of FY2018. Funds raised from IPOs on the Main Board in the first half year of FY2019 amounted to HK234 billion, as compared with HK$70 billion for the first half year of FY2018, mainly boosted by the listing of Xiaomi Corporation, China Tower Corporation Limited and Meituan Dianping, that accounted for approximately 57% of the funds raised from IPOs during that period.

FINANCIAL HIGHLIGHTS

The Group recorded a loss after tax of HK$42 million for the first half year of FY2019, as compared to a profit after tax of HK$13 million for the first half year of FY2018. After taking into account the other comprehensive income for the period, the Group recorded a total comprehensive expense of HK$31 million for the first half year of FY2019, as compared to an income of HK$44 million for the first half year of FY2018. The Group recognised a revaluation surplus, net of tax, of HK$11 million for the first half year of FY2019, as compared with HK$31 million for the first half year of FY2018. The surplus was mainly due to the increase in value of the Hong Kong office owned by the Group.

Commission and fee income from our financial intermediary business was HK$52 million for the first half year of FY2019, as compared with HK$61 million for the first half year of FY2018. Interest income was HK$16 million for the first half year of FY2019, as compared with HK$11 million for the first half year of FY2018. Dividend and rental income from investment properties was HK$3 million for both first half year of FY2019 and FY2018. The Group recorded a net loss on financial assets and liabilities at fair value through profit or loss of HK$38 million for the first half year of FY2019, as compared with a net gain of HK$7 million for the first half year of FY2018. General and administrative expenses amounted to HK$64 million for the first half year of FY2019, decreased by HK$5 million from HK$69 million for the first half year of FY2018. Staff costs decreased by HK$4 million, which was mainly caused by the variable compensation related to the decrease in commission and fee income.

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 the transactions were approved by the Company's shareholders at special general meeting held in February 2017. The Group received an acknowledged receipt for the application from the CSRS on 28 December 2018. Although the Group has still not obtained the approval for the establishment of the joint venture company from the CSRC, the Group expects that the approval process will be completed within six months. If approved, the Group anticipates that the transaction will be fully financed by the Group's internal resources and/or borrowings from financial institutions. 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. The gearing ratio of the Group will also be increased.

BROKERAGE AND FINANCING

After the further injection of capital of HK$22 million in January 2019, the Group invested a total of US$10 million in its Guangzhou factoring subsidiary. Together with the loan portfolio in Hong Kong, the revenue contribution and the asset allocation from the financing business is significant. Management therefore changed the segment name from "Brokerage" to "Brokerage and Financing" to reflect the contribution from the loan business.

Total revenue of the division was HK$25 million for the first half year of FY2019, decreased by HK$2 million when compared with HK$27 million for the first half year of FY2018. The average daily market turnover dropped to HK$89 billion for the first half year of FY2019, as compared with HK$100 billion for the first half year of FY2018. Under the current volatile stock market, the division tightened the credit limit of its brokerage clients. This prudent approach affected the trading turnover and the brokerage commission. As a result, our brokerage commission income decreased from HK$17 million for the first half year of 2018 to HK$11 million for the first half year of FY2019.

The loan book was about HK$203 million as at 31 December 2018 as compared with HK$114 million as at 31 December 2017. Interest income from brokerage and loan financing increased significantly by 42% to HK$11 million for the first half year of FY2019, as compared with HK$8 million for the first half year of FY2018. The increase in loan book and related interest income is a result of the use of the net proceeds arising from the open offer of HK$91 million for the lending business. The management will place more efforts in the development of the factoring business, with prudent risk management strategy.

Following the adoption of the new accounting standard on financial instruments, the division provided an expected credit loss of HK$2 million by adjusting the opening accumulated losses and provided an additional HK$1 million after assessing the financial instruments at the end of December 2018.

CORPORATE FINANCE AND CAPITAL MARKETS

Total revenue of the division was HK$38 million for the first half year of FY2019, as compared with HK$43 million for the first half year of FY2018. The division, acting as the sponsor, completed the listing of BOSA Technology Holdings Limited, Boltek Holdings Limited and Perennial Energy Holdings Limited during the period. The division also acted as compliance advisor of several listed companies during the period. Capital market remained lackluster in our target client segment and the underwriting and placement fee decreased to HK$3 million for the first half year of FY2019 from HK$7 million for the first half year of FY2018.

In accordance with the new accounting standard for "Revenue from contracts with customers", the corporate finance fee income will be recognised when the project is completed under the existing contract terms. As a result, the ongoing sponsorship projects with revenue of HK$43 million, net of deferred tax, recognised to profit or loss in prior years was reclassified to contract liabilities with a corresponding adjustment to the opening accumulated losses. The revenue adjusted from the opening accumulated losses will be recognised in profit or loss when the project is completed. There is a positive impact on the division's revenue of HK$5 million for the current period after the implementation of the new accounting standard.

ASSET MANAGEMENT

Total revenue of the division was HK$2 million for the first half year of FY2019, as compared with HK$1 million for FY2018. The division is now approaching several private equity funds and high net worth clients to provide assets management services to generate more revenue.

PROPRIETARY INVESTMENT

Total revenue of the division was HK$6 million for the first half year of FY2019, as compared with HK$4 million for the first half year of FY2018. After including net gain or loss on disposal of financial assets and liabilities at fair value through profit or loss, total loss was HK$32 million for the first half year of FY2019, as compared to total income of HK$10 million for the first half year of FY2018. The Hang Seng Index dropped to 25,846 as at the end of December 2018 as compared to 28,955 as at the end of June 2018, hence, the division recognised trading loss of HK$16 million on equity, debt securities and derivatives for the first half year of FY2019. Besides, a loss of HK$19 million was recognised for the unlisted investments due mainly from a decrease in enterprise fair value of the investment and the issuance of dilutive instrument. Upon the adoption of new accounting standard on financial instruments, the Group's investments in unlisted equity investments and unlisted investment fund were reclassified as financial assets at fair value through profit or loss. These investments are subsequently measured at fair value. The accumulated investment revaluation reserve of HK$1 million for the unlisted investment fund was transferred to accumulated losses. As at 31 December 2018, the carrying value of the unlisted investments, listed securities and listed debt securities was HK$64 million, HK$60 million and HK$77 million respectively (30 June 2018: HK$99 million, HK$86 million and HK$66 million). The investment portfolio received interest and dividend income of HK$3 million for the first half year of FY2019, same as the first half year of FY2018.

PROPERTY INVESTMENTS

Total revenue of the division was HK$2 million for the first half year of FY2019, same as the first half year of FY2018. The rental income received from these properties provided stable cash inflow for the division. The investment property located in Beijing recognised a revaluation deficit of HK$2 million mainly because of the RMB depreciation during the period. Last year, the division invested in a property located in Tokyo, Japan and is currently planning to invest in a property located in Osaka, Japan with total investment cost of approximately HK$8 million.

CAPITAL STRUCTURE

The Company completed its Open Offer with net proceeds of HK$139 million in March 2018. Approximately HK$75 million and HK$16 million was used for the Group's lending business in Hong Kong and the PRC respectively. Approximately HK$24 million was used for investment in fixed income products, including listed debt securities. The Group remitted HK$22 million to its Guangzhou subsidiary for the factoring business in the PRC in January 2019.

The Company completed a capital reduction in November 2018. The par value of each issued share was reduced from HK$0.10 to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.09 on each issued share ("Capital Reduction") and the credit arising from the Capital Reduction amounted to HK$621 million was transferred to the contributed surplus of the Company and presented under accumulated losses under condensed consolidated statement of changes in equity. The capital reorganisation gives the Company greater flexibility in pricing future capital raising exercise.

OUTLOOK

Following a very volatile and generally downward drifting calendar quarter at end of 2018, the markets sentiments turned positive at the beginning of calendar 2019. The two rounds of trade talks between the United States and China provided hope that the trade disputes may be resolved and tariffs might stay put or back to the original level. The dovish comments from the Chairman of the US Federal Reserve and a few of its members led the market to believe the interest rate hike cycles might be close to its end. The results released by some major US companies were better than the downward adjusted market expectations. Though it is not clear whether there will be a soft or hard Brexit, the market seems to be more comfortable with the possible outcomes and the pound sterling recovered significantly from the low level in Q4 2018. The capital markets improved amid these developments. Hong Kong market rose by 8% in January 2019 and if the positive outcomes expected by the market are materialised, the markets are expected to perform well in the coming months. However, since the development hinges on a number of political events, the outcome of which are difficult to predict, we have maintained our high liquidity position in order to react quickly to any unforeseen situations.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at the end of December 2018 were HK$1,883 million, of which approximately 68% were current in nature. Net current assets were HK$498 million, accounting for approximately 47% of the net assets of the Group as at end of December 2018. The Group had cash and cash equivalents of HK$194 million as at end of December 2018, which was mainly denominated in Hong Kong dollars.

The Group generally finances its daily operations from internal resources. Total secured borrowings of HK$20 million as at the end of December 2018 was used to finance the investment portfolio of the Group. The bank loans were denominated in Hong Kong dollars and charged at floating interest rate. The Group's gearing ratio, calculated as a percentage of total borrowings over shareholder's equity, was approximately 2% as at the end of December 2018. As at 31 December 2018, the office property and investment property with carrying value of HK$390 million and HK$62 million respectively were pledged to the banks as securities for banking facilities.

The Group had no material contingent liabilities as at the end of December 2018. The Company provided corporate guarantees of HK$309 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 purchased properties in the PRC for its own use and for investment purpose and debt securities denominated in RMB for proprietary trading. 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.

EMPLOYEES

As at 31 December 2018, the number of full time employees of the Group was 106 (30 June 2018: 104). Remuneration and bonus are based on performance and are reviewed annually in conjunction with the annual employee performance appraisal. It also takes into consideration the results of the division to which the employee belongs and the Group as a whole. The Group provides a full induction program and in-house training courses to all staff – particularly professionals registered with relevant regulatory bodies who must meet their mandatory continued professional training requirements. A share option scheme is available to directors, employees and consultants of the Group.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 0.2 HK cent per ordinary share for the six months ended 31 December 2018 (six months ended 31 December 2017: 0.2 HK cent). The dividend will be payable on Wednesday, 20 March 2019 to shareholders whose names appear on the Register of Members at the close of business on Wednesday, 6 March 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 4 March 2019 to Wednesday, 6 March 2019, both days inclusive, during which period no transfers of shares will be registered. To determine entitlement to the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited (at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:30p.m. on Friday, 1 March 2019.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the six months ended 31 December 2018 except for a deviation which is summarised below:

Pursuant to code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election and, pursuant to code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Non-executive Directors of the Company are not all appointed for a specific term but are subject to retirement by rotation and re-election at the Annual General Meeting (AGM) of the Company. Pursuant to the Bye-laws of the Company, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Board considers that the non-executive directors appointed without a specific term will not impair the quality of corporate governance of the Group as required by the principles set out in CG Code A.4.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months period under review and they have all confirmed that they have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the interim report and the unaudited condensed consolidated financial statements for the six months ended 31 December 2018. Terms of reference of the Audit Committee are available on request to shareholders of the Company. The Audit Committee is also responsible for reviewing the Group's financial controls, risk management and internal control systems. The Audit Committee has begun to implement the above responsibilities, including without limitation, reviewing the Company's risk relating to strategy, operation and finance and enhancing the Group's capacity to cope with the risk associated with the business of the Group.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The Group's external auditor has carried out a review of the unaudited condensed consolidated financial statements in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu's independent review report is included in the interim report to be sent to shareholders.

On behalf of the Board
Michael Koon Ming Choi
Chief Executive Officer

Hong Kong, 13 February 2019

As at the date of this announcement, the directors of the Company are Jonathan Koon Shum Choi as Chairman, Michael Koon Ming Choi as Chief Executive Officer & Executive Director, Janice Wing Kum Kwan and Lee G. Lam as Non-Executive Directors, Robert Tsai To Sze, Elizabeth Law and Huanfei Guan as Independent Non-Executive Directors.