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)**

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

The Board of Directors of Sunwah Kingsway Capital Holdings Limited (the "Company") hereby submit the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2019.

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Six months ended 31 December | |
|---|---|---|---|
| | *Notes* | **2019** | 2018 |
| | | **Unaudited** | Unaudited |
| | | ***HK$'000*** | *HK$'000* |
| **Revenue** | | | |
| Commission and fee income | | **29,315** | 51,897 |
| Interest income arising from financial assets at amortised cost | | **14,817** | 13,628 |
| Interest income arising from debt securities | | **1,944** | 2,423 |
| Dividend income | | **768** | 958 |
| Rental income | | **1,362** | 1,956 |
| | *3* | **48,206** | 70,862 |
| Net gain/(loss) on financial assets and liabilities at fair value through profit or loss | *3* | **8,201** | (37,971) |
| Other income and gains or losses | *3* | **2,718** | (2,586) |
| Net impairment losses on financial instruments | | **(6,229)** | (1,055) |
| | | **52,896** | 29,250 |
| Commission expenses | | **(2,900)** | (3,889) |
| General and administrative expenses | | **(58,346)** | (64,266) |
| Finance costs | | **(1,842)** | (530) |
| Fair value changes on investment properties | | **(2,107)** | (1,605) |
| Changes on non-controlling interests in consolidated investment fund | *3* | **472** | 1,499 |
| Share of loss of associates | *3* | **(451)** | (384) |
| **Loss before tax** | *4* | **(12,278)** | (39,925) |
| Income tax expenses | *5* | **(974)** | (1,824) |
| **Loss for the period** | | **(13,252)** | (41,749) |
| **Attributable to:** | | | |
| Owners of the Company | | **(13,253)** | (41,761) |
| Non-controlling interests | | **1** | 12 |
| **Loss for the period** | | **(13,252)** | (41,749) |
| **Basic loss per share** | *7* | **(0.19 HK cent)** | (0.61 HK cent) |
| **Diluted loss per share** | *7* | **(0.19 HK cent)** | (0.61 HK cent) |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **Unaudited** | Unaudited |
| | ***HK$'000*** | *HK$'000* |
| **Loss for the period** | **(13,252)** | (41,749) |
| **Other comprehensive (expense)/income:** | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | |
| (Deficit)/surplus on revaluation of land and buildings held for own use (net of tax) (note 8) | **(19,657)** | 10,796 |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences arising on translation of financial statements of overseas subsidiaries | **(838)** | (440) |
| Reclassification adjustment for foreign operation deregistered during the period | **–** | 634 |
| | **(838)** | 194 |
| **Other comprehensive (expense)/income for the period** | **(20,495)** | 10,990 |
| **Total comprehensive expense for the period** | **(33,747)** | (30,759) |
| **Total comprehensive (expense)/income attributable to:** | | |
| Owners of the Company | **(33,748)** | (30,771) |
| Non-controlling interests | **1** | 12 |
| **Total comprehensive expense for the period** | **(33,747)** | (30,759) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | 31 December 2019 Unaudited *HK$'000* | 30 June 2019 Audited *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | | **94,107** | 96,214 |
| Properties and equipment | | **387,006** | 417,364 |
| Right-of-use assets | | **3,492** | – |
| Intangible assets | | **2,051** | 2,051 |
| Interests in associates | | **17,471** | 15,916 |
| Loans to and amounts due from associates | | **13,047** | 14,901 |
| Loan receivables | *8* | **24,858** | 14,759 |
| Other assets | | **7,723** | 22,122 |
| Financial assets at fair value through profit or loss | | **39,584** | 47,009 |
| Deferred tax assets | | **6,622** | 6,748 |
| | | **595,961** | 637,084 |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | | **240,705** | 186,014 |
| Accounts, loans and other receivables | *8* | **320,324** | 287,979 |
| Bank balances and cash – trust accounts | | **351,561** | 667,609 |
| Cash and cash equivalents | | **169,485** | 209,779 |
| | | **1,082,075** | 1,351,381 |
| **Current liabilities** | | | |
| Financial liabilities at fair value through profit or loss | | **24,486** | 6,358 |
| Net assets attributable to holders of non-controlling interests in consolidated investment fund | | **9,040** | 9,512 |
| Accruals, accounts and other payables | *9* | **501,640** | 795,640 |
| Lease liabilities | | **1,549** | – |
| Contracts liabilities | | **34,411** | 31,835 |
| Bank loan | | **35,000** | 20,000 |
| Current tax liabilities | | **4,390** | 3,124 |
| | | **610,516** | 866,469 |
| **Net current assets** | | **471,559** | 484,912 |
| **Total assets less current liabilities** | | **1,067,520** | 1,121,996 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **33,893** | 39,155 |
| Lease liabilities | | **2,069** | – |
| | | **35,962** | 39,155 |
| **NET ASSETS** | | **1,031,558** | 1,082,841 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **70,145** | 70,145 |
| Reserves | | **961,347** | 1,012,631 |
| **Equity attributable to owners of the Company** | | **1,031,492** | 1,082,776 |
| **Non-controlling interests** | | **66** | 65 |
| **TOTAL EQUITY** | | **1,031,558** | 1,082,841 |

# NOTES

## 1 BASIS OF PREPARATION

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the unaudited interim condensed consolidated financial statements for the six months ended 31 December 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2019.

**Application of new and amendments to HKFRSs**

In the current interim period, the Group has applied, for the first time, the following new and amendments HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparing of the Group's unaudited interim condensed consolidated financial statements.

| | |
|---|---|
| HKFRS 16 | Leases |
| HK(IFRIC) – Int 23 | Uncertainty over income tax treatments |
| Amendments to HKAS 19 | Plan amendment, curtailment or settlement |
| Amendments to HKAS 28 | Long-term interests in associates and joint ventures |
| Amendments to HKFRS 9 | Prepayment features with negative compensation |
| Annual improvements to HKFRS 2015-2017 cycle | Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 |

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

Except for below, the application of the new and amendments to HKFRSs in 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 interim condensed consolidated financial statements.

**HKFRS 16 Leases**

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

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

**New definition of a lease**

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

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

**As a lessee – Leases previously classified as operating leases**

***Nature and the effect of adoption of HKFRS 16***

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

*Impacts on transition*

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

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

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

– Used a single discount rate to a portfolio of leases with reasonably similar characteristics

– Relied on its assessment of whether leases are onerous immediately before the date of initial application

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

– Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

– Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

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

| | **Increase**<br>*HK$'000*<br>(Unaudited) |
|---|---|
| **Assets** | |
| Increase in right-of-use assets | 4,258 |
| **Increase in total assets** | 4,258 |
| **Liabilities** | |
| Increase in lease liabilities | 4,370 |
| Decrease in accruals, accounts and other payables | (112) |
| **Increase in total liabilities** | 4,258 |

The lease liabilities as at 1 July 2019 reconciled to the operating lease commitments as at 30 June 2019 is as follows:

| | *HK$'000* (Unaudited) |
|---|---|
| Operating lease commitments as at 30 June 2019 | 4,631 |
| Less: Commitments relating to short-term lease and those leases with a remaining lease term ending on or before 30 June 2020 | (18) |
| | 4,613 |
| Weighted average incremental borrowing rate as at 1 July 2019 | 3.83% |
| **Lease liabilities as at 1 July 2019** | 4,370 |

***Summary of new accounting policies***

The accounting policy for leases as disclosed in the annual financial statements for the year ended 30 June 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 July 2019:

***Right-of-use assets***

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

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

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

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

| | Right-of-use assets *HK$'000* | Lease liabilities *HK$'000* |
|---|---|---|
| As at 1 July 2019 | 4,258 | 4,370 |
| Depreciation expense | (766) | – |
| Interest expense | – | 78 |
| Payments | – | (830) |
| As at 31 December 2019 | 3,492 | 3,618 |

**Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures**

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The amendment has had no significant impact on the Group's interim condensed consolidated financial statements.

**HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments**

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The interpretation has had no significant impact on the Group's interim condensed consolidated financial statements.

## 3 SEGMENT INFORMATION

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

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

| | 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 arising from financial assets at amortised cost | 2,130 | 157 | 11,251 | 3 | – | 87 | 13,628 |
| Interest income arising from debt securities | 2,423 | – | – | – | – | – | 2,423 |
| 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) |

The following illustrates the timing of recognition of the Group's revenue from contracts with customers:

| | 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* | Total revenue *HK$'000* |
|---|---|---|---|---|---|---|---|
| **Timing of commission and fee income recognition** | | | | | | | |
| Six months ended 31 December 2019 | | | | | | | |
| Services transferred at a point in time | – | – | **10,612** | **11,216** | – | – | **21,828** |
| Services transferred over time | – | – | – | **6,597** | **288** | **602** | **7,487** |
| Total commission and fee income | – | – | **10,612** | **17,813** | **288** | **602** | **29,315** |
| Six months ended 31 December 2018 | | | | | | | |
| Services transferred at a point in time | – | – | 13,366 | 31,961 | – | – | 45,327 |
| Services transferred over time | – | – | – | 5,824 | 138 | 608 | 6,570 |
| Total commission and fee income | – | – | 13,366 | 37,785 | 138 | 608 | 51,897 |

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

| | **31 December 2019** *HK$'000* | 30 June 2019 *HK$'000* |
|---|---|---|
| Proprietary investment | **327,325** | 260,609 |
| Property investment | **111,677** | 113,382 |
| Brokerage and financing | **803,097** | 1,099,572 |
| Corporate finance and capital markets | **53,747** | 56,807 |
| Asset management | **5,241** | 5,211 |
| Others | **376,949** | 452,884 |
| Total assets | **1,678,036** | 1,988,465 |

## 4 LOSS BEFORE TAX

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

| | **Six months ended 31 December** | |
|---|---|---|
| | **2019** *HK$'000* | 2018 *HK$'000* |
| Net gain/(loss) on financial assets and liabilities at fair value through profit or loss | | |
| – listed equity securities | **6,262** | (19,486) |
| – listed debt securities | **(1,935)** | (744) |
| – listed derivatives | **414** | 4,048 |
| – unlisted investment loan | **1,238** | 1,671 |
| – unlisted investment funds | **2,188** | (3,989) |
| – unlisted overseas equity securities and debt security | **34** | (19,471) |
| Interest income from | | |
| – bank deposits | **2,336** | 2,503 |
| – margin and cash clients | **2,274** | 3,583 |
| – loans | **10,131** | 7,523 |
| – others | **76** | 19 |
| Staff costs | **(37,038)** | (43,352) |
| Operating lease charge-land and buildings | **(237)** | (1,567) |
| Depreciation | **(6,131)** | (5,747) |
| Amortisation of right-of-use assets | **(766)** | – |
| Interest expenses on | | |
| – unsecured bank loans wholly repayable within one month and overdrafts | **–** | (1) |
| – secured bank loans wholly repayable within one year | **(352)** | (269) |
| – others | **(1,412)** | (260) |
| – lease liabilities | **(78)** | – |
| Exchange loss (net) | **(679)** | (1,967) |

## 5 INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

| | Six months ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| Current tax | | |
| – Hong Kong | **844** | 1,120 |
| – PRC | **383** | 228 |
| | **1,227** | 1,348 |
| Deferred tax | **(253)** | 476 |
| | **974** | 1,824 |

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$4.1 million (31 December 2018: HK$5.9 million) are wholly set off 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 | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| Final dividend in respect of the previous financial year, declared and payable of 0.25 HK cent per share (2018: paid of 0.3 HK cent per share) | **17,536** | 20,705 |

Subsequent to the end of the interim reporting period, at a meeting held on 14 February 2020, the directors declared an interim dividend of 0.2 HK cent per share (31 December 2018: 0.2 HK cent per share) with an aggregate amount of HK$14,255,000 (31 December 2018: HK$14,029,000) based on the number of shares in issue at 14 February 2020.

## 7 LOSS PER SHARE

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

| | Six months ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| **Loss** | | |
| Loss for the purposes of basic and diluted loss per share | | |
| Loss attributable to owners of the Company for the period | **(13,253)** | (41,761) |
| **Number of shares** | | |
| Number of ordinary shares for the purpose of basic and diluted loss per share | **7,014,469,674** | 6,901,631,102 |

## 8 ACCOUNTS, LOANS AND OTHER RECEIVABLES

| | *Notes* | **31 December 2019** | 30 June 2019 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Accounts and loan receivables** | | | |
| Amounts due from brokers and clearing houses | *(a)* | **104,347** | 93,169 |
| Amounts due from margin clients | *(b)* | **33,541** | 44,003 |
| Amounts due from cash clients | *(c)* | **15,506** | 17,056 |
| Loan receivables | *(d)* | **191,268** | 141,775 |
| Other accounts receivable | *(e)* | **2,927** | 8,453 |
| | | **347,589** | 304,456 |
| Less: Impairment losses | | **(13,056)** | (9,715) |
| | | **334,533** | 294,741 |
| Less: Non-current portion | | **(24,858)** | (14,759) |
| | | **309,675** | 279,982 |
| **Prepayments, deposits and other receivables** | | **10,734** | 8,144 |
| Less: Impairment losses | | **(85)** | (147) |
| | | **10,649** | 7,997 |
| | | **320,324** | 287,979 |

*Notes:*

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

Amounts due from brokers of HK$29,828,000 (30 June 2019: HK$7,625,000) was pledged as collateral for the stock borrowing transactions.

(b) Margin clients of the brokerage division are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount to the value of securities accepted by the Group. The amounts due from margin clients are repayable on demand and bear interest at commercial rates. At 31 December 2019, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$218 million (30 June 2019: HK$174 million). As at 31 December 2019 and 30 June 2019, the market value of collateral held by substantial number of the margin clients were larger than their outstanding balance. There has not been any significant changes in the quality of collateral held for margin clients. The management monitors the market value of collateral during the reviews of the adequacy of the impairment allowance. The fair value of collateral can be objectively ascertained to cover the outstanding amount of the loan balances based on quoted prices of collateral.

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

(d) Loan receivables comprised fixed-rate loan receivables of HK$76 million (30 June 2019: HK$58 million) and factoring receivables of HK$115 million (30 June 2019: HK$84 million), and impairment allowance of HK$8 million (30 June 2019: HK$6 million) as at 31 December 2019. 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 loan receivables are secured by personal/corporate guarantee and trade receivables. The contractual maturity date of the loan receivables is normally within one year.

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

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

| | **31 December 2019** | 30 June 2019 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current and within one month | **320,808** | 277,866 |
| More than one month and within three months | **3,454** | 542 |
| More than three months | **10,271** | 16,333 |
| | **334,533** | 294,741 |

Included in the above table, loan receivables of approximately HK$169,651,000, HK$3,288,000 and HK$10,104,000 (30 June 2019: HK$118,886,000, Nil and HK$16,300,000) were aged within one month, more than one month and within three months and more than three months respectively.

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

| | Amounts due from brokers and clearing houses *HK$'000* | Amounts due from margin clients *HK$'000* | Amounts due from cash clients *HK$'000* | Loan receivables *HK$'000* | Other accounts receivable *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| At 1 July 2018 | 37 | – | 497 | – | – | 534 |
| Effect arising from initial application of HKFRS 9 | 21 | 21 | 2 | 1,428 | 115 | 1,587 |
| Impairment loss recognised/(reversed) | (16) | 10 | 16 | 5,161 | 3,159 | 8,330 |
| Amounts written off as uncollectible | (37) | – | (497) | – | (202) | (736) |
| At 30 June 2019 and 1 July 2019 | 5 | 31 | 18 | 6,589 | 3,072 | 9,715 |
| Impairment loss recognised | 1 | 2,787 | 30 | 1,636 | 1,860 | 6,314 |
| Amounts written off as uncollectible | – | – | – | – | (2,973) | (2,973) |
| At 31 December 2019 | 6 | 2,818 | 48 | 8,225 | 1,959 | 13,056 |

## 9 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

| | **31 December 2019** ***HK$'000*** | 30 June 2019 *HK$'000* |
|---|---|---|
| **Accounts payable (on demand or within one month)** | | |
| Amounts due to brokers and clearing houses | **5** | 211 |
| Clients' accounts payable | **415,972** | 712,589 |
| Others (Note) | **51,189** | 42,607 |
| | **467,166** | 755,407 |
| Other creditors, accruals and other provisions | **34,474** | 40,233 |
| | **501,640** | 795,640 |

Note: Other accounts payable of HK$33,475,000 (30 June 2019: HK$34,103,000) represents the amount of bills receivable sold with recourse.

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 unpredictable trade negotiation between China and the United States, the uncertainty of Brexit and the global economic slowdown adversely affected the global markets sentiment in 2019. In addition, the social unrest in Hong Kong brought more uncertainty to the Hong Kong market. The Hang Seng Index moved downwards from 28,543 at the end of June 2019 to 25,281 in mid-August 2019. Following the announcement of the conclusion of a tentative first phase agreement between China and the United States, the Index rebounded and closed at 28,190 at the end of December 2019. Investors had become more cautious and the market activity had since been lackluster. Budweiser Brewing Company APAC cancelled its IPO plan for raising approximately of HK$76 billion in July 2019. The company relaunched its IPO at the end of September 2019, however, the proceeds raised was reduced to HK$40 billion. The Hong Kong property market was also negatively affected by the ongoing anti-government protests, the increase in the unemployment rate and the economy recession. Negative growth of office rentals and higher vacancy rate were recorded in the second half year of 2019.

The Hang Seng Index closed at 28,190 at the end of December 2019, compared with 28,543 at the end of June 2019 and 25,846 at the end of December 2018. Amidst the sharp market correction in late 2018, the average monthly turnover on the Main Board and GEM Board during the six months ended 31 December 2019 ("the first half year of FY2020") fell to HK$1,631 billion, a decrease of 12% as compared with HK$1,850 billion for the first half year of FY2019. The IPO market was boosted by the secondary listing of Alibaba Group Holding Limited, with fund raising amount of HK$101 billion, during the period. Funds raised from IPOs on the Main Board in the first half year of FY2020 amounted to HK$242 billion, as compared with HK$234 billion for the first half year of FY2019.

## FINANCIAL HIGHLIGHTS

The Group recorded a loss after tax of HK$13 million for the first half year of FY2020, as compared to a loss of HK$42 million for the first half year of FY2019. After taking into account the other comprehensive expense for the period, the Group recorded a total comprehensive expense of HK$34 million for the first half year of FY2020, as compared to an expense of HK$31 million for FY2019. The Group recongised a revaluation deficit, net of tax, of HK$20 million for the first half year of FY2020, as compared with a surplus of HK$11 million for the first half year of FY2019. The deficit was mainly due to the decrease in value of the Hong Kong office owned by the Group.

Commission and fee income from our financial intermediary business was HK$29 million for the first half year of FY2020, as compared with HK$52 million for the first half year of FY2019. Interest income was HK$17 million for the first half year of FY2020, as compared with HK$16 million for the first half year of FY2019. Dividend and rental income were HK$2 million for the first half year of FY2020, as compared with HK$3 million for the first half year of FY2019. The Group recorded a net gain on financial assets and liabilities at fair value through profit or loss of HK$8 million for the first half year of FY2020, as compared with a net loss of HK$38 million for the first half year of FY2019. General and administrative expenses amounted to HK$58 million for the first half year of FY2020, a decrease of HK$6 million from HK$64 million for the first half year of FY2019, which was mainly caused by the decrease in variable compensation related to the decrease in commission and fee income.

**BROKERAGE AND FINANCING**

Total revenue of the division was HK$25 million for both the first half year of FY2020 and FY2019. The average daily market turnover dropped to HK$77 billion for the first half year of FY2020, as compared with HK$89 billion for the first half year of FY2019.

The fixed-rate loans and factoring receivables amounted to HK$183 million as at 31 December 2019 as compared with HK$116 million as at 31 December 2018. Interest income from loan financing clients increased by HK$2 million to HK$10 million for the first half year of FY2020. The management will place more efforts in the development of the factoring business, with prudent risk management strategy.

In 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 division recognised an other income of HK$3 million for the changes in the fair value of the deposit in the first half year of FY2020. The Group signed an indemnity letter on behalf of its client to the Hong Kong Securities Clearing Co. Ltd. to undertake all potential claims in connection with the shortfall of the shares.

With the unfavourable economic situation and volatile stock market, the division provided a net impairment losses of HK$4 million for the margin loans, fixed-rate loans and factoring receivables during the first half year of FY2020, as compared with HK$1 million during the first half year of FY2019.

**CORPORATE FINANCE AND CAPITAL MARKETS**

Total revenue of the division was HK$18 million for the first half year of FY2020, as compared with HK$38 million for the first half year of FY2019. The division completed one IPO project during this period. The division also advised on a number of corporate finance transactions for listed companies during the period.

Capital market remained lackluster in our target client segment and the underwriting and placement fee slightly decreased to HK$2 million for the first half year of FY2020 from HK$3 million for the first half year of FY2019.

## ASSET MANAGEMENT

Total revenue of the division was immaterial for the first half year of FY2020 and the first half year of FY2019. The division is now approaching several private equity funds and high net worth clients to provide assets management services to generate more revenue. The Group has contracted to acquire a 65% shareholding interest of a PRC asset management company for a consideration of CNY5 million in April 2019. The acquisition transaction is subject to, and awaiting the approval of, the PRC authorities.

## PROPRIETARY INVESTMENT

Total revenue of the division was HK$3 million for the first half year of FY2020, as compared with HK$6 million for the first half year of FY2019. After including net gain or loss on disposal of financial assets and liabilities at fair value through profit or loss, total income was HK$11 million for the first half year of FY2020, as compared to total expense of HK$32 million for the first half year of FY2019. The market is very sensitive to the news related to the trade negotiation between the China and the United States. Hence, the Hong Kong financial market was very volatile during the first half year of FY2020. The division recognised trading gain of HK$8 million on listed and unlisted investments for the first half year of FY2020, as compared with loss of HK$38 million for the first half year of FY2019. The investment portfolio received interest and dividend income of HK$3 million for the first half year of FY2020, as compared with HK$6 million for the first half year of FY2019.

One of the investment managers adopted a long/short equity strategy to minimize the market exposure while profiting from stock gains in the long position, along with price declines in the short positions. Hence, there was an increase in short positions of the listed securities by HK$18 million as at 31 December 2019.

As at 31 December 2019, the carrying value of the unlisted investments, listed equity securities and listed debt securities was HK$90 million, HK$127 million and HK$63 million respectively (30 June 2019: HK$86 million, HK$78 million and HK$69 million). The largest investment of the financial assets at fair value through profit or loss was an unlisted investment fund which accounted for approximately 1.7% of the Group's unaudited consolidated total assets as at 31 December 2019. The total assets managed by the fund manager was approximately US$168 million as at 31 December 2019. The Directors' considered that investments with a fair value of more than 5% of the Group's consolidated total assets as significant investments.

## PROPERTY INVESTMENTS

Total revenue of the division was HK$2 million for both the first half year of FY2020 and FY2019. The rental income received from these properties provided stable cash inflow for the division. However, the prolonged social unrest in Hong Kong has hit the retail and hospitality sectors seriously. Our retail shop at Kwun Tong was vacant for a few months during the period. Hence, there was a decrease in rental income in the first half year of FY2020.

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

## OUTLOOK

The outbreak of transmissible disease caused by coronavirus in China and the spreading to other countries removed all the positive sentiments brought by the China-US "Phase 1" trade deal. Serious disruption to people and logistics flows resulted in heavy losses reported by the retail and hospitality industries. Health authorities around the world are racing to stop the spread of the virus. Economic activities will not return to normal until the situation is under control. The Group has always adopted a prudent management policy and very low gearing. With the experience in handling a number of financial crisis in the last two decades, management is confident that the Group will prosper again after the crisis is over.

## LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at the end of December 2019 were HK$1,678 million, of which approximately 64% were current in nature. Net current assets were HK$472 million, accounting for approximately 46% of the net assets of the Group as at end of December 2019. The Group had cash and cash equivalents of HK$169 million as at end of December 2019, which was mainly denominated in Hong Kong dollars.

The Group generally finances its daily operations from internal resources. Total secured borrowings of HK$35 million as at the end of December 2019 were used to finance the investment portfolio of the Group. Bank loans were denominated in Hong Kong dollars and charged at floating interest rates. The Group's gearing ratio, calculated as a percentage of total borrowings over shareholder's equity, was approximately 3% as at the end of December 2019. As at 31 December 2019, the office property with carrying value of HK$371 million was pledged to the bank as security for a banking facility.

Other than the indemnity signed to the Hong Kong Securities Clearing Co. Ltd. , the Group had no other material contingent liabilities as at the end of December 2019. The Company provided corporate guarantees of HK$260 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.

## EMPLOYEES

As at 31 December 2019, the number of full time employees of the Group was 97 (30 June 2019: 108). 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 2019 (six months ended 31 December 2018: 0.2 HK cent). The dividend will be payable on Tuesday, 24 March 2020 to shareholders whose names appear on the Register of Members at the close of business on Friday, 6 March 2020.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 4 March 2020 to Friday, 6 March 2020, both days inclusive, during which period no transfers of shares will be registered. To determine entitlement to the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited (at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:30p.m. on Tuesday, 3 March 2020.

## 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 2019.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 31 December 2019, 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 interim condensed consolidated financial statements for the six months ended 31 December 2019. 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. ERNST & YOUNG

The Group's external auditor has carried out a review of the unaudited interim 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. Ernst & Young's independent review report is included in the interim report to be sent to shareholders.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2019 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement of interim results for the six months ended 31 December 2019 is published on the website of the Stock Exchange at http://www.hkexnews.hk and the website of the Company at http://www.sunwahkingsway.com. The interim report for the six months ended 31 December 2019 of the Company containing all information as required by the Listing Rules will be dispatched to Shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 14 February 2020

*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.*