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 2020

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 2020.

CONDENSED CONSOLIDATED INCOME STATEMENT

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

NOTES

1 BASIS OF PREPARATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

3 REVENUE

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

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

DISAGGREGATION OF REVENUE

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

For six months ended 31 December 2020

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

For six months ended 31 December 2019

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

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

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

5 SEGMENT INFORMATION

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

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

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

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

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

6 PROFIT/(LOSS) BEFORE TAX

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

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

7 INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

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

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

8 DIVIDENDS

Dividends recognised as distributions during the period:

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

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

9 PROFIT/(LOSS) PER SHARE

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

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

Note: On 26 November 2020, the Company implemented share consolidation (Note 12) and the weighted average number of ordinary shares in issue used in the basic and diluted loss per share calculation for the period ended 31 December 2019 was adjusted retrospectively.

10 ACCOUNTS, LOANS AND OTHER RECEIVABLES

	Notes	**31 December 2020 HK$'000**	30 June 2020 *HK$'000*
Accounts and loan receivables			
Amounts due from brokers and clearing houses	*(a)*	**160,314**	210,700
Amounts due from margin clients	*(b)*	**31,068**	27,970
Amounts due from cash clients	*(c)*	**83,621**	46,523
Loan receivables	*(d)*	**153,493**	157,486
Other accounts receivable	*(e)*	**2,498**	2,527
		430,994	445,206
Less: Impairment allowances		**(35,254)**	(24,267)
		395,740	420,939
Less: Non-current portion		**(12,410)**	(14,989)
		383,330	405,950
Prepayments, deposits and other receivables		**16,617**	7,811
Less: Impairment allowances		**(1,998)**	(2,069)
		14,619	5,742
		397,949	411,692

Notes:

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

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

(b) Margin clients of the brokerage division are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount to the value of securities accepted by the Group. The amounts due from margin clients are repayable on demand and bear interest at commercial rates. At 31 December 2020, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$47 million (30 June 2020: HK$46 million). As at 31 December 2020 and 30 June 2020, the market value of collateral held by substantial number of the margin clients were larger than their outstanding balance. There has been a significant change in the quality of collateral held by several margin clients during the period. As a result, the Group provided impairment losses of HK$5 million (30 June 2020: HK$9 million) during the period. The management monitors the market value of collateral during the reviews of the adequacy of the impairment allowance. The fair value of collateral can be objectively ascertained to cover the outstanding amount of the loan balances based on quoted prices of collateral.

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

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

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

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

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

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

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

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

11 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

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

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

12 SHARE CAPITAL

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

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

THE MARKET

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

FINANCIAL HIGHLIGHTS

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

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

BUSINESS DEVELOPMENT

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

BROKERAGE AND FINANCING

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

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

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

CORPORATE FINANCE AND CAPITAL MARKETS

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

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

ASSET MANAGEMENT

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

PROPRIETARY INVESTMENT

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

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

PROPERTY INVESTMENTS

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

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

OUTLOOK

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES

As at 31 December 2020, the number of full time employees of the Group was 95 (30 June 2020: 103). Remuneration and bonus are based on performance and are reviewed annually in conjunction with the annual employee performance appraisal. It also takes into consideration the results of the division to which the employee belongs and the Group as a whole. The Group provides a full induction program and in-house training courses to all staff – particularly professionals registered with relevant regulatory bodies who must meet their mandatory continued professional training requirements. A share option scheme is available to directors, employees and consultants of the Group.

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

CORPORATE GOVERNANCE CODE

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

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 2020 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement of interim results for the six months ended 31 December 2020 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 2020 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, 10 February 2021

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.