



**西證國際**  
SOUTHWEST SECURITIES

**Southwest Securities International Securities Limited**  
**西證國際證券股份有限公司\***

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code 股份代號: 812

**2021**  
**Interim Report**  
**中期報告**

\* For identification purpose only  
僅供識別

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## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors*

Mr. WU Jian (*Chairman*)

Dr. ZHAO Mingxun

Mr. PU Rui (*Chief Executive Officer*)

(*resigned on 29 March 2021*)

#### *Independent Non-executive Directors*

Mr. MENG Gaoyuan

Dr. GUAN Wenwei

Mr. LIANG Jilin

### Audit Committee

Mr. MENG Gaoyuan (*Chairman*)

Dr. GUAN Wenwei

Mr. LIANG Jilin

### Remuneration Committee

Dr. GUAN Wenwei (*Chairman*)

Mr. WU Jian

Mr. MENG Gaoyuan

Mr. LIANG Jilin

### Nomination Committee

Mr. WU Jian (*Chairman*)

Mr. MENG Gaoyuan

Dr. GUAN Wenwei

Mr. LIANG Jilin

### Authorised Representatives

Dr. ZHAO Mingxun

Ms. YIU Yi Ting (*appointed on 22 June 2021*)

Ms. TAM Kar Bo Carrie (*resigned on 22 June 2021*)

### Company Secretary

Ms. YIU Yi Ting (*appointed on 22 June 2021*)

Ms. TAM Kar Bo Carrie (*resigned on 22 June 2021*)

### Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

## CORPORATE INFORMATION

**Head Office and Principal Place  
of Business in Hong Kong**

40/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

**Bermuda Principal  
Share Registrar**

MUFG Fund Services (Bermuda) Limited  
4th floor North  
Cedar House  
41 Cedar Avenue  
Hamilton HM12  
Bermuda

**Branch Share Registrar  
in Hong Kong**

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

**Auditor**

SHINEWING (HK) CPA Limited  
*(appointed on 28 July 2021)*  
Ernst & Young *(resigned on 7 July 2021)*

**Legal Adviser as to  
Hong Kong Law**

Eversheds Sutherland

**Principal Banker**

Standard Chartered Bank (Hong Kong) Limited

**Listing Information**

Equity securities listed on The Stock Exchange of  
Hong Kong Limited  
Stock Code: 812.HK  
Debt securities listed on The Stock Exchange of Hong  
Kong Limited (US\$178,000,000, 4% guaranteed bonds  
due 2024)  
Stock Code: 40594.HK

**Website**

[www.swsc.hk](http://www.swsc.hk)

## INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Southwest Securities International Securities Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 (the “Review Period”) together with the comparative figures for the six months ended 30 June 2020 as set out on pages 14 to 44 to this report.

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Review Period (six months ended 30 June 2020: HK\$ Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET REVIEW

#### Macro Environment

As of 25 July 2021, there were over 190 million confirmed COVID-19 cases and over 4.15 million fatal cases worldwide, both of which have nearly doubled from the end of January. Since the pandemic has lasted for more than a year, and vaccinations have been launched worldwide, many countries have given up on “COVID-Zero” strategy and are aiming to “co-exist” with the virus with the emergence of new virus variants. Global economic activities have generally restarted and it is expected that global economies will resume growth. However, the virus variants are more infectious and the vaccine cannot completely prevent immunisation of the vaccinees, but can effectively reduce the chances of serious illness. Countries around the world adopting “COVID-Zero” or “co-exist” strategies with the virus need to negotiate with each other to restore commercial exchange.

China is in a better position than most countries in the world as the COVID-19 outbreak is generally under control and its citizens have already returned to normal life. As a result, China’s GDP managed to record a growth in the first half of 2021 with a growth rate of 12.7%, and is expected to record growth rate of 8.5% and 5.6% for 2021 and 2022, respectively. On the other hand, GDP in the United States and the European Union edged up 0.4% and down 1.3% year-over-year in the first quarter of 2021, respectively. GDP in these regions contracted sharply in the second quarter of last year as the COVID-19 outbreak spreads. As the situation has now improved, it is expected that GDP in these regions will grow significantly in the second quarter of 2021. The market expects that the GDP of the United States and the European Union will grow by 6.6% and 4.8% year-over-year on average, respectively, in 2021, and continue to enjoy a growth rate of 4.2% and 4.5%, respectively, for 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

In terms of geopolitical situations, Joe Biden formally took office as the President of the United States in January this year. But so far, the United States' policies towards China has not changed much and Sino-US relations have not yet reach any breakthrough. On the other hand, China surpassed the United States to become the largest trading partner of the European Union in 2020. However, the relationship between China and the European Union has been strained due to the human rights issue in Xinjiang. In May 2021, the European Union announced that it will postpone the submission of the China-EU Comprehensive Agreement on Investment to the European Parliament for approval. A coup occurred in Myanmar in February 2021 and the military-backed government detained Aung San Suu Kyi on the grounds of electoral irregularities and abolished the qualifications for the NLD Party. A military conflict between Israel and Palestine broke out again in May 2021, but fortunately the two sides promised a ceasefire agreement that month.

In terms of economy, the United States is facing greater inflationary pressure. Although the Federal Reserve has previously switched to the "average inflation targeting" that it may let inflation exceed 2 percent modestly and temporarily, implying that low interest rates will last for a long time, the Federal Reserve's latest interest rate dot chart suggests that there may be two interest rate hikes before 2023, and the possibility of a rate hike next year may be high. China announced the three-child policy, but the previous liberalisation of the two-child policy did not have a significant effect on the birth rate. Countries around the world are faced with aging population, which is hard to tackle. On the other hand, China has tightened its regulation on various industries such as technology, education and real estate. Faced with new regulatory measures, the growth rate of leading companies in these industries may slow down.

As the Suez Canal in Egypt is the gateway to the Euro-Asian sea lanes, the grounding of a giant container vessel in March 2021 brought the route to a short-term standstill and drove up oil prices. Coupled with increased demand for crude oil driven by global economic recovery, this led to the rise of oil prices from around US\$50 per barrel at the beginning of 2021 to over US\$70 per barrel by the end of June 2021. Global interest rates remain low, which is positive for gold price to remain at high levels. However, the recovery of the global economy, rising expectations of interest rate hikes and the continued improvement in US stocks all put pressure on the gold price. The international gold price fell from approximately US\$1,900 per ounce at the beginning of 2021 to approximately US\$1,800 per ounce at the end of June 2021. Bitcoin, the leading cryptocurrency, saw a more moderate increase in price in the first half of 2021, starting at around US\$29,000 at the beginning of the year and rising to almost US\$65,000 during the period, before falling back to around US\$35,000 each at the end of June 2021, as China and other countries are expected to tighten regulations on cryptocurrencies.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Hong Kong Stock Market

The Hang Seng Index trended upward first and then slid downward in the first half of 2021, recording a period low at 27,079 points during the trading hours on the first trading day. However, benefiting from the market's expectation that Biden would launch an economic stimulus package actively after his official inauguration as the new US President, the increasing number of people vaccinated in Europe and the US, the battle between retail investors and hedge funds in the US, and the record net inflow from Southbound Trading, the stock market continued to gain momentum as the investment sentiment was boosted. The Hang Seng Index recorded a period high of 31,183 points during the trading hours in mid-February, representing an increase by 6.4% in the first two months. Nonetheless, the increasing rate of return of U.S. bond and a stamp duty increase in Hong Kong both had a negative impact on the stock market, with the Hang Seng Index retreating by 2.1% in March. Economic data from major global economies were generally positive in the second quarter, but the recurring global outbreak of COVID-19 pandemic due to virus mutations, increased concerns on tighter liquidity due to rising inflation, and China's ongoing investigation into anti-monopoly regulation of Internet companies have all limited the scope of increase of Hong Kong stock market. The Hang Seng Index continued to increase by 1.6% in the second quarter, but the volatility in April, May and June was not significant. The Hang Seng Index finally closed at 28,828 points at the end of June 2021, representing an increase of 5.9% compared with that of late December 2020; the HSCI closed at 10,661 points at the end of June 2021, representing a subtle decrease of 0.7% compared with that of late December 2020; and the Hang Seng TECH Index closed at 8,155 points at the end of June 2021, representing a decrease of 3.2% compared with that of late December 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

The average daily turnover of the Hong Kong equity market in the first half of 2021 was HK\$188.2 billion, representing a significant year-on-year increase of 60.1% and an increase of approximately 45.3% over the average daily turnover in 2020. The total average daily turnover (buys + sells) of Southbound Trading under the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect schemes was HK\$48.1 billion in the first half of 2021, representing a sharp increase of more than 1.3 times year-on-year and nearly 1 time compared with the average daily turnover in 2020. Southbound Trading accounted for 12.8% in the average daily turnover of the Hong Kong market, representing an increase of 4.0 percentage points year-on-year and 3.4 percentage points compared with that of 2020. At late June 2021, the number of companies listed on the Main Board and GEM amounted to 2,554 (including 2,190 companies listed on the Main Board, representing an increase of 20 in number or a slight increase of 0.9% compared with that of late December 2020), representing an increase of 16 in number or a slight increase of 0.6% compared with that of late December 2020, and the total market value of the stock market increased significantly by 39.4% year-on-year to HK\$52.8 trillion, representing an increase of 11.2% compared with that of late December 2020.

Due to the impact of the COVID-19 pandemic and the decision of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") to raise the profitability requirements for the Main Board, only 46 new companies were listed (including 1 company which transferred its listing from GEM to the Main Board) in the first half of 2021, representing a decrease of 18 in number or a decrease of 28.1% year-on-year. Nevertheless, as more Chinese concepts stocks chose to be secondary listed in Hong Kong together with the increase in number of listings of large-scale companies under weighted voting rights structure and listings of biotechnology companies, in the first half of 2021, Hong Kong Stock Exchange raised HK\$210.4 billion from initial public offerings, representing a significant increase of near 1.3 times year-on-year, while the ranking of Hong Kong Stock Exchange in terms of IPOs globally has fallen from the second place in 2020 to the third place in the first half of 2021, behind the Nasdaq Stock Market and the New York Stock Exchange.

In the first half of 2021, the market share of Category A participants (Position 1 to 14) on the Hong Kong Stock Exchange rose by about 1.1 percentage points to approximately 59.6% compared with that of 2020. On the contrary, the market share of Category B (Position 15 to 65) decreased by about 1.1 percentage points to approximately 33.2% compared with that of 2020, while the market share of Category C (Position ranking after 65) remained more or less the same compared with that of 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is engaged in businesses covering brokerage and margin financing, corporate finance, asset management and proprietary trading. During the Review Period, the Group recorded total revenue and other income and gains of HK\$131.93 million (six months ended 30 June 2020: HK\$134.29 million) and a profit before tax of HK\$5.26 million (six months ended 30 June 2020: a loss before tax of HK\$127.21 million).

During the Review Period, the Group's total revenue amounted to HK\$127.47 million (six months ended 30 June 2020: HK\$128.88 million), representing a decrease of 1% as compared to the same period of last year. The revenue from proprietary trading increased to HK\$116.89 million (six months ended 30 June 2020: a revenue of HK\$102.64 million) during the Review Period. However, the revenue from other principal business recorded a decline as compared to the same period last year as explained in the sections below.

In addition, during the Review Period, the profit before tax increased by 104% over the same period of the previous year, mainly due to the decrease of expected credit loss on financial assets by HK\$134.36 million during the Review Period.

### Brokerage and Margin Financing

The Group's brokerage and margin financing business mainly includes: agency trading of securities, futures and options trading, provision of insurance brokerage services, margin financing services, financial products business and offering one-stop integrated investment and financing services for high-net-worth customers. It recorded a revenue of HK\$7.65 million during the Review Period (six months ended 30 June 2020: HK\$16.88 million) representing a decrease of HK\$9.23 million or approximately 55%.

The epidemic lasted longer than expected and continued to hit the local economy, which indirectly led to a decline in the number of new customers, as well as increased uncertainty in market conditions in the first half of the year. The Hang Seng Index rose by more than 11% in the second half of 2020, but narrowed to only 4.93% in the first half of 2021, which led to a decrease in customer activity in the market and a direct reduction in retail customer commissions. The brokerage commission income during the Review Period amounted to HK\$4.70 million, compared to HK\$6.34 million for the same period in 2020, representing a decrease of HK\$1.64 million or approximately 26%.

## MANAGEMENT DISCUSSION AND ANALYSIS

In terms of margin financing business, the interest income during the Review Period amounted to HK\$2.95 million, compared to HK\$10.54 million for the same period in 2020, representing a decrease of HK\$7.59 million or approximately 72%, which was mainly due to the suspension of interest income recognition on credit impaired margin loans. During the Review Period, the Group adhered to measures to strictly monitor credit risks and equity concentration risks. While the Group strove to manage risks in a prudent manner, the Group actively expanded the scope of credit transaction products, including credit transaction business related to fixed income products, in order to provide better services to high-end customers.

### Corporate Finance

The Group's corporate finance business includes sponsor services, underwriting & placement services, financial advisory services and financing arrangement services to corporate clients in Hong Kong. During the Review Period, the Group's corporate finance business recorded a revenue of HK\$2.94 million (six months ended 30 June 2020: HK\$9.37 million), representing a decrease of HK\$6.43 million or approximately 69%, mainly due to the decreased volume of listing sponsorship during the Review Period. In terms of sponsor services, Southwest Securities (HK) Capital Limited, a wholly-owned subsidiary of the Company, assisted clients in submitting applications of 1 IPO project as the sole sponsor to the Hong Kong Stock Exchange during the Review Period and it has been assisting two clients who have submitted listing applications to complete their listing.

Given that the global economy still remained heavily dragged down by the variants of COVID-19 pandemic in the first half of 2021, it is expected that substantial uncertainties will sustain in Hong Kong's economic outlook and small to mid-sized IPO market in the second half of 2021, despite the current stabilisation of the local outbreak. With the adjustments to the Main Board profitability requirements for listing applicants promulgated by the Hong Kong Stock Exchange in May 2021, we believe that the implementation of the relevant listing regulations will help potential listing candidates to restart their plans to list in Hong Kong in compliance with the new requirements.

The Group will play its role as usual and further strengthen the cross-border collaboration with Southwest Securities Co., Ltd., its parent company, in an effort to provide various types of advisory services and financial services for high-quality domestic enterprises when they enter the Hong Kong capital market.

### Asset Management

During the Review Period, the Group's asset management business recorded revenue of HK\$3,000 (six months ended 30 June 2020: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

The total net asset value of the investment portfolio of the Group's structured fund SP6, which is managed by the Company's wholly-owned subsidiary, Southwest Securities (HK) Asset Management Limited, has been steadily increasing since its inception, with a cumulative rate of return of 27% as at 30 June 2021, and has consistently outperformed the market. In view of the volatile market conditions, the fund has gradually added fixed income investments in the first half of the year to smooth out the changes in net asset value and avoid significant decreases. The Group plans to establish two funds with focus on fixed income in the second half of the year. Our business team is proactively planning to cooperate with its distributors to distribute fund shares and seek more potential investors so as to scale up its assets under management. Leveraging on its accumulated experience and solid track record, it is expected that the Group will achieve better fund performance and attract more high-quality investors in the second half of the year to diversify the investor base of the funds.

### Proprietary Trading

The Group's proprietary trading business recorded a gain of HK\$116.89 million (six months ended 30 June 2020: a gain of HK\$102.64 million) during the Review Period.

As the overall market has soared for two consecutive years in 2019 and 2020, the U.S. stock index has been at a historical high. In order to prevent large losses caused by systemic risks, the Group adopted a defensive investment strategy in the first half of 2021 (mainly option hedging), and still achieved the expected income.

### Other Income and Gains

During the Review Period, the Group's other income and gains amounted to HK\$4.46 million (six months ended 30 June 2020: HK\$5.42 million). The decrease in other income and gains was mainly due to the decrease in funds placed with banks during the Review Period, which led to a decrease in interest income from banks.

### Staff Costs

During the Review Period, the Group's staff costs amounted to HK\$40.89 million (six months ended 30 June 2020: HK\$32.98 million). The staff costs increased during the Review Period. As the staff performance bonus was directly linked to their Department business performance, the performance bonus increased in tandem with their Department business performance, thus increasing the overall staff costs of the Group. The Group also made flexible adjustments to its staffing in response to business growth and resource allocation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Fee and Commission Expenses

The Group's fee and commission expenses during the Review Period were HK\$6.44 million (six months ended 30 June 2020: HK\$6.86 million). Fee and commission expenses mainly include commissions paid for brokerage business and proprietary trading business. The decrease in commission expenses during the Review Period was mainly attributable to the decrease in trading volume of brokerage business and corporate finance business.

### Finance Costs

The Group's finance costs during the Review Period amounted to HK\$55.28 million (six months ended 30 June 2020: HK\$58.01 million). The finance costs decreased by HK\$2.73 million or approximately 5%, which was mainly because the amount of bonds issued by the Group in February 2021 was lower than the bonds payable due in April 2021 as a result of decrease in interest payments. For the details of the issuance of bonds in February 2021, please refer to the section of "Financial Review: Liquidity, Financial Resources and Gearing Ratio" in this announcement.

## FUTURE PROSPECTS

In the second half of 2021, the Group will concentrate its focus on the following four areas:

First, the Group will strive to strengthen business structure adjustment, improve asset management business positioning, strengthen team building, and expand asset management product lines. Based on the good operation of the asset management equity product SP6 in the early stage, the Group will strive to optimise the structure of position, improve the stability of income, and establish a new fixed income category assets management product, and expand the scale of clients' assets;

Second, the Group will aim to improve compliance management, anti-money laundering efficiency and legal risk handling capabilities, while deepening the implementation of comprehensive risk management requirements and focusing on strengthening business risk management;

Third, the Group will continue to uphold the concept of refined management, control operating expenses, reduce financial costs, strengthen resource utilisation, and improve management efficiency; and

Fourth, the Group will seize the advantages of its Chinese background, play the role of cross-border linkage, introduce large-scale and high-quality domestic enterprises into the Hong Kong capital market, provide professional services and establish an international platform for the domestic companies that intend to achieve internationalisation.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2021, the Group's total cash and bank balances were HK\$395.8 million (31 December 2020: HK\$382.2 million) and its net current assets amounted to HK\$1,642.2 million (31 December 2020: HK\$261.8 million), with a current ratio (ratio of current assets to current liabilities) of 10.2 times (31 December 2020: 1.2 time). The gearing ratio (ratio of bonds payable to total equity) was 476.3% (31 December 2020: 546.3%).

In February 2021, the Group issued bonds of US\$178 million for a term of three years to repay the bonds payable of US\$200 million due in April 2021, which are recognised as non-current liabilities to improve the Group's current ratio and gearing ratio.

The Group monitored its capital structure to ensure the compliance of its licensed subsidiaries with the capital requirements under the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) and to support the development of new business. All licensed corporations within the Group complied with their respective liquidity requirements during the Review Period and as at the date of this report.

### Banking Facilities and Charges over Assets

As at 30 June 2021, the Group had no outstanding bank loans (31 December 2020: Nil) and had an aggregate banking facilities of HK\$80 million (31 December 2020: HK\$80 million), the drawdown of which is subject to the market value of the marketable securities pledged and the margin deposits placed. The bank loans are subject to floating interest rates with reference to the cost of funds of the banks. As at 30 June 2021, the Group pledged no assets (31 December 2020: Nil) for the facilities.

### Material Acquisitions, Disposals and Significant Investments

During the Review Period, there were no material acquisitions and disposals of investments (six months ended 30 June 2020: Nil).

### Contingencies

The Group had no material contingent liabilities as at 30 June 2021 (31 December 2020: Nil).

### Commitments

The Group had no material capital commitments as at 30 June 2021 (31 December 2020: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group had no material exposure to fluctuations in exchange rates as at 30 June 2021 (31 December 2020: Nil).

### EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2021, the Group had a total of 70 employees (as at 30 June 2020: 84 employees). The Group regards employees as an important asset. We continue to improve our human resources management system. We aim to create a good work environment that attracts, identifies and nurtures talent. The Group has built up a series of internal employment policy, covering recruitment, promotion, remuneration, welfare and benefit, management of the equality and diversity. The Group has established clear policy on its employee's remuneration and a comprehensive performance appraisal system. Discretionary performance bonus is paid by making references to market, business results, departmental and individual's performance. The discretionary performance bonus aims to retain and reward talented and experienced employees. The Group regularly reviews of policies, benchmarking of employee benefits against the market, to ensure they are fit for purpose and support employee well-being. The Group offers comprehensive employee benefits covering mandatory provident fund scheme, occupational retirement scheme, medical and dental insurance, life insurance and diverse paid leaves.

The Group is committed to staff development. Employees engage and deploy personnel with sufficient skills, knowledge, professional qualifications, experience and soundness of judgment for the responsible discharge of their duties. In order to promote mutual development of our employees and the Group, we implement the sustainable development strategy and facilitate employees' on-the-job training and development. The Group provides training according to role, and enhances employees' technical knowledge and transferable skills. The Group provides various kind of on-the-job training, external and internal training programs, including financial and business knowledge, product and operational management, compliance and risk management. The training programs enrich employees' professional knowledge and help employees to have the latest information and technical skills to perform their duties, sustain and enhance its competitiveness.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Unaudited	
		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
<b>Revenue</b>	3	<b>127,473</b>	128,878
Other income and gains	5	<b>4,457</b>	5,416
		<b>131,930</b>	134,294
Fee and commission expenses		<b>(6,443)</b>	(6,855)
Finance costs	6(a)	<b>(55,280)</b>	(58,008)
Staff costs	6(b)	<b>(40,890)</b>	(32,984)
Depreciation	6(c)	<b>(9,095)</b>	(9,534)
Expected credit losses on financial assets, net	6(c)	<b>474</b>	(133,884)
Other operating expenses		<b>(15,390)</b>	(20,239)
Other losses arising from consolidation of investment fund	6(d)	<b>(46)</b>	–
<b>Total expenses</b>		<b>(126,670)</b>	(261,504)
Profit/(Loss) before tax	6	<b>5,260</b>	(127,210)
Income tax	7	–	–
<b>Profit/(Loss) for the period attributable to equity Shareholders of the Company</b>		<b>5,260</b>	(127,210)
<b>Other comprehensive income</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operation		<b>(1)</b>	(119)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<b>(1)</b>	(119)
Other comprehensive income for the period, net of tax		<b>(1)</b>	(119)
<b>Total comprehensive income for the period attributable to equity Shareholders of the Company</b>		<b>5,259</b>	(127,329)
<b>Earnings (Loss) per share</b>			
— Basic (HK cents)	8	<b>0.144</b>	(3.474)
— Diluted (HK cents)	8	<b>0.144</b>	(3.474)

The accompanying notes form an integral part of these interim condensed consolidated financial information.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited At 30 June 2021 Notes	Audited At 31 December 2020 HK\$'000
<b>Non-current assets</b>			
Fixed assets		3,301	4,355
Right-of-use assets		22,276	28,554
Other non-current assets		8,087	8,048
Financial assets at fair value through other comprehensive income	9	–	–
		<b>33,664</b>	40,957
<b>Current assets</b>			
Financial assets at fair value through profit or loss	10	1,208,531	1,391,161
Accounts receivable	11	199,346	176,300
Prepayments, other receivables and other assets		15,173	15,267
Tax recoverable		2,661	2,661
Cash and bank balances	12	395,835	382,180
		<b>1,821,546</b>	1,967,569
<b>Current liabilities</b>			
Bonds payable	14	–	1,548,676
Derivative financial liabilities		21,925	2,724
Accounts payable	13	68,732	57,909
Other payables and accrued charges		32,396	43,041
Provisions		39,036	37,126
Lease liabilities		16,112	15,268
Net assets attributable to holders of non-controlling interests in consolidated investment fund	15	1,105	1,059
		<b>179,306</b>	1,705,803
<b>Net current assets</b>		<b>1,642,240</b>	261,766
<b>Total assets less current liabilities</b>		<b>1,675,904</b>	302,723

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited At 30 June 2021 Notes	Audited At 31 December 2020 HK\$'000
<b>Non-current liabilities</b>			
Bonds payable	14	1,375,349	–
Provisions		2,034	2,034
Lease liabilities		9,781	17,208
		<b>1,387,164</b>	19,242
<b>NET ASSETS</b>		<b>288,740</b>	283,481
<b>Capital and reserves</b>			
Share capital	16	366,182	366,182
Reserves		(657,442)	(662,701)
Other equity instrument	17	580,000	580,000
<b>TOTAL EQUITY</b>		<b>288,740</b>	283,481

The accompanying notes form an integral part of these interim condensed consolidated financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company									
	Share capital	Investment revaluation reserve	Share premium	*Capital reserve	Foreign exchange			Total reserve	Other equity instrument	Total
					reserve	Accumulated losses	reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>At 1 January 2020</b>	366,182	(10,021)	249,158	40,836	(55)	(803,952)	(524,034)	580,000	422,148	
Loss for the period	-	-	-	-	-	(127,210)	(127,210)	-	(127,210)	
Exchange difference on translation of foreign subsidiaries	-	-	-	-	(119)	-	(119)	-	(119)	
<b>Other comprehensive income for the period, net of tax</b>	-	-	-	-	(119)	-	(119)	-	(119)	
<b>Total comprehensive income for the period</b>	-	-	-	-	(119)	(127,210)	(127,329)	-	(127,329)	
<b>At 30 June 2020 (Unaudited)</b>	366,182	(10,021)	249,158	40,836	(174)	(931,162)	(651,363)	580,000	294,819	

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company									
	Share capital	Investment		Share premium	*Capital reserve	Foreign		Total reserve	Other equity instrument	Total
		revaluation	reserve			exchange	Accumulated			
		reserve	reserve			reserve	losses			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
<b>At 1 January 2021</b>	366,182	(10,021)	249,158	40,836	(234)	(942,440)	(662,701)	580,000	283,481	
Profit for the period	-	-	-	-	-	5,260	5,260	-	5,260	
Exchange difference on translation of foreign subsidiaries	-	-	-	-	(1)	-	(1)	-	(1)	
<b>Other comprehensive income for the period, net of tax</b>	-	-	-	-	(1)	-	(1)	-	(1)	
<b>Total comprehensive income for the period</b>	-	-	-	-	(1)	5,260	5,259	-	5,259	
<b>At 30 June 2021 (Unaudited)</b>	366,182	(10,021)	249,158	40,836	(235)	(937,180)	(657,442)	580,000	288,740	

\* The capital reserve of the Group represents the difference between the nominal value of the shares issued by the Company for the acquisition of the subsidiaries and the nominal value of the ordinary shares of these subsidiaries in issue as at 30 June 2001 which were converted into deferred non-voting share capital on 11 January 2002.

The accompanying notes form an integral part of these interim condensed consolidated financial information.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before tax	5,259	(127,210)
Adjustments for non-cash items		
included in profit and loss	83,010	184,378
Change in operating assets and liabilities	162,706	(254,649)
<b>Net cash generated/(used in) from operating activities</b>	<b>250,975</b>	<b>(197,481)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from (payment for purchase of)/disposal of other non-current assets	(38)	62
Payment for purchase of fixed assets	(563)	(204)
<b>Net cash used in investing activities</b>	<b>(601)</b>	<b>(142)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of bonds	1,379,998	–
Payment of transaction costs on issuance of bonds	(7,716)	–
Repayment of bonds issuance	(1,553,470)	–
Proceeds from short-term bank loans	399,700	157,730
Repayment of short-term bank loans	(399,700)	(157,730)
Bank loan interest paid	(160)	(58)
Interest paid on bonds issued	(51,595)	(53,496)
Repayment of lease liabilities	(1,023)	(1,531)
Principal portion of lease payments	(7,789)	(7,310)
<b>Net cash used in financing activities</b>	<b>(241,755)</b>	<b>(62,395)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8,619</b>	<b>(260,018)</b>
<b>Cash and cash equivalents at the beginning     of the period</b>	<b>382,180</b>	<b>789,090</b>
Effect on exchange rate changes	5,036	(4,539)
<b>Cash and cash equivalents at the end of the period</b>	<b>395,835</b>	<b>524,533</b>

The accompanying notes form an integral part of these interim condensed consolidated financial information.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The measurement basis used in the preparation of these interim condensed consolidated financial information is the historical cost basis except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are measured at fair value.

The interim condensed consolidated financial information is presented in the currency of Hong Kong dollars, which is also the Company’s functional currency.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### **Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2**

The amendments did not have significant impact on the financial position and performance of the Group, the Group does not have contracts that are indexed to benchmark interest rates which are subject to the Inter Bank Offered Rate (IBOR) reform.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3. REVENUE

An analysis of revenue is as follows:

	<i>Note</i>	Unaudited	
		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
<i>Brokerage:</i>			
— commission income on securities dealing		3,250	3,829
— commission income on futures and options dealing		230	1,023
— insurance brokerage fee income		1,219	1,483
		<b>4,699</b>	6,335
<i>Corporate finance:</i>			
— IPO sponsor fee income		1,600	7,012
— underwriting and placing commission income		9	—
— consultancy and financial advisory fee income		1,328	2,353
		<b>2,937</b>	9,365
<i>Asset management:</i>			
— asset management fee income		3	—
Total revenue from contracts with customers	(i)	<b>7,639</b>	15,700
Revenue from other sources			
<i>Interest income calculated using the effective interest method from:</i>			
— margin financing		2,948	10,541
<i>Net gains from proprietary trading</i>		<b>116,886</b>	102,637
Total revenue from other sources		<b>119,834</b>	113,178
Total revenue		<b>127,473</b>	128,878

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3. REVENUE (CONTINUED)

Note:

- (i) An analysis of total revenue from contracts with customers was as follows:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<i>Analyse by business segment:</i>		
<i>Brokerage</i>		
— services transferred at a point in time	4,699	6,335
<i>Corporate finance</i>		
— services transferred at a point in time	1,337	2,353
— services transferred over time	1,600	7,012
	<b>2,937</b>	9,365
<i>Asset management</i>		
— services transferred over time	3	–
	<b>7,639</b>	15,700
<i>Analyse by timing of revenue recognition:</i>		
— services transferred at a point in time	6,036	8,688
— services transferred over time	1,603	7,012
	<b>7,639</b>	15,700

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 4. SEGMENT INFORMATION

The Directors have been identified as the chief operating decision makers to evaluate the performance of operating segments based on the Group's internal reporting in respect of these segments. Segment assets and liabilities are not disclosed as they are not considered as crucial for resources allocation and thereby not being regularly provided to the Directors.

### Reportable operating segments

The Directors consider brokerage and margin financing, corporate finance, proprietary trading and asset management are the Group's major operating segments.

	For the six months ended 30 June 2021 (Unaudited)					
	Brokerage and margin financing	Corporate finance	Proprietary trading	Asset management	Other operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue from external customers</b>	7,647	2,937	116,886	3	-	127,473
Other income and gains	313	1,000	-	-	3,144	4,457
Fee and commission expenses	(2,093)	-	(4,350)	-	-	(6,443)
Finance costs	(6,585)	-	(36,248)	-	(1,023)	(43,856)
Expected credit losses on financial assets, net	(21)	495	-	-	-	474
Other operating expenses and costs	(19,847)	(16,996)	(19,414)	(2,285)	-	(58,542)
Other losses arising from consolidation of investment fund	-	-	(46)	-	-	(46)
<b>Segment results</b>	<b>(20,586)</b>	<b>(12,564)</b>	<b>56,828</b>	<b>(2,282)</b>	<b>2,121</b>	<b>23,517</b>
Unallocated expenses, represented						
central administration costs						(5,221)
Depreciation of fixed assets						(1,612)
Unallocated finance cost						(11,424)
<b>Profit before tax</b>						<b>5,260</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 4. SEGMENT INFORMATION (CONTINUED)

### Reportable operating segments (Continued)

	For the six months ended 30 June 2020 (Unaudited)					
	Brokerage and margin financing	Corporate finance	Proprietary trading	Asset management	Other operations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue from external customers</b>	16,876	9,365	102,637	-	-	128,878
Other income and gains	2,355	-	-	-	3,061	5,416
Fee and commission expenses	(3,895)	-	(2,960)	-	-	(6,855)
Finance costs	(18,962)	-	(27,229)	-	-	(46,191)
Expected credit losses on financial assets, net	(131,820)	(2,064)	-	-	-	(133,884)
Other operating expenses and costs	(31,691)	(12,261)	(8,161)	(286)	(2,509)	(54,908)
<b>Segment results</b>	<b>(167,137)</b>	<b>(4,960)</b>	<b>64,287</b>	<b>(286)</b>	<b>552</b>	<b>(107,544)</b>
Unallocated expenses, represented						
central administration costs						(5,820)
Depreciation of fixed assets						(2,029)
Unallocated finance cost						(11,817)
<b>Loss before tax</b>						<b>(127,210)</b>

### Geographical segments

The geographical location of customers is based on the location at which the services were provided. During the six months ended 30 June 2021 and 30 June 2020, the Group's revenue is mainly derived from customers in Hong Kong.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 5. OTHER INCOME AND GAINS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<b>Other income</b>		
Handling income	200	569
Other interest income	1,052	2,465
Sundry income	1,222	–
	<b>2,474</b>	<b>3,034</b>
<b>Other gains</b>		
Exchange gains, net	1,983	2,382
	<b>1,983</b>	<b>2,382</b>
	<b>4,457</b>	<b>5,416</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6. PROFIT/(LOSS) BEFORE TAX

	Note	Unaudited Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
<b>Profit/(loss) before tax is arrived at after charging/(crediting):</b>			
<b>(a) Finance costs</b>			
Bank loan interest expenses		160	58
Bonds interest expenses		51,313	53,593
Imputed interest expenses on bonds payable		2,727	2,819
Other interest expenses		57	7
Interest on lease liabilities		1,023	1,531
		<b>55,280</b>	<b>58,008</b>
<b>(b) Staff costs</b>			
Salaries, commission and allowances		40,272	32,146
Contributions to retirement benefit schemes		618	838
		<b>40,890</b>	<b>32,984</b>
<b>(c) Other items</b>			
Depreciation of fixed assets		1,612	2,029
Depreciation of right-of-use assets		7,483	7,505
Expected credit losses on financial assets, net		(474)	133,884
<b>(d) Other losses arising from consolidation of investment fund</b>	(i)	<b>46</b>	<b>-</b>

Note:

- (i) Other losses arising from consolidation of investment fund is the net profit of a consolidated investment fund attributable to third-party investors of HK\$46,000 (for six months ended 30 June 2020: Nil). Details of the Group's interest in a consolidated investment fund are disclosed in note 15.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 7. INCOME TAX

Hong Kong Profits Tax has not been provided for entities within the Group for the six months ended 30 June 2021 and 30 June 2020 as they have either incurred losses for taxation purpose or their estimated assessable profits for the period are wholly absorbed by unutilized tax losses brought forward from previous years.

In the opinion of the Directors, the Group is not subject to taxation in any other jurisdictions.

### 8. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share is based on the profit/(loss) for the period attributable to the equity shareholders of the Company and the weighted average number of ordinary shares in issue during the reporting period.

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Profit/(Loss) attributable to equity shareholders of the Company	<b>5,260</b>	(127,210)
Weighted average number of ordinary shares in issue for the purpose of basic and diluted loss per share (In '000)	<b>3,661,831</b>	3,661,831
Basic earnings (loss) per share (HK cents)	<b>0.144</b>	(3.474)
Diluted earnings (loss) per share (HK cents)	<b>0.144</b>	(3.474)

### 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The unlisted equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. As at 30 June 2021, the Group held two (at 31 December 2020: two) investments with no fair value.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Unaudited At 30 June 2021 HK\$'000	Audited At 31 December 2020 HK\$'000
Equity securities			
— Listed in Hong Kong	(i)	762,577	917,656
— Listed outside Hong Kong	(i)	222,268	333,048
		<b>984,845</b>	1,250,704
Debt securities			
— Listed in Hong Kong	(ii)	192,199	70,866
— Listed outside Hong Kong	(ii)	—	38,083
		<b>192,199</b>	108,949
Unlisted fund investments	(iii)	<b>31,487</b>	31,508
		<b>1,208,531</b>	1,391,161

Notes:

- (i) Fair values of the listed equity securities are determined with quoted active market bid price on the respective stock exchange at the end of each reporting period.
- (ii) Fair value of the listed debt securities is determined with quoted active market bid price on the respective stock exchange at the end of each reporting period.
- (iii) For the unlisted fund investments, the fair values were determined by their net assets values quoted by the relevant investments trusts with the underlying assets (mainly are listed securities) of the funds.
- (iv) The Group has not pledged any equity securities, debt securities and fund investment at 30 June 2021 to any bank as collateral for the banking facilities granted (at 31 December 2020: Nil).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 11. ACCOUNTS RECEIVABLE

The carrying values of accounts receivable arising from the ordinary course of business of the Group are as follows:

		Unaudited At 30 June 2021 HK\$'000	Audited At 31 December 2020 HK\$'000
	<i>Note</i>		
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:			
— securities margin clients	(a)	<b>592,349</b>	624,053
— securities cash clients	(b)	<b>3,027</b>	7,798
— securities subscription clients	(b)	<b>79,370</b>	20,966
— securities and options clearing houses and brokers	(b)	<b>6,273</b>	58,322
— futures clients	(b)	<b>3</b>	3
— futures clearing house and brokers	(b)	<b>52,491</b>	–
Accounts receivable arising from the provision of corporate finance advisory services	(b)	<b>3,774</b>	4,171
		<b>737,287</b>	715,313
Less: Impairment		<b>(537,941)</b>	(539,013)
		<b>199,346</b>	176,300

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 11. ACCOUNTS RECEIVABLE (CONTINUED)

Notes:

### (a) Accounts receivable analysis on securities margin clients

- (i) The carrying amount of accounts receivable from securities margin clients of the Group was as follows:

	Unaudited At 30 June 2021 HK\$'000	Audited At 31 December 2020 HK\$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:		
— Securities margin clients	592,349	624,053
Less: Impairment		
— Stage 1	—	—
— Stage 2	—	—
— Stage 3	(536,382)	(536,381)
	<b>55,967</b>	<b>87,672</b>

Accounts receivable from securities margin clients are secured by their pledged securities, repayable on demand and bear interests at commercial rates. Credits are extended to securities margin clients subject to the marginable value of the listed securities pledged with the Group. The margin ratios are reviewed and determined periodically. At the end of the reporting period, fair value of marketable securities pledged by securities margin clients was HK\$444,855,000 (at 31 December 2020: HK\$263,218,000).

No ageing analysis is disclosed as in the opinion of Directors, the ageing analysis does not give additional value in view of the nature of broking business.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 11. ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (Continued)

### (a) Accounts receivable analysis on securities margin clients (Continued)

- (ii) The movements in the impairment allowance of accounts receivable from securities margin clients were as follows:

	12-month ECL (Stage 1) HK\$'000	Lifetime ECL not credit- impaired (Stage 2) HK\$'000	Lifetime ECL credit- impaired (Stage 3) HK\$'000	Total HK\$'000
As at 1 January 2020	-	-	387,498	387,498
New assets originated	-	-	4,646	4,646
Other remeasurement of loss allowance	-	-	144,237	144,237
<b>As at 31 December 2020 (audited) and 1 January 2021</b>	-	-	536,381	536,381
New assets originated	-	-	1	1
<b>As at 30 June 2021 (unaudited)</b>	-	-	<b>536,382</b>	<b>536,382</b>

### (b) Accounts receivable analysis other than securities margin clients

- (i) The carrying values of accounts receivable other than from securities margin clients of the Group are as follows:

		Unaudited At 30 June 2021 HK\$'000	Audited At 31 December 2020 HK\$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:			
— securities cash clients	(1)	3,027	7,798
— securities subscription clients	(2)	79,370	20,966
— securities and options clearing houses and brokers	(3)	6,273	58,322
— futures clients		3	3
— futures clearing house and brokers	(4)	52,491	-
Accounts receivable arising from the provision of corporate finance advisory services	(5)	3,774	4,171
		<b>144,938</b>	91,260
Less: Impairment	(7)	<b>(1,559)</b>	(2,632)
		<b>143,379</b>	88,628

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 11. ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (Continued)

### (b) Accounts receivable analysis other than securities margin clients (Continued)

(i) (Continued)

- (1) Accounts receivable from cash clients arising from the business of dealing in securities are repayable on demand on settlement date. Overdue accounts receivable are repayable on demand and charged interests at commercial rates. The normal settlement terms of accounts receivable arising from the ordinary course of business of broking in securities and futures contracts are one to three days after trade date. No ageing analysis is disclosed as in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of broking business.
- (2) At the end of the reporting period, accounts receivable from securities subscription clients were not yet due and were required to be settled on the allotment date determined under the relevant market practices or exchange rules.
- (3) The Group maintains margin deposits with the options clearing house in respect of clients' monies in the ordinary course of business of option broking. At the end of the reporting period, clients' monies deposits maintained in The SEHK Option Clearing House Limited not otherwise dealt with in the interim condensed consolidated financial information amounted to HK\$1,692,000 (at 31 December 2020: HK\$1,076,000).

At the end of the reporting period, accounts receivable from securities and options clearing houses and brokers were not overdue. As at 30 June 2021, included in amount receivable arising from the ordinary course of securities and options clearing houses and brokers was a net payable to Hong Kong Securities Clearing Company Limited ("HKSCC") of HK\$Nil (at 31 December 2020: net receivable of HK\$5,303,000), with legally enforceable right to set off the corresponding receivable and payable balances. Details of the offsetting of these balances are set out in note 11(c) to interim condensed consolidated financial information.

- (4) Accounts receivable from futures clearing house and brokers did not include clients' monies deposited in the futures clearing house in Hong Kong amounting to HK\$2,442,000 (at 31 December 2020: HK\$20,669,000), which was not dealt with in the interim condensed consolidated financial information. At the end of the reporting period, accounts receivable from futures clearing house and brokers were repayable on demand.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 11. ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (Continued)

### (b) Accounts receivable analysis other than securities margin clients (Continued)

(i) (Continued)

- (5) At the end of the reporting period, the ageing analysis of accounts receivable arising from the provision of corporate finance advisory services, based on the contract terms, was as follows:

	Unaudited At 30 June 2021 HK\$'000	Audited At 31 December 2020 HK\$'000
Current	389	670
Overdue:		
Within 30 days	1,690	999
31–90 days	90	190
91–180 days	280	80
Over 180 days	1,325	2,232
	<b>3,774</b>	<b>4,171</b>

- (6) The movements in the impairment allowance of accounts receivable other than securities margin clients were as follows:

	12-month ECL (Stage 1) HK\$'000	Lifetime ECL not credit- impaired (Stage 2) HK\$'000	Lifetime ECL credit- impaired (Stage 3) HK\$'000	Lifetime ECL simplified approach HK\$'000	Total HK\$'000
As at 1 January 2020	–	–	89	3,320	3,409
Charged/(credit) to profit or loss	–	–	38	1,475	1,513
Amount written off	–	–	–	(2,290)	(2,290)
<b>As at 31 December 2020 (audited) and 1 January 2021</b>	–	–	127	2,505	2,632
Charged/(credit) to profit or loss	–	–	20	(495)	(475)
Amount written off	–	–	–	(598)	(598)
<b>As at 30 June 2021 (unaudited)</b>	–	–	147	1,412	1,559

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 11. ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (Continued)

### (c) Offsetting

The Group has netted off the amounts receivable and amounts payable with the securities and options clearing house. An analysis of amounts receivable/(payable) subject to offsetting is set out as follows:

As at 30 June 2021 (unaudited)

	Gross amount of recognised financial liabilities set off in the condensed consolidated statement of Gross amount of recognised financial assets HK\$'000	Gross amount of recognised financial assets set off in the condensed consolidated statement of financial position HK\$'000	Net amount of financial assets presented in the condensed consolidated statement of financial position HK\$'000	Related amount not set off in the condensed consolidated statement of financial position HK\$'000	Net HK\$'000
Amounts receivable	8,327	(8,327)	-	-	-

	Gross amount of recognised financial assets set off in the condensed consolidated statement of Gross amount of recognised financial liabilities HK\$'000	Gross amount of recognised financial assets set off in the condensed consolidated statement of financial position HK\$'000	Net amount of financial assets presented in the condensed consolidated statement of financial position HK\$'000	Related amount not set off in the condensed consolidated statement of financial position HK\$'000	Net HK\$'000
Amounts payable	13,687	(8,327)	5,360	-	5,360

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 11. ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (Continued)

### (c) Offsetting (Continued)

As at 30 June 2020 (unaudited)

	Gross amount of recognised financial liabilities set off in the condensed consolidated statement of financial position	Gross amount of recognised financial assets set off in the condensed consolidated statement of financial position	Net amount of financial assets presented in the condensed consolidated statement of financial position	Related amount not set off in the condensed consolidated statement of financial position	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts receivable	11,742	(11,742)	-	-	-

	Gross amount of recognised financial liabilities set off in the condensed consolidated statement of financial position	Gross amount of recognised financial assets set off in the condensed consolidated statement of financial position	Net amount of financial assets presented in the condensed consolidated statement of financial position	Related amount not set off in the condensed consolidated statement of financial position	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable	69,957	(11,742)	58,215	-	58,215

## 12. CASH AND BANK BALANCES

The Group maintains trust accounts with banks to deal with clients' monies in the ordinary course of business. At the end of the reporting period, trust monies not otherwise dealt with in the interim condensed consolidated financial information amounted to approximately HK\$219,323,000 (at 31 December 2020: HK\$257,717,000).

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 13. ACCOUNTS PAYABLE

		Unaudited At 30 June 2021 HK\$'000	Audited At 31 December 2020 HK\$'000
	<i>Note</i>		
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:			
— securities cash clients	<i>(i)</i>	—	5,280
— securities margin clients	<i>(i)</i>	<b>5,271</b>	5
— securities clearing house	<i>(i)</i>	<b>5,360</b>	50,600
— brokers	<i>(i)</i>	<b>24,788</b>	143
— futures clients	<i>(ii)</i>	<b>33,280</b>	1,838
Accounts payable arising from the provision of insurance broking services	<i>(iii)</i>	<b>33</b>	43
		<b>68,732</b>	57,909

Notes:

### Settlement terms

- (i) The settlement terms of accounts payable arising from the ordinary course of business of broking in securities in respect of cash clients, margin clients, clearing house and brokers are one to three trading days after the transaction dates.
- (ii) Accounts payable arising from the ordinary course of business broking in index, commodity and currency futures contracts represent the margin deposits received from clients for their trading in futures contracts. The excess over the required margin deposits stipulated are repayable to clients on demand.
- (iii) Accounts payable arising from the provision of insurance broking services are payable within 30 days.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 13. ACCOUNTS PAYABLE (CONTINUED)

No ageing analysis is disclosed in respect of accounts payable. In the opinion of the Directors, an ageing analysis does not give additional value in view of the nature of broking business.

Interest with reference to savings rate of financial institutions is payable to securities cash clients and securities margin clients arising from the ordinary course of business of securities broking subject to their balances maintained with the Group. All other categories of accounts payable are non-interest-bearing.

### 14. BONDS PAYABLE

	2021 USD Bonds <i>(Note (i))</i> HK\$'000	2019 USD Bonds <i>(Note (ii))</i> HK\$'000	Total HK\$'000
Carrying amount at 1 January 2020	–	1,549,172	1,549,172
Imputed interest expenses for the year	–	5,737	5,737
Exchange difference	–	(6,233)	(6,233)
<b>Carrying amount at 31 December 2020 (audited) and 1 January 2021</b>	<b>–</b>	<b>1,548,676</b>	<b>1,548,676</b>
Carrying amount upon issuance	1,372,282	–	1,372,282
Imputed interest expenses for the period	962	1,765	2,727
Exchange difference	2,105	3,029	5,134
Principal repayment	–	(1,553,470)	(1,553,470)
<b>Carrying amount at 30 June 2021 (unaudited)</b>	<b>1,375,349</b>	<b>–</b>	<b>1,375,349</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 14. BONDS PAYABLE (CONTINUED)

Notes:

- (i) On 9 February 2021, the Company issued bonds with aggregate principal amount of US\$178,000,000 (the "2021 USD Bonds"). The 2021 USD Bonds bear interest from 9 February 2021 (inclusive) at the rate of 4.00% per annum. Interest on the 2021 USD Bonds is payable semi-annually in arrears. The 2021 USD Bonds are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and will mature on 9 February 2024 with the outstanding principal and interest payable at the maturity date. The fair value determined with the quoted price provided by brokers/financial institutions as at 30 June 2021 was approximately HK\$1,385,710,000.

The 2021 USD Bonds are carried at amortized cost using an effective interest rate of 4.20% per annum.

- (ii) On 17 April 2019, the Company issued bonds with aggregate principal amount of US\$200,000,000 (the "2019 USD Bonds"). The 2019 USD Bonds bear interest from 17 April 2019 (inclusive) at the rate of 6.90% per annum. Interest on the 2019 USD Bonds is payable semi-annually in arrears. The 2019 USD Bonds were listed on the Stock Exchange. On 10 February 2021, the Company repurchased and cancelled US\$59,400,000 of the 2019 USD Bonds. The remaining portion were matured and fully settled on 17 April 2021.

The 2019 USD Bonds are carried at amortized cost using an effective interest rate of 7.29% per annum.

## 15. INTERESTS IN CONSOLIDATED INVESTMENTS

The Group had consolidated a fund investment ("Consolidated Investment Fund") where the Group is involved as an investment manager and an investor based on the facts and circumstances that (i) the third-party investors have no substantive removal rights to remove the Group as a fund manager and; (ii) the Group's investment interests held together with its remuneration from servicing and managing the Consolidated Investment Fund resulted in significant exposure to the variability of returns.

As at 30 June 2021, the total assets and total liabilities (excluding third-party interest as stated below) of the Consolidated Investment Fund were HK\$540,437,000 and HK\$29,882,000 respectively (at 31 December 2020: HK\$451,830,000 and HK\$131,000).

For the six months ended 30 June 2021, interests held by third-party investors of HK\$46,000 (for the six months ended 30 June 2020: Nil) in the Consolidated Investment Fund are recognised as other losses arising from consolidation of investment fund in the condensed consolidated statement of profit or loss and other comprehensive income. As at 30 June 2021, the interests held by third-party investors amounted to HK\$1,105,000 (at 31 December 2020: HK\$1,059,000) is recognised as "other liabilities arising from consolidation of investment fund" in the condensed consolidated statement of financial position.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 16. SHARE CAPITAL

	At 30 June 2021 (Unaudited)		At 31 December 2020 (Audited)	
	Number of	Amount	Number of	Amount
	shares		shares	
	'000	HK\$'000	'000	HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.1 each				
At beginning and end of the reporting period	<b>4,000,000</b>	<b>400,000</b>	4,000,000	400,000
<b>Issued and fully paid:</b>				
At the end of the reporting period	<b>3,661,830</b>	<b>366,182</b>	3,661,830	366,182

## 17. OTHER EQUITY INSTRUMENT

On 15 October 2019, the Company issued HK\$580 million perpetual securities (the "Perpetual Securities") with an initial distribution rate of 3.875% per annum. Distributions are paid annually in arrears and the first distribution date was 14 October 2020. The Company may, at its sole discretion, elect to defer, in whole or in part, any distribution. The Perpetual Securities have no fixed redemption date and may be redeemed in whole or in part at any time at the sole discretion of the Company on giving prior notice to the holder of the Perpetual Securities, in accordance with the terms and conditions stated in the subscription agreement. The first reset date of distribution rate is 15 October 2022. The Perpetual Securities constitute direct, unconditional, subordinated and unsecured obligations of the Company and are classified as equity instruments and recorded as equity in the condensed consolidated statement of financial position.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 18. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these interim condensed consolidated financial information, there were related party transactions entered into by the Group during the reporting period, details of which are set out below:

Related party relationship	Nature of transaction	Unaudited	
		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
Key management personnel, including Directors	Salaries, commission and allowances	6,763	7,187
	Contributions to retirement benefit schemes	81	98
		<b>6,844</b>	<b>7,285</b>

## 19. COMMITMENT

### Capital commitments

There was no capital expenditure in respect of the acquisition of fixed assets contracted for but not provided in the interim condensed consolidated financial information as at 30 June 2021 and 31 December 2020.

## 20. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value in addition to the fair value disclosed elsewhere in these interim condensed consolidated financial information on a recurring basis at 30 June 2021 and 31 December 2020 across the three levels of the fair value hierarchy defined in HKFRS 13, Fair value measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 20. FAIR VALUE MEASUREMENTS (CONTINUED)

At 30 June 2021 (Unaudited)

	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Assets measured at fair value</b>				
Financial assets at fair value through profit or loss				
— Equity securities listed in Hong Kong	762,577	762,577	—	—
— Equity securities listed outside Hong Kong	222,268	222,268	—	—
— Debt securities listed in Hong Kong	192,199	192,199	—	—
— Unlisted fund investments	31,487	—	31,487	—
Financial assets at fair value through other comprehensive income				
— Unlisted equity securities	—	—	—	—
<b>Liabilities measured at fair value</b>				
Financial liabilities at fair value through profit or loss				
— Derivative financial liabilities	21,925	21,925	—	—
— Net assets attributable to holders of non-controlling interests in consolidated investment fund	1,105	—	1,105	—

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 20. FAIR VALUE MEASUREMENTS (CONTINUED)

At 31 December 2020 (Audited)

	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Assets measured at fair value</b>				
Financial assets at fair value through profit or loss				
— Equity securities listed in Hong Kong	917,656	917,656	—	—
— Equity securities listed outside Hong Kong	333,048	333,048	—	—
— Debt securities listed in Hong Kong	70,866	—	70,866	—
— Debt securities listed outside Hong Kong	38,083	38,083	—	—
— Unlisted fund investments	31,508	—	31,508	—
<b>Financial assets at fair value through other comprehensive income</b>				
— Unlisted equity securities	—	—	—	—
<b>Liabilities measured at fair value</b>				
Financial liabilities at fair value through profit or loss				
— Derivative financial liabilities	2,724	2,724	—	—
— Net assets attributable to holders of non-controlling interests in consolidated investment fund	1,059	—	1,059	—

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 20. FAIR VALUE MEASUREMENTS (CONTINUED)

No movements in fair value measurements within Level 3 during the period.

### **Description of the valuation techniques and inputs used in Level 2 fair value measurement**

Note 10 to the interim condensed consolidated financial information provides detailed information about the valuation techniques used in the determination of the fair value of the unlisted fund investments.

### **Valuation processes of the Group**

The Directors determine the policies and procedures for both recurring and non-recurring fair value measurement. In estimating the fair value of an asset or a liability, the Directors use market-observable data to the extent it is available. Where Level 1 and Level 2 inputs are not available, the Directors would engage third party qualified valuer to perform the valuation for significant assets and liabilities.

## **OTHER INFORMATION**

### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2021, none of the Directors, the chief executive of the Company or their respective associates had any interests and short positions in the shares, underlying shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

### **SHARE OPTION SCHEME**

At the annual general meeting of the Company held on 12 November 2013, the shareholders of the Company approved the adoption of a new share option scheme (the "2013 Share Option Scheme") which is valid and effective for 10 years from the date of adoption. The total number of shares available for issue is 119,147,600 shares, representing 10% of total number of shares in issue as at the date of adoption of the 2013 Share Option Scheme (i.e. 12 November 2013). During the Review Period, there was no outstanding share option and no share option was granted, exercised, cancelled or lapsed under the 2013 Share Option Scheme.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from those disclosed in the "Share Option Scheme" above, at no time during the Review Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Directors or their respective spouse or children under the age of 18, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under the age of 18 to acquire such rights in any other body corporate.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the substantial shareholders of the Company (other than Directors and chief executive of the Company whose interests or short positions have been disclosed in the "Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures" above) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and to the best knowledge of the Company are as follows:

#### Interests in long positions in the ordinary shares of the Company (the "Shares")

Names	Note	Capacity and nature of interest	Number of Shares held	Approximate percentage of issued voting Shares
Southwest Securities International Investment Limited ("SSII")	1	Beneficial owner	2,713,469,233	74.10%
Southwest Securities Co., Ltd. ("SWSC")	1	Interest of controlled corporation	2,713,469,233	74.10%

Note:

1. SSII is wholly owned by SWSC. SWSC is therefore deemed, or taken to be, interested in all shares in which SSII is interested for the purpose of the SFO.

Save as disclosed above, as at 30 June 2021, the Company has not been notified of any other persons (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under Section 336 of the SFO.

## **OTHER INFORMATION**

### **UPDATES ON DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES**

Subsequent to the publication of the 2020 Annual Report, the Company was informed of the following changes in Directors' information:

Mr. WU Jian has been appointed as the secretary of CPC party committee of SWSC with effect from 23 August 2021 and the chairman of board of directors of SWSC with effect from 6 September 2021.

### **CHANGES IN THE BOARD**

Mr. PU Rui has resigned as an executive Director and the chief executive officer of the Company with effect from 29 March 2021.

### **CORPORATE GOVERNANCE**

During the Review Period, the Company has applied the principles of, and has complied with, all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

### **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS**

During the Review Period, the Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry with each Director and, based on such enquiry, confirmed that all the Directors have complied with the required standard as set out in the Model Code.

## OTHER INFORMATION

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 10 February 2021, the Company had completed an on-market repurchase of US\$59,400,000 in aggregate principal amount (the "Repurchased Bonds") of the US\$200,000,000 6.90% bonds due 2021, which were listed on the Stock Exchange (former Bond Stock Code: 05983) (the "2021 Bonds"), representing 29.7% of the aggregate outstanding principal amount of the 2021 Bonds at the time. Thereafter, the Repurchased Bonds had been cancelled on 10 February 2021. The 2021 Bonds were matured and fully settled on 17 April 2021. Except as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Review Period.

### REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim condensed consolidated financial information for the six months ended 30 June 2021 and this interim report.

By order of the Board

**WU Jian**

*Chairman*

Hong Kong, 20 August 2021

Southwest Securities  
International Securities Limited  
西證國際證券股份有限公司