



**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

**2022**

**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. ZHANG Hongwei (*Chairman*)

(*appointed on 12 April 2022*)

Mr. HUANG Changsheng (*appointed on 12 April 2022*)

Mr. WU Jian (*resigned on 2 September 2022*)

Dr. ZHAO Mingxun (*resigned on 12 April 2022*)

### *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. ZHANG Hongwei (*appointed on 12 April 2022*)

Mr. MENG Gaoyuan

Mr. LIANG Jilin

## Nomination Committee

Mr. LIANG Jilin (*Chairman*) (*appointed on 12 April 2022*)

Mr. ZHANG Hongwei (*appointed on 12 April 2022*)

Mr. MENG Gaoyuan

Dr. GUAN Wenwei

## Authorised Representatives

Mr. HUANG Changsheng (*appointed on 12 April 2022*)

Ms. YIU Yi Ting

Dr. ZHAO Mingxun (*resigned on 12 April 2022*)

## Company Secretary

Ms. YIU Yi Ting

## 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

**Legal Adviser as to  
Hong Kong Law**

Nixon Peabody CWL

**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 2022 (the “Review Period”) together with the comparative figures for the six months ended 30 June 2021 as set out on pages 12 to 42 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 2021: HK\$ Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET REVIEW

#### Macro Environment

In the first half of 2022, there were still recurring waves of COVID-19 pandemic around the world. According to the World Health Organization (WHO), as of 3 July 2022, there were over 546 million confirmed COVID-19 cases and over 6.33 million fatal cases worldwide. The Omicron variant of the COVID-19 virus continues to mutate and reorganize, and a number of subtypes of the strain have been developed, which are now spreading rapidly and dominating the world.

In March 2022, the Central Government of China proposed at the Two Sessions that the economic work in 2022 should prioritize stability while pursuing progress. The government discussed many important development issues such as tax and fee reduction, support for foreign investment development, stable and flexible monetary policy, promotion of consumption, and expansion of investment. In May 2022, the State Council of China issued the “Package of Policies and Measures for Stabilizing the Economy” (《紮實穩住經濟的一攬子政策措施》), which proposed 33 specific policies and measures in six areas to address the challenges of slowing growth, employment difficulties and rising prices.

The war between Russia and Ukraine broke out on 24 February 2022, but has not yet ended so far. The impact of the post-epidemic era on the supply chain and the sanctions imposed by many countries on Russia have led to a sharp rise in oil and natural gas prices, which in turn has driven other bulk commodities prices. The US Federal Reserve raised interest rates three times in the first half of 2022, by a total of 1.5%, and may maintain a faster pace of interest rate hikes in the second half of the year to cope with the crisis of high inflation.

Only two weeks into July 2022, there have been several major international events, including the announcement of Boris Johnson’s resignation as UK’s Prime Minister and leader of the Conservative Party, Sri Lanka’s declaration of bankruptcy, and the assassination of former Japanese Prime Minister Shinzo Abe. The external environment is expected to become more severe and complex in the second half of the year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Hong Kong Stock Market

In the first half of 2022, the Hang Seng Index was volatile, showing a slight increase, then a big drop and then a rebound. At the beginning of the year, Hong Kong's stock market was boosted by the inflow of southbound capital, reaching a high of 25,050 points in the mid-February trading session. However, the Hang Seng Index reached a low of 18,235 points in the mid-March trading session, plunging more than 27% in just one month, as the market became concerned about tighter regulation of Internet platforms in China, the outbreak of war between Russia and Ukraine, the massive fifth wave of the COVID-19 epidemic in Hong Kong, disagreements between China and the United States over the audit of Chinese stocks, and continued high inflation in the United States. Subsequently, benefitting from the China Securities Regulatory Commission (CSRC), which stated China-US negotiation on the regulation of Chinese stock audits went smoothly, the Central Government introduced a package of measures to stabilize economic growth, the pandemic in Hong Kong eased and social distance measures were lifted in phases, the Hong Kong stock market recovered some of the lost ground. The Hang Seng Index closed at 21,859 points at the end of June 2022, representing a decrease of 6.6% compared with that of late December 2021; the HSCFI closed at 7,666 points at the end of June 2022, representing a decrease of 6.9% compared with that of late December 2021; and the Hang Seng TECH Index closed at 4,870 points at the end of June 2022, representing a decrease of 14.1% compared with that of late December 2021.

At the end of June 2022, the number of companies listed on the Main Board and GEM amounted to 2,568 (of which the number of companies listed on the Main Board was 2,223, representing an increase by 4 from the end of December 2021), and the total number of listed companies has reduced by 4 compared with that of late December 2021. Due to the impact of the COVID-19 pandemic and the decision of the Hong Kong Stock Exchange to raise the profitability requirements for the Main Board, only 27 new companies were listed (including 1 company which transferred its listing from GEM to the Main Board) in the first half of 2022, compared to 46 new listings during the same period in 2021. Nevertheless, as there was a lack of giant companies to list in Hong Kong during the period, Hong Kong Stock Exchange only raised HK\$19.7 billion in the first half of 2022 from initial public offerings, representing a significant year-on-year decrease of 90.7%. However, as of mid July 2022, more than 180 applications were being processed or approved in principle for listing, and approximately 10 companies have successfully listed in Hong Kong in the first two weeks of July. The Hong Kong IPO market may pick up in the second half of the year, and our corporate financing business will also benefit.

# 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 negative revenue and other income and gains of HK\$108.59 million (six months ended 30 June 2021: revenue and other income and gains of HK\$131.93 million) and a loss before tax of HK\$201.62 million (six months ended 30 June 2021: a profit before tax of HK\$5.26 million).

During the Review Period, the Group's revenue amounted to loss of HK\$109.62 million (six months ended 30 June 2021: gain of HK\$127.47 million), representing a decrease of 186% as compared to the same period of last year. It was mainly due to negative revenue of HK\$115.12 million recorded for proprietary trading business (six months ended 30 June 2021: a revenue of HK\$116.89 million), representing a decrease of revenue from proprietary trading by HK\$232.01 million during the Review Period as compared to the same period of last year.

### Brokerage and Margin Financing

The Group's brokerage and margin financing business includes agency trading of securities, futures and options trading, and provision of insurance brokerage services, margin financing services, financial products business and one-stop integrated investment and financing services for high-net-worth customers. It recorded a revenue of HK\$2.11 million during the Review Period (six months ended 30 June 2021: HK\$7.65 million) representing a significant decrease of HK\$5.54 million or approximately 72%.

In order to enhance cost efficiency, the Group has ceased the direct operation of futures and options business since December 2021. In addition, in order to meet the needs of the Group's strategic development and continue to adjust the relevant business segments, so as to concentrate existing resources on the advantageous businesses, the Company has suspended the direct operation of brokerage business of "Securities Brokerage and Margin Business Segment" since 20 May 2022 and continued to operate futures, options, securities brokerage and margin business by referral. The fifth wave of the COVID-19 pandemic started in February 2022 has been severe and protracted, and the Hong Kong and global economies have been hit hard. The Hang Seng Index fell from 23,398 points at the close of 2021 to 21,860 points to end the first half of the year, representing a decrease of 6.57%. The volume of market transactions also decreased, and customers' desire to enter the market decreased, which directly led to a decrease in retail customer commissions. Brokerage commission income recorded a gain of HK\$0.86 million during the Review Period, compared to HK\$3.25 million for the same period in 2021, representing a decrease of approximately 74%. The change in strategy also impacted interest income from margin financing business, which only recorded a gain of HK\$0.81 million during the Review Period, compared to HK\$2.95 million for the same period in 2021, representing a significant decrease of approximately 73%.

In the future, the Group will redefine its strategic development direction, strengthen cost control and continue to overcome difficulties.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Corporate Finance

The Group's corporate finance business includes sponsor services, underwriting & placement services and financial advisory services to corporate clients in Hong Kong. During the Review Period, the Group's corporate finance business recorded a revenue of HK\$3.39 million (six months ended 30 June 2021: HK\$2.94 million), representing an increase of HK\$0.45 million or approximately 15%, mainly due to the increase in underwriting & placement services during the Review Period.

The pandemic has recurred in the first half of 2022, especially in China. Customs clearance between Hong Kong and China has not resumed and normal marketing activities have been affected. The number of IPOs fell to a low in recent years due to a variety of factors. Revenue from sponsor services in the first half of 2022 was mainly derived from a new IPO.

Revenue from underwriting & placement services is derived from the Group's offshore bond issuance business. From January to June 2022, the Group's revenue from underwriting & placement services reached HK\$1.09 million, representing an increase of HK\$1.08 million or 10,800% year-on-year. The main reason is that prior to December 2021, the Company's investment banking business was mainly focused on equity business such as IPO, which was handled by Global Capital Markets Department (GCM), and the bond issuance business was very insignificant. Since December 2021, the Company has developed and supported its bond issuance business with the establishment of a new Debt Capital Markets Department (DCM) dedicated to bond issuance business. During the period from January to June 2022, the DCM Department participated in and completed the issuance of eight foreign bonds through active business development. As of 30 June 2022, the DCM department has a number of bond issues in progress that are expected to be completed in the second half of the year.

In the future, with the continuous development of the Group's bond business, relying on the extensive client base of the domestic parent company, Southwest Securities Co., Ltd. ("**Southwest Securities**"), the numerous branches and the strong support from the State-owned Assets Supervision and Administration Commission of Chongqing Province, the DCM department will fully utilize the advantages of Southwest Securities and take advantage of the combined domestic and overseas business to further develop the offshore bond issuance business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Asset Management

During the Review Period, the Group's asset management business recorded no revenue (six months ended 30 June 2021: HK\$3,000).

During the Review Period, the fund SP7 established by the Group was fully redeemed by investors. Since the beginning of the year, market conditions have been volatile due to the accelerated pace of interest rate hikes and quantitative tightening in the U.S., the war between Russia and Ukraine, and the increased containment in China due to the resurgence of the pandemic. The performance of the Group's fund portfolios SP6 and SP7, which are managed by the Group's wholly-owned subsidiary, Southwest Securities (HK) Asset Management Limited, were also affected to varying degrees during the Review Period. Given that volatility is expected to continue in the near term, the business team has reduced the investment portfolio position in a timely manner and controlled the use of leverage in order to avoid a significant withdrawal in equity.

The Group's asset management business segment has been actively exploring the path of differentiation and specialization, comprehensively promoting the optimization of its layout and business model transformation, and adjusting its business positioning. As the unfavorable macro market factors gradually settle, the business team expects quality investment opportunities will resurface.

## Proprietary Trading

The Group's proprietary trading business recorded a loss of HK\$115.12 million (six months ended 30 June 2021: gain of HK\$116.89 million) during the Review Period, mainly due to the one-off negative impact from the systemic risk of the overall market. The Company has adjusted its investment strategy and strengthened its risk management by gradually shifting from equity investments to fixed income investments to reduce the volatility of proprietary trading returns.

## Other Income and Gains

During the Review Period, the Group's other income and gains amounted to HK\$1.03 million (six months ended 30 June 2021: HK\$4.46 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 and the exchange losses increased during the Review Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Staff Costs

During the Review Period, the Group's staff costs amounted to HK\$23.74 million (six months ended 30 June 2021: HK\$40.89 million).

Employee performance bonus provisions are directly linked to the performance of their departments. Staff costs decreased due to less performance bonus provisions as a result of unsatisfied business performance for the same period in 2021. The Group will make flexible adjustments to its staffing among the business operations and resources allocation.

### Fee and Commission Expenses

The Group's fee and commission expenses during the Review Period were HK\$3.18 million (six months ended 30 June 2021: HK\$6.44 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 proprietary trading business.

### Finance Costs

The Group's finance costs during the Review Period amounted to HK\$37.60 million (six months ended 30 June 2021: HK\$55.28 million), decreased by approximately HK\$17.68 million or 32%. The finance costs were mainly interest expenses on bonds payable. During the Review Period, the Group completed repurchase of USD\$56 million bonds, the details of the repurchase of USD Bonds were set out in the announcement of the Company dated 15 June 2022.

## FUTURE PROSPECTS

With the continuous two-way opening-up of China's capital market in recent years, there are now 138 Chinese-funded institutions operating in Hong Kong. Chinese-funded brokerage firms have grasped the historical opportunity of the deepening reform of China's capital market and have grown into the mainstay of Hong Kong's securities industry, becoming the backbone of the global financial arena. 2022 is the 25th anniversary of Hong Kong's handover and is a new starting point for Chinese-funded brokerage firms in Hong Kong. With strong client bases of parent companies in China, Chinese-funded brokerage firms are facing a more complex international environment with both opportunities and challenges as they make full use of the linkage between the Hong Kong and China. With the support of its parent company, Southwest Securities, the Company can make full use of its Chinese-funded background to explore domestic and foreign corporate finance, underwriting and placement business opportunities. The Company will also play an important role in serving the real economy, such as providing financial services to enterprises for listing in Hong Kong, issuing additional shares, issuing overseas US dollar bonds, etc. In response to the national call for the development of green finance, the Company will also assist mainland enterprises to issue green bonds and obtain green financing. Based on the premise of fully assessing the internal and external situation, the Company has been giving play to our strengths and avoiding our shortcomings, focusing its resources on the development of its advantageous segments and striving to become a boutique international financial institution.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2022, the Group's total cash and bank balances were HK\$182.37 million (31 December 2021: HK\$285.07 million) and its net current assets amounted to HK\$962.20 million (31 December 2021: HK\$1,582.24 million), with a current ratio (ratio of current assets to current liabilities) of 21.4 times (31 December 2021: 11.3 time). The gearing ratio (ratio of bonds payable to total equity) was 5,274.0% (31 December 2021: 629.1%).

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. During the Review Period, the Group completed repurchase of USD\$56 million bonds.

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 2022, the Group had no outstanding bank loans (31 December 2021: Nil) and had an aggregate banking facilities of HK\$80 million (31 December 2021: 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 2022, the Group pledged no assets (31 December 2021: 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 2021: Nil).

### Contingencies

The Group had no material contingent liabilities as at 30 June 2022 (31 December 2021: Nil).

### Commitments

The Group had no material capital commitments as at 30 June 2022 (31 December 2021: 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 2022 (31 December 2021: Nil).

### EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2022, the Group had a total of 65 employees (as at 30 June 2021: 70 employees).

The Group is committed to implement sustainable strategy on staff development so as to create a good working environment that continuously attracts, identifies and nurtures talent. Based on the required job competencies, the Group provides diversified on-the-job training, including internal and external training programs, such training programs not only enhances employees' competence and professional knowledge, but also continuously improves their competitiveness and enables sustainable development with the Group.

The Group reviews human resources policies and procedures constantly, including but not limited to Recruitment and Selection Policy, Performance Management Policy, Training Policy, etc. The Group reviews its remuneration policy on an annual basis and based on the management needs to implement a comprehensive performance management program. The Group pays discretionary bonuses to employees based on their overall job performance, market circumstances, overall company performance and the performance of business units aiming to retain and reward competent and valued employees. Meanwhile, the Group provides comprehensive benefits to its employees, including medical insurance, life insurance, retirement scheme, training and various paid leaves.

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

	Notes	Unaudited	
		Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
<b>Revenue</b>	3	<b>(109,624)</b>	127,473
Other income and gains	5	<b>1,030</b>	4,457
		<b>(108,594)</b>	131,930
Fee and commission expenses		<b>(3,179)</b>	(6,443)
Finance costs	6(a)	<b>(37,602)</b>	(55,280)
Staff costs	6(b)	<b>(23,741)</b>	(40,890)
Depreciation	6(c)	<b>(8,284)</b>	(9,095)
Expected credit losses on financial assets, net	6(c)	<b>(1,802)</b>	474
Other operating expenses		<b>(18,825)</b>	(15,390)
Fair value gains (losses) arising from investment fund	6(c)	<b>408</b>	(46)
<b>Total expenses</b>		<b>(93,025)</b>	(126,670)
(Loss)/profit before tax	6	<b>(201,619)</b>	5,260
Income tax	7	–	–
<b>(Loss)/Profit for the period attributable to equity shareholders of the Company</b>		<b>(201,619)</b>	5,260
<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>(55)</b>	(1)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<b>(55)</b>	(1)
Other comprehensive income for the period, net of tax		<b>(55)</b>	(1)
<b>Total comprehensive income for the period attributable to equity shareholders of the Company</b>		<b>(201,674)</b>	5,259
<b>(Loss) Earnings per share</b>			
— Basic (HK cents)	8	<b>(5.506)</b>	0.144
— Diluted (HK cents)	8	<b>(5.506)</b>	0.144

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited At 30 June 2022 Notes HK\$'000	Audited At 31 December 2021 HK\$'000
<b>Non-current assets</b>			
Fixed assets		2,132	1,890
Right-of-use assets		7,526	14,901
Other non-current assets		400	3,400
Financial assets at fair value through other comprehensive income	9	–	–
		<b>10,058</b>	20,191
<b>Current assets</b>			
Financial assets at fair value through profit or loss	10	433,621	1,227,529
Derivative financial assets		158	–
Accounts receivable	11	379,829	205,855
Prepayments, other receivables and other assets		10,661	14,734
Tax recoverable		2,661	2,661
Cash and bank balances	12	182,373	285,073
		<b>1,009,303</b>	1,735,852
<b>Current liabilities</b>			
Derivative financial liabilities		–	6,747
Accounts payable	13	6	68,669
Other payables and accrued charges		22,747	33,817
Provisions		14,568	21,151
Lease liabilities		9,781	17,817
Net assets attributable to holders of third-party interests in consolidated investment fund	15	–	5,408
		<b>47,102</b>	153,609
<b>Net current assets</b>		<b>962,201</b>	1,582,243
<b>Total assets less current liabilities</b>		<b>972,259</b>	1,602,434

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited At 30 June 2022 Notes	Audited At 31 December 2021 HK\$'000
<b>Non-current liabilities</b>			
Bonds payable	14	<b>954,167</b>	1,382,512
Lease liabilities		–	156
		<b>954,167</b>	1,382,668
<b>NET ASSETS</b>		<b>18,092</b>	219,766
<b>Capital and reserves</b>			
Share capital	16	<b>366,182</b>	366,182
Reserves		<b>(928,090)</b>	(726,416)
Other equity instrument	17	<b>580,000</b>	580,000
<b>TOTAL EQUITY</b>		<b>18,092</b>	219,766

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							Holder of other equity instrument	
	Share capital	Investment revaluation reserve	Share premium	*Capital reserve	Foreign exchange reserve	Accumulated losses	Total	Total	Total
	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)	(296,519)	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)	(291,260)	580,000	288,740

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company								
							Holder of other equity instrument		Total
	Share capital	Investment revaluation reserve	Share premium	*Capital reserve	Foreign exchange reserve	Accumulated losses	Total	Holder of other equity instrument	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2022</b>	366,182	(3,301)	249,158	40,836	(238)	(1,012,871)	(360,234)	580,000	219,766
Loss for the period	-	-	-	-	-	(201,619)	(201,619)	-	(201,619)
Exchange difference on translation of foreign subsidiaries	-	-	-	-	(55)	-	(55)	-	(55)
<b>Other comprehensive income for the period, net of tax</b>	-	-	-	-	(55)	-	(55)	-	(55)
<b>Total comprehensive income for the period</b>	-	-	-	-	(55)	(201,619)	(201,674)	-	(201,674)
<b>At 30 June 2022 (Unaudited)</b>	366,182	(3,301)	249,158	40,836	(293)	(1,214,490)	(561,908)	580,000	18,092

\* 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	
	2022	2021
	HK\$'000	HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before tax	(201,619)	5,259
Adjustments for non-cash items		
included in profit and loss	20,652	83,010
Change in operating assets and liabilities	574,650	162,668
<b>Net cash generated from operating activities</b>	<b>393,683</b>	<b>250,937</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for purchase of fixed assets	(1,151)	(563)
<b>Net cash used in investing activities</b>	<b>(1,151)</b>	<b>(563)</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	(439,335)	(1,553,470)
Proceeds from short-term bank loans	–	399,700
Repayment of short-term bank loans	–	(399,700)
Bank loan interest paid	(2)	(160)
Interest paid on bonds issued	(41,138)	(51,595)
Repayment of lease liabilities	(495)	(1,023)
Principal portion of lease payments	(8,192)	(7,789)
Capital withdrawal by third party interests in consolidated investment fund	(5,000)	–
<b>Net cash used in financing activities</b>	<b>(494,162)</b>	<b>(241,755)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(101,630)</b>	<b>8,619</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>285,073</b>	<b>382,180</b>
Effect on exchange rate changes	(1,070)	5,036
<b>Cash and cash equivalents at the end of the period</b>	<b>182,373</b>	<b>395,835</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 information of the Group for the six months ended 30 June 2022 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 2021, 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 2022:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle

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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 3. REVENUE

An analysis of revenue is as follows:

	Note	Unaudited	
		Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
<i>Brokerage:</i>			
— commission income on securities dealing		860	3,250
— commission income on futures and options dealing		—	230
— insurance brokerage fee income		440	1,219
		<b>1,300</b>	4,699
<i>Corporate finance:</i>			
— IPO sponsor fee income		1,850	1,600
— underwriting and placing commission income		1,086	9
— consultancy and financial advisory fee income		454	1,328
		<b>3,390</b>	2,937
<i>Asset management:</i>			
— asset management fee income		—	3
Total revenue from contracts with customers	(i)	<b>4,690</b>	7,639
Revenue from other sources			
<i>Interest income calculated using the effective interest method from:</i>			
— margin financing		808	2,948
<i>Net (losses) gains from proprietary trading</i>		<b>(115,122)</b>	116,886
Total revenue from other sources		<b>(114,314)</b>	119,834
Total revenue		<b>(109,624)</b>	127,473

# 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	
	2022	2021
	HK\$'000	HK\$'000
<i>Analyse by business segment:</i>		
<i>Brokerage</i>		
— services transferred at a point in time	1,300	4,699
<i>Corporate finance</i>		
— services transferred at a point in time	1,540	1,337
— services transferred over time	1,850	1,600
	3,390	2,937
<i>Asset management</i>		
— services transferred over time	–	3
	4,690	7,639
<i>Analyse by timing of revenue recognition:</i>		
— services transferred at a point in time	2,840	6,036
— services transferred over time	1,850	1,603
	4,690	7,639

# 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 2022 (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>	<b>2,108</b>	<b>3,390</b>	<b>(115,122)</b>	<b>-</b>	<b>-</b>	<b>(109,624)</b>
Other income and gains	405	72	25	-	528	1,030
Fee and commission expenses	(873)	-	(2,306)	-	-	(3,179)
Finance costs	(3,148)	-	(29,788)	-	(495)	(33,431)
Expected credit losses on financial assets, net	(19)	1,109	(2,892)	-	-	(1,802)
Other operating expenses	(12,432)	(10,096)	(1,825)	(6,341)	(11,246)	(41,940)
Fair value gains arising from investment fund	-	-	408	-	-	408
<b>Segment results</b>	<b>(13,959)</b>	<b>(5,525)</b>	<b>(151,500)</b>	<b>(6,341)</b>	<b>(11,213)</b>	<b>(188,538)</b>
Unallocated expenses, represented central administration costs						(8,002)
Depreciation of fixed assets						(908)
Unallocated finance costs						(4,171)
<b>Loss before tax</b>						<b>(201,619)</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 4. SEGMENT INFORMATION (CONTINUED)

### Reportable operating segments (Continued)

	For the six months ended 30 June 2021 (Unaudited)					Consolidated HK\$'000
	Brokerage and margin financing	Corporate finance	Proprietary trading	Asset management	Other operations	
	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	(19,847)	(16,996)	(19,414)	(2,285)	-	(58,542)
Fair value losses arising from 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 costs						(11,424)
<b>Profit before tax</b>						<b>5,260</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 2022 and 30 June 2021, 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	
	2022	2021
	HK\$'000	HK\$'000
<b>Other income</b>		
Handling income	131	200
Other interest income	696	1,052
Recovery of bad debts	62	–
Sundry income	141	1,222
	<b>1,030</b>	<b>2,474</b>
<b>Other gains</b>		
Exchange gains, net	–	1,983
	–	1,983
	<b>1,030</b>	<b>4,457</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 6. (LOSS)/PROFIT BEFORE TAX

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	<i>Note</i>	
<b>(Loss)/profit before tax is arrived at after (crediting)/charging:</b>		
<b>(a) Finance costs</b>		
Bank loan interest expenses	2	160
Bonds interest expenses	34,301	51,313
Imputed interest expenses on bonds payable	2,607	2,727
Other interest expenses	197	57
Interest on lease liabilities	495	1,023
	<b>37,602</b>	<b>55,280</b>
<b>(b) Staff costs</b>		
Salaries, commission and allowances	23,131	40,272
Contributions to retirement benefit schemes	610	618
	<b>23,741</b>	<b>40,890</b>
<b>(c) Other items</b>		
Depreciation of fixed assets	908	1,612
Depreciation of right-of-use assets	7,376	7,483
Expected credit losses on financial assets, net	1,802	(474)
Exchange loss, net	9,441	–
Fair value gains/(losses) arising from investment fund	(i) 408	(46)

Note:

- (i) Fair value gains/(losses) arising from investment fund is the net gain of a consolidated investment fund attributable to third-party investors of HK\$408,000 (for six months ended 30 June 2021: net loss HK\$46,000). 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 2022 and 30 June 2021 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. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the (loss)/profit 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	
	2022	2021
(Loss)/Profit for the period attributable to equity shareholders of the Company (HK\$'000)	<b>(201,619)</b>	5,260
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) earnings per share (HK cents)	<b>(5.506)</b>	0.144
Diluted (loss) earnings per share (HK cents)	<b>(5.506)</b>	0.144

### 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 2022, the Group held one (at 31 December 2021: one) investment 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 2022 HK\$'000	Audited At 31 December 2021 HK\$'000
Equity securities			
— Listed in Hong Kong	(i)	16,822	730,457
— Listed outside Hong Kong	(i)	–	131,976
		<b>16,822</b>	862,433
Debt securities			
— Listed in Hong Kong	(ii)	294,880	272,627
— Listed outside Hong Kong	(ii)	121,919	60,957
		<b>416,799</b>	333,584
Unlisted fund investments	(iii)	–	31,512
		<b>433,621</b>	1,227,529

Notes:

- (i) Fair values of the listed equity securities are determined with reference to quoted active market bid price on the respective stock exchange at the end of each reporting period.
- (ii) Fair values of the listed debt securities are determined with reference to quoted bid price provide by brokers/financial institutions 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 unlisted fund investments at 30 June 2022 to any bank as collateral for the banking facilities granted (at 31 December 2021: 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 2022 HK\$'000	Audited At 31 December 2021 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>536,466</b>	579,384
— securities cash clients	(b)	<b>228</b>	720
— securities and options clearing houses and brokers	(b)	<b>274</b>	24,343
Accounts receivable arising from proprietary trading	(b)	<b>377,707</b>	135,783
Accounts receivable arising from the provision of corporate finance advisory services	(b)	<b>2,729</b>	5,542
		<b>917,404</b>	745,772
Less: Impairment		<b>(537,575)</b>	(539,917)
		<b>379,829</b>	205,855

# 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	Audited
	At	At
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:		
— Securities margin clients	536,466	579,384
Less: Impairment		
— Stage 1	—	—
— Stage 2	—	—
— Stage 3	(536,275)	(536,389)
	<b>191</b>	42,995

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\$237,765,000 (at 31 December 2021: HK\$404,177,000).

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)	Lifetime ECL not credit- impaired (Stage 2)	Lifetime ECL credit- impaired (Stage 3)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2021	-	-	536,381	536,381
Charge to profit or loss	-	-	8	8
<b>As at 31 December 2021 (audited) and 1 January 2022</b>	-	-	536,389	536,389
Recovery	-	-	(62)	(62)
Exchange difference	-	-	(55)	(55)
Charge to profit or loss	-	-	3	3
<b>As at 30 June 2022 (unaudited)</b>	-	-	<b>536,275</b>	<b>536,275</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 2022	Audited At 31 December 2021
	Note	HK\$'000	HK\$'000
Accounts receivable arising from the ordinary course of business of broking in securities and futures contracts:			
— securities cash clients	(1)	228	720
— securities and options clearing houses and brokers	(2)	274	24,343
Accounts receivable arising from proprietary trading	(3)	377,707	135,783
Accounts receivable arising from the provision of corporate finance advisory services	(4)	2,729	5,542
		<b>380,938</b>	166,388
Less: Impairment	(5)	<b>(1,300)</b>	(3,528)
		<b>379,638</b>	162,860

# 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) 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\$Nil (at 31 December 2021: HK\$Nil).

At the end of the reporting period, accounts receivable from securities and options clearing houses and brokers were not overdue. As at 30 June 2022, 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 2021: net receivable of HK\$20,352,000), 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.

- (3) Accounts receivable arising from proprietary trading were repayable on demand. The normal settlement terms are one to three days after trade date.

# 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)

- (4) At the end of the reporting period, the ageing analysis of accounts receivable net of impairment arising from the provision of corporate finance advisory services, based on the invoice date which approximates the respective revenue recognition dates, was as follows:

	Unaudited At 30 June 2022 HK\$'000	Audited At 31 December 2021 HK\$'000
Current	145	619
Overdue:		
Within 30 days	–	1,316
31–90 days	1,330	105
91–180 days	120	138
Over 180 days	14	–
	<b>1,609</b>	<b>2,178</b>

- (5) 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 2021	–	–	127	2,505	2,632
New assets originated	–	–	–	1,356	1,356
Charged/(credit) to profit or loss	–	–	37	100	137
Amount written off	–	–	–	(597)	(597)
<b>As at 31 December 2021 (audited) and 1 January 2022</b>	–	–	164	3,364	3,528
Charged/(credit) to profit or loss	–	–	16	(1,109)	(1,093)
Amount written off	–	–	–	(1,135)	(1,135)
<b>As at 30 June 2022 (unaudited)</b>	–	–	<b>180</b>	<b>1,120</b>	<b>1,300</b>

# 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 2022 (unaudited)

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

	Gross amount of recognised financial assets set off in the condensed consolidated statement of	Gross amount of recognised financial liabilities position	Net amount of financial assets presented in the condensed consolidated statement of	Related amount not set off in the condensed consolidated statement of	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable	-	-	-	-	-

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 11. ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (Continued)

### (c) Offsetting (Continued)

As at 30 June 2021 (unaudited)

	Gross amount of recognised financial liabilities set off in the condensed consolidated statement of financial position	Gross amount of recognised financial assets	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	8,327	(8,327)	-	-	-

	Gross amount of recognised financial assets set off in the condensed consolidated statement of financial position	Gross amount of recognised financial liabilities	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	13,687	(8,327)	5,360	-	5,360

## 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\$180,151,000 (at 31 December 2021: HK\$262,759,000).

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 13. ACCOUNTS PAYABLE

		Unaudited At 30 June 2022 HK\$'000	Audited At 31 December 2021 HK\$'000
	<i>Note</i>		
Accounts payable arising from the ordinary course of business of broking in securities and futures contracts:			
— securities margin clients	<i>(i)</i>	–	551
— securities cash clients	<i>(i)</i>	–	24,778
— securities clearing house	<i>(i)</i>	–	2,147
Accounts payable arising from proprietary trading	<i>(ii)</i>	–	41,139
Accounts payable arising from the provision of insurance broking services	<i>(iii)</i>	<b>6</b>	54
		<b>6</b>	68,669

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 proprietary trading were repayable on demand. The normal settlement terms are one to three days after the transaction dates.
- (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 2021	–	1,548,676	1,548,676
Net amount upon issuance	1,372,283	–	1,372,283
Imputed interest expenses for the year	2,205	1,766	3,971
Exchange difference	8,024	3,029	11,053
Principal repayment	–	(1,553,471)	(1,553,471)
<b>Carrying amount at 31 December 2021 (audited) and 1 January 2022</b>	<b>1,382,512</b>	<b>–</b>	<b>1,382,512</b>
Imputed interest expenses for the period	2,607	–	2,607
Exchange difference	8,383	–	8,383
Principal repayment	(439,335)	–	(439,335)
<b>Carrying amount at 30 June 2022 (unaudited)</b>	<b>954,167</b>	<b>–</b>	<b>954,167</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 fixed rate of 4.00% per annum and guaranteed by SWSC. Interest on 2021 USD Bonds is payable semi-annually in arrears. The 2021 USD Bonds are listed on the Stock Exchange and will mature on 9 February 2024 with the outstanding principal and interest payable at the maturity date. During the reporting period, the Company repurchased and cancelled US\$56,000,000 of the 2021 USD Bonds. The fair value determined with reference to the quoted price provided by brokers/financial institutions as at 30 June 2022 was approximately HK\$956,057,000.

The 2021 USD Bonds are carried at amortised cost using an effective interest rate of 4.2% per annum.

From 5 July 2022 to 25 August 2022, the Company repurchased and cancelled US\$9,500,000 of the 2021 USD Bonds.

- (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 fixed rate of 6.9% 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 US\$140,600,000 were matured and fully settled on 17 April 2021.

The 2019 USD Bonds were carried at amortised 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. During the period ended 30 June 2022, the Group redeemed part of the consolidated fund investment.

As at 30 June 2022, the total assets and total liabilities (excluding third-party interest as stated below) of the Consolidated Investment Fund were HK\$359,740,000 and HK\$561,000 respectively (at 31 December 2021: HK\$720,337,000 and HK\$62,212,000).

For the six months ended 30 June 2022, gains/(losses) held by third-party investors of HK\$408,000 (for the six months ended 30 June 2021: (HK\$46,000)) in the Consolidated Investment Fund are recognised as fair value gains/(losses) arising from investment fund in the condensed consolidated statement of profit or loss and other comprehensive income. As at 30 June 2022, the interests held by third-party investors amounted to HK\$Nil (at 31 December 2021: HK\$5,408,000) is recognised as "Net assets attributable to the holders of third-party interests in consolidated investment fund" in the condensed consolidated statement of financial position.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 16. SHARE CAPITAL

	At 30 June 2022 (Unaudited)		At 31 December 2021 (Audited)	
	Number of	Amount	Number of	Amount
	shares		shares	
	'000	HK\$'000	'000	HK\$'000

### Authorised:

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
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### Issued and fully paid:

At the end of the reporting period	<b>3,661,830</b>	<b>366,182</b>	3,661,830	366,182
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## 17. OTHER EQUITY INSTRUMENT

On 15 October 2019, the Company issued HK\$580 million perpetual securities (the "other equity instrument") with an initial distribution rate of 3.875% per annum. The Company may, at its sole discretion, elect to defer, in whole or in part, any distribution declared by the Company. The other equity instrument 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 other equity instrument, in accordance with the terms and conditions stated in the subscription agreement. The other equity instrument constitute direct, unconditional, subordinated and unsecured obligations of the Company and are classified as equity instruments and recorded as equity in the consolidated statement of financial position. On 14 October 2021, the Company had declared the distribution an amount of HK\$4,802,877 to the holder of the other equity instrument and fully settled on 15 February 2022.

# 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 2022	2021
		HK\$'000	HK\$'000
Key management personnel, including Directors	Salaries, fees, commission and allowances	7,519	6,763
	Contributions to retirement benefit schemes	65	81
		<b>7,584</b>	<b>6,844</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 2022 and 31 December 2021.

## 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 2022 and 31 December 2021 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 2022 (Unaudited)

	Total	Level 1	Level 2	Level 3
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets measured at fair value</b>				
Financial assets at fair value through profit or loss				
— Equity securities listed in Hong Kong	16,822	16,822	—	—
— Debt securities listed in Hong Kong	294,880	294,880	—	—
— Debt securities listed outside Hong Kong	121,919	121,919	—	—
— Derivative financial assets	158	158	—	—
<b>Financial assets at fair value through other comprehensive income</b>				
— Unlisted equity securities	—	—	—	—

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 20. FAIR VALUE MEASUREMENTS (CONTINUED)

At 31 December 2021 (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	730,457	730,457	—	—
— Equity securities listed outside Hong Kong	131,976	131,976	—	—
— Debt securities listed in Hong Kong	272,627	272,627	—	—
— Debt securities listed outside Hong Kong	60,957	60,957	—	—
— Unlisted fund investments	31,512	—	31,512	—
<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	6,747	6,747	—	—
— Net assets attributable to holders of non-controlling interests in consolidated investment fund	5,408	—	5,408	—

# 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 2022, 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 2022, 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 2022, 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

Mr. Wu Jian has resigned as a chairman of the nomination committee and member of the remuneration committee of the Company with effect from 12 April 2022. And he has resigned as an executive Director and chairman of the Company with effect from 2 September 2022.

Dr. Zhao Mingxun has resigned as an executive director and authorized representative of the Company with effect from 12 April 2022.

Mr. Zhang Hongwei has been appointed as an executive director, member of nomination committee and remuneration committee of the Company with effect from 12 April 2022. And he has been appointed as Chairman of the Company with effect from 2 September 2022.

Mr. Huang Changsheng has been appointed as an executive director and authorized representative of the Company, with effect from 12 April 2022.

Mr. Liang Jilin has been appointed as a chairman of the Nomination Committee with effect from 12 April 2022.

### CORPORATE GOVERNANCE

It is the belief of the Board that good corporate governance plays a vital part in maintaining the success of the Company. The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value accountability. The Company has adopted and complied with the applicable code provisions of the Corporate Governance Code as previously set out in Appendix 14 to the Listing Rules. On 1 January 2022, the amendments to the Corporate Governance Code (the "New CG Code") came into effect and the requirements under the New CG Code would apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the New CG Code and align with the latest developments.

### 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

From 21 April 2022 to 25 May 2022, the Company had completed an on-market repurchase of US\$14,000,000 in aggregate principal amount of the US\$178,000,000 4.00% Guaranteed Bonds due 2024, which were listed on the Stock Exchange (former Bond Stock Code: 40594) (the "2024 Bonds"), representing approximately 7.86% of the initial aggregate principal amount of the 2024 Bonds, and the cancellation has been completed.

On 15 June 2022, the Company had completed an on-market repurchase of US\$42,000,000 in aggregate principal amount of 2024 Bonds, representing approximately 23.60% of the initial aggregate principal amount of the 2024 Bonds, and the cancellation has been completed.

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 2022 and this interim report.

By order of the Board

**Zhang Hongwei**

*Chairman*

Hong Kong, 2 September 2022



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