SUNWAH INTERNATIONAL

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SUNWAH INTERNATIONAL LIMITED
ANNUAL REPORT 2019

CONTENTS

CEO'S MESSAGE TO SHAREHOLDERS

Fellow Shareholders,

Fiscal 2019 was a year of considerable transition for Sunwah International as we executed on several initiatives designed to help us expand and diversify our business. Core elements of this strategy involved lessening and divesting our interests in various long-held subsidiaries in order to pursue new areas of investment. While we continue to target a variety of industries, we are particularly focused on the longer-term prospects associated with our new restaurant operations given our ability to leverage the extensive knowledge and connections of Sunwah Group, our majority shareholder.

During the current fiscal year, Sunwah International acquired HFL Limited, which operates a premium seafood restaurant in Hong Kong. The acquisition marked the first investment under Sunwah International's recently adopted new business plan, which includes a focus on the food and beverage industry in line with the strengths of Sunwah Group, a major Asian conglomerate and one of the biggest importers and exporters of seafood in Hong Kong.

Further demonstrating our commitment to efficiently executing the Company's new strategic plan, during the fourth quarter of FY2019 Sunwah International divested of our 70% position in two non-core technology assets, Pop Electronics and DacEasy, enabling the Company to continue to target new areas of focus and diversify our operations.

Notwithstanding the reduction in the Company's shareholdings in Sunwah Kingsway Capital Holdings Limited ("SWK"), Sunwah Group's financial services division, the Company continues to be very involved in SWK through our substantial equity interest in and influence over SWK, which remains our largest investment and asset. We believe this new structure to be the best way for Sunwah International to participate in SWK's success, and that the better-balanced allocation of resources will bring benefits to the Company moving forward.

FISCAL 2019 PERFORMANCE

Sunwah International's results are strongly influenced by Asia's economic environment and in particular the economies of China and Hong Kong, including the latter region's stock market performance, by reason of our significant operational presence in Hong Kong.

China's GDP grew by only 6.2% in the second quarter of 2019, one of its slowest rates of growth in 27 years. This decelerated growth combined with the negative effects of China's trade dispute with the U.S. (despite measures to stimulate the economy) weighed heavily on the Chinese financial system throughout much of Fiscal 2019.

After reaching a historical high in early 2018, the Hong Kong market has since experienced a slow and steady decline in accordance with increasingly adverse investor sentiment. The negative developments in the trade negotiations between the United States and China brought the market to its lowest at end of calendar 2018, and while we have seen somewhat of a recovery in 2019, markets remain very sensitive and stock market trading volumes have declined. Apart from a few mega cap stocks listed in our first fiscal quarter, the IPO market for mid and small cap companies slowed greatly compared with last year.

Against these deteriorated operating conditions, Sunwah International's performance in Fiscal 2019 was adversely impacted. The Company and its subsidiaries recorded a net loss attributable to owners of the Company of $3.38 million in Fiscal 2019, which compares with a loss of $15.40 million in FY2018. This year's deficit was primarily the result of a net loss on the fair value of financial assets, share of loss of SWK under the equity accounting and certain impairment on assets while the deficit of FY2018 was due to the one-off loss on the deemed disposal of SWK.

STRATEGY AND OUTLOOK

The wide swings in sentiment in the trade talks between the United States and China are dominating capital markets worldwide, and further compounding matters the U.S. has criticized China and a number of other countries of manipulating their exchange rates in order to gain competitive edges over the U.S. In addition, geopolitical tensions related to North Korea and the Middle East are affecting the markets, while economists debate whether the reduction in policy rates in the U.S. and Europe is a temporary stop in the tightening cycle or the beginning of another quantitative easing era. Hong Kong has additional challenges to face stemming from the social unrest it has experienced in recent months, which continues to dominate headlines and cause widespread disruption to business in the region.

These developments of the last few months highlight the significant uncertainty the Company faces now. In our less than 30 years of history, Sunwah International has experienced a number of very difficult periods, and each time our management team and staff have proven that we can rise to the challenge and prevail. Fiscal 2020 is no different. Once again, we will work together to keep our business intact and to return to growth afterwards. The diversity in our Board composition provides an excellent platform for discussion and formulation of a suitable strategy for the Group during these stormy times, and with the support of all stakeholders we hope to keep the Company on a steady path forward and to provide satisfactory returns to all our stakeholders when more favorable market conditions return.

CONCLUSION

With a 29-year history, a diversified business model, and the backing of Sunwah Group, one of Asia's most prominent international conglomerates, Sunwah International is uniquely positioned in one of the world's most dynamic operating environments. In FY2020, we remain committed to increasing shareholder value and will continue to adjust our business model to generate longer-term returns amid unpredictable markets.

I would like to take this opportunity to express my sincere gratitude to the Company's devoted staff who have helped us build a 29-year legacy. Your dedication and hard work are enormously appreciated.

As well, I would like to thank the Company's Directors for their sound guidance and to extend my appreciation for their unwavering governance throughout the year.

Finally, I thank our shareholders, including Sunwah Group, our majority shareholder, for their ongoing patience, commitment and invaluable support.

Michael Choi
Chief Executive Officer

Management's Discussion & Analysis

Fiscal year ended June 30, 2019 – this document is dated September 27, 2019 and filed on September 30, 2019.

This management's discussion & analysis ("MD&A") for the year ended June 30, 2019 ("FY2019") should be read in conjunction with the audited consolidated financial statements of Sunwah International Limited (the "Company") and its subsidiaries (the "Group"). The financial data included in this MD&A, including financial data relating to comparative periods in the prior year, has been prepared in accordance with International Financial Reporting Standards ("IFRS") and are expressed in United States dollars ("US$"), unless otherwise specified. In addition to approval by the Board of Directors, the consolidated financial statements and MD&A have been reviewed and approved by the Company's Audit Committee, while the MD&A has also been reviewed and approved by the Company's Disclosure Committee. The Company's auditors have audited the consolidated financial statements and read the MD&A. Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and are disclosed in public documents as required. Management has also designed and implemented internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company bases its estimates on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

1. BUSINESS OVERVIEW

Sunwah International Limited ("Sunwah International" or the "Company") is a publicly-traded company listed on the Toronto Stock Exchange (the "TSX") under the symbol "SWH". Founded in 1990, until the Deemed Disposal of SWK (as defined herein) (for accounting purposes only) in FY2018, Sunwah International accounted for its interest in Sunwah Kingsway Capital Holdings Limited ("SWK") as a subsidiary. Following the Deemed Disposal of SWK, the Company's interest in SWK is accounted for on the equity method basis. SWK is based in Hong Kong and is listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). SWK and its subsidiaries' main activities include proprietary investment, properties investment, brokerage, corporate finance & capital markets and asset management.

Sunwah International is an investment holding company, that together with its subsidiaries (the "Group"), invests in selected companies, including both public and non-publicly traded entities, located primarily in Asia. The interest in SWK continues to be the Company's largest asset.

The background to the Deemed Disposal of SWK is described below:

On 8 January 2018, SWK announced a proposal to raise approximately US$18.2 million before expenses by issuing 1,380,326,220 new ordinary shares at the price of US$0.013 (equivalent to HK$0.103) per share on the basis of one share for every four existing shares (the "Open Offer") in order to enlarge the capital base to facilitate its long-term development.

As the Group elected to not participate in the Open Offer, upon its completion in March 2018, the Group's interest in SWK was diluted from 43.31% to 34.65%, and SWK ceased to be a subsidiary for accounting purposes and became an associate accounted for on the equity method basis (referred to herein as the "Deemed Disposal of SWK").

1. BUSINESS OVERVIEW (CONTINUED)

Accordingly, for accounting purposes, the operations of SWK for FY2018 are reported under discontinued operation. However, the Company continues to participate in the business of financial services through its remaining equity investment in SWK.

The Group entered into a debenture settlement agreement and a loan settlement agreement with the debenture holders and lender, respectively (collectively referred to as the "Debts Settlement") in June 2018. In accordance with the terms of the debenture settlement agreement, the Group redeemed the balance of its outstanding debentures having a principal amount of CAD$6 million and settled the interest accrued as of June 30, 2018 and a 1% arrangement fee by transferring 357,506,826 shares of SWK, valued at a price of HK$0.104 per share, to the debenture holders. In accordance with the terms of the loan settlement agreement, the Group also settled the outstanding loan balance of HK$8 million (equivalent to US$1,026,000) by transferring 76,923,076 shares of SWK valued at a price of HK$0.104 per share, to the lender. The Debts Settlement was completed in July 2018, and as a result, the Group's interest in SWK was further reduced from 34.65% to 28.36% in Q1 of FY2019.

On 17 January 2019, SWK issued 112,838,572 shares in relation to its scrip dividend arrangement. The Group elected to receive a cash dividend for cashflow purposes and as a result, the Group's equity interest in SWK was further diluted from 28.36% to 27.90% in Q3 of FY2019.

On November 30, 2018, the Company acquired a 51% equity interest in HFL Limited. HFL Limited operates a premium Chinese seafood restaurant in Hong Kong and became a non-wholly owned subsidiary consolidated into the Company's consolidated financial statements upon the completion of the acquisition.

As at June 30, 2019, the Company's major holdings include:

- 27.90% ownership of SWK, which is based in Hong Kong and listed on the Stock Exchange, representing the most substantial portion of the Group's investment and assets (Please refer to Note 1.1 of MD&A); and
- Investments in non-publicly traded companies (Please refer to Notes 1.2 to 1.4 of MD&A).

1.1 Sunwah Kingsway Capital Holdings Limited ("SWK")

Upon the Deemed Disposal of SWK in FY2018 and Debts Settlement in FY2019, the Company continues to participate in the business of financial services through its 27.90% equity interest in SWK and is considered to have significant influence over SWK.

1.1.1 Business Operations and Development of SWK

SWK is a listed holding company on the Stock Exchange and is one of the leading financial services providers in Hong Kong. Together with its subsidiaries, its main activities include proprietary investment, properties investment, brokerage, corporate finance and capital markets and asset management.

With 29 years of experience in the capital markets, SWK has expanded its reach into global securities markets including Hong Kong, China, North America and the rest of Asia. SWK has an extensive network of institutional investors and a successful track record of delivering the right mix of financial services to its clients globally.

1. BUSINESS OVERVIEW (CONTINUED)

1.1.1 Business Operations and Development of SWK (CONTINUED)

On 1 December 2016, SWK entered into a joint venture agreement with several joint venture partners to establish a joint venture company in Chongqing, in the People's Republic of China ("PRC"). Subject to final approvals of the China Securities Regulatory Commission ("CSRC"), it is contemplated that the joint venture company will become a fully-licensed securities company principally engaged in the provision of regulated securities brokerage services, securities underwriting and sponsor services, proprietary trading, securities and asset management and any other business approved by the CSRC in the PRC. Pursuant to the joint venture agreement, SWK will make a capital contribution of RMB330 million into the joint venture company, representing a 22% equity interest in the joint venture company. SWK received a document request list from the CSRC through the joint venture company in June 2019 and is now providing additional and updated information.

In March, 2018, SWK completed the Open Offer at a price of US$0.013 per share and raised net proceeds of US$17.8 million in order to enlarge its capital base to facilitate long-term development.

1.2 TCA International Limited ("TCA")

The Group invests in the business of automobile dealerships in the premium market segment in the PRC ("4S" dealerships) through its equity investment of 3.57% in TCA which is a non-publicly traded company. TCA and its subsidiaries are principally engaged in the business of new automobile sales, after-sales services, which include maintenance and repair services, automobile parts and accessory sales, and automobile agency services, which include related registration, financing and insurance services. The investment is classified as financial assets at fair value through profit or loss.

1.3 Restaurant operations under HFL Limited ("HFL")

On November 30, 2018, the Company acquired a 51% equity interest in HFL. HFL is incorporated in Hong Kong and operates a premium Chinese seafood restaurant in Hong Kong.

For the effects in relation to the acquisition of HFL during the period and the results of HFL's operation, please refer to Notes 30 and 35 to the audited consolidated financial statements and Note 6.2 of MD&A.

1.4 Pop Electronic Products Limited ("POP") and DacEasy (H.K.) Limited ("Daceasy")

POP and Daceasy, previously non-wholly owned subsidiaries of the Group, are incorporated in Hong Kong and mainly engaged in the business of trading, developing and distributing computer software and hardware for the financial services market in Hong Kong. Sunwah International disposed of its 70% equity interests in POP and Daceasy on May 31, 2019, whereupon POP and Daceasy ceased to be subsidiaries of the Group.

2. MARKET ENVIRONMENT AND GENERAL IMPACT ON THE GROUP

2.1 FY2019

By reason of its significant interest in SWK, the Company's performance is impacted by stock market activity levels and performance. The Hong Kong market was volatile in both 2018 and 2019. The escalating trade disputes between China and the United States, the weakening of the renminbi and the capital outflows from the emerging markets haunted the stock market. The market moved downward after the Hang Seng Index reached a recent high at 31,513 in June 2018 and dropped to 24,541 in October 2018. The market rebounded in the 1st Quarter of 2019 and the Hang Seng Index reached 30,222 in April 2019. It was driven by the hope of a positive outcome from the trade negotiation between China and the United States and the expectation of lower interest rates in the United States. However, the Index fell 9.4% in May 2019 because of growing concerns about the slowdown in economic growth. The Index later rebounded again as the presidents of China and the United States met at the G20 summit in June 2019 and made positive gestures on the ongoing trade negotiations.

The Hang Seng Index closed at 28,543 at the end of June 2019, compared with 28,955 at the end of June 2018 and 25,846 at the end of December 2018. Amidst the sharp market correction in late 2018, the average monthly turnover on the Main Board and GEM Board during the year ended 30 June 2019 ("FY2019") fell to US$243 billion, a decrease of 18% as compared with US$297 billion for FY2019. This has left investors more cautious, resulting in lackluster market activity. Funds raised from IPOs on the Main Board in FY2019 amounted to US$39 billion, as compared with US$15 billion for FY2018, which was mainly the result of a boost from the listing of three big cap stocks, Xiaomi Corporation, China Tower Corporation Limited and Meituan Dianping in the 1st Quarter of FY2019.

2.2 Outlook for FY2020

The wide swings in sentiment in the trade talks between the United States and China are dominating the capital markets. Compounding tensions the US also criticized China and a number of other countries of manipulating their exchange rates to gain competitive edges over the US. In addition, geopolitical tensions related to North Korea and the Middle East are also affecting the markets. Economists are also debating whether the reduction in policy rates in the US and Europe is a temporary stop in the tightening cycle or the beginning of another quantitative easing era. Hong Kong has faced additional challenge with the social unrest of recent months causing widespread disruptions to business activities. In light of this, Sunwah International will likely slow its pace in Hong Kong and adopt a more conservative approach. In the meantime, the Group will divert its efforts to the Greater Bay Area in search of investment opportunities and business activities more in line with its new strategic direction.

3. OVERVIEW – FY2019 VS FY2018

i) From continuing operations

The Group recorded a loss before tax from continuing operations of US$3.56 million in FY2019, compared to a loss before tax from continuing operations of US$1.26 million in FY2018. Loss from continuing operations attributable to the owners of the Company was US$3.35 million in FY2019, compared to US$1.26 million in FY2018.

Please refer to notes 4.2 and 6 of the MD&A for further details.

ii) From discontinued operations

As a resulted of the Deemed Disposal of SWK in FY2018, SWK ceased to be a subsidiary and became an associate of the Company under the equity method of accounting in the audited consolidated financial statements. Accordingly, the operations of SWK before the Deemed Disposal of SWK are presented as a discontinued operation for FY2018.

In respect of executing the Company's new strategic plan and uncovering opportunities designed to diversify its investment base, in May 2019, the Group disposed of its remaining 70% equity interests in POP and Daceasy and thus the operations of POP and Daceasy are presented as discontinued operations in both FY2019 and FY2018.

The Group recorded a loss before tax from discontinued operations of US$54,000 in FY2019, compared to a loss before tax from discontinued operation of US$12.26 million in FY2018. The loss of US$54,000 in FY2019 represents the loss from the discontinued operations of POP and Daceasy, while the loss of US$12.26 million in FY2018 represents the loss of US$12.31 million from the discontinued operations of SWK and a profit of US$48,000 from the discontinued operations of POP and Daceasy. The loss before tax from the discontinued operation of SWK in FY2018 was mainly derived from the loss on the Deemed Disposal of SWK of US$15.35 million.

Loss attributable to the owners of the Company was US$14.14 million in FY2018 and US$37,000 in FY2019.

The discontinued operation is discussed and referenced throughout this MD&A. Please refer to Notes 1, 28 and 29 of the audited consolidated financial statements for more detail.

iii) Cash dividends declared

Taking into account the operating cash flow requirements of the Company and the amount of available funds, the Company did not declare any dividend to shareholders in FY2019.

4. FINANCIAL OVERVIEW

4.1 Selected annual information

	June 30, 2019	June 30, 2018 (restated) (note a)	June 30, 2017 (restated) (note a)
	(US$'000)	(US$'000)	(US$'000)
Total assets	27,007	36,814	253,035
Total long-term liabilities (note b)	(141)	-	(612)
From continuing operations:			
Revenue from restaurant operations	2,002	-	-
Interest income	39	36	69
Total revenue (note c)	2,041	36	69
Share of results of an associate	(1,008)	156	-
Loss for the year from continuing operations attributable to the Company	(3,347)	(1,259)	(2,553)
From discontinued operation:			
Loss for the year from discontinued operation, net of tax attributable to the Company (note d)	(37)	(14,139)	(26)
	(US$)	(US$)	(US$)
Loss from continuing operations (on a per-share & diluted per-share basis)	(0.0359)	(0.0135)	(0.0274)
Loss from discontinued operation (on a per-share & diluted per-share basis)	(0.0004)	(0.1518)	(0.0003)
Net loss (on a per-share & diluted per-share basis)	(0.0363)	(0.1653)	(0.0277)
Cash dividends declared per common share	-	-	-

note:

(a) The result from the continuing operations and discontinued operation have been re-stated to present those operations classified as discontinued in FY2018 and FY2019.

(b) Total long-term liabilities mainly included the provision for reinstatement costs for the restaurant operations of HFL Limited as at June 30, 2019 and deferred tax liabilities as at June 30, 2019 and 2017.

(c) Revenue from “investment income derived from net (loss) profit on financial assets/liabilities at fair value through profit or loss and remeasurement to fair value” and “gain on disposal of available-for-sale financial asset” were included in “Revenue” in prior years and reclassified out of “Revenue” since FY2018. The directors consider that this change will result in a more effective management of business.

(d) The amount for FY2018 included a Loss on Deemed Disposal of SWK of US$15,345,000.

4. FINANCIAL OVERVIEW (CONTINUED)

4.2 Revenue from continuing operations

On a consolidated basis, the Group recognizes two main revenue streams, namely, (i) revenue from restaurant operations and (ii) interest and dividend income.

Since the acquisition of HFL on November 30, 2018, the Group recorded revenue from the restaurant operation of US$2.00 million in FY2019.

Interest income increased slightly to US$39,000 in FY2019 from US$36,000 in FY2018.

4.3 Expenses from continuing operations

Cost of sales mainly represents the cost of inventories sold for restaurant operations.

Selling, general and administrative expenses increased to US$2.87 million in FY2019 from US$0.87 million in FY2018. The increase was mainly due to the staff secondment and management fee expenses payable to SWK and the effect of the acquisition of HFL in Q2 of FY2019.

A substantial decrease in finance costs from US$472,000 in FY2018 to US$18,000 in FY2019 arose primarily from the completion of the Debts Settlement in July 2018.

4.4 Gain (loss) on partial disposal / deemed partial disposal of an associate

The gain on partial disposal of US$83,000 represents the result of the Debts Settlement in which the Group settled debentures and a loan by transferring shares of SWK in July 2018, Q1 of FY2019.

The loss on deemed partial disposal of SWK amounting to US$117,000 represents the result of the dilution of the Group's equity interests in SWK from 28.36% to 27.90% due to the scrip dividend arrangement of SWK as mentioned in Note 1 of MD&A.

Please refer to note 10 to the audited consolidated financial statements for further details.

4.5 Other losses, net from continuing operations

Other net losses of US$136,000 was recorded in FY2019, compared to net losses of US$68,000 recorded in FY2018. The increase in net losses was mainly due to a modification loss on financial assets of US$127,000 in FY2019 while in FY2018 the losses were mainly derived from a provision for impairment loss of an amount due from a related party amounting to US$98,000, partially offset by a foreign exchange gain.

In addition, an impairment loss on goodwill of US$312,000 and an impairment loss on intangible asset of US$29,000 were recorded in FY2019.

4.6 Share of results of an associate from continuing operations

As referenced throughout this MD&A and audited consolidated financial statements, SWK ceased to be a subsidiary in March 2018 and became an associate under the equity method accounting thereafter. A share of losses of US$1,008,000 was recorded for FY2019 while a share of profits of US$156,000, representing the share of results of the remaining 34.65% (now 27.90%) of equity interests in SWK from the date of deconsolidation to June 2018, was recorded in FY2018.

For the summarized financial information of SWK, please refer to Note 10 of the audited consolidated financial statements for further details.

4. FINANCIAL OVERVIEW (CONTINUED)

4.7 Discontinued operation - SWK

The results of the discontinued operation in FY2018 represented the consolidated results of SWK from the beginning of the year up to the date of deconsolidation. The Group recorded a loss of US$12.62 million after tax for FY2018 from discontinued operation.

Included in the results from discontinued operation was a loss on the Deemed Disposal of SWK amounting to US$15.35 million. Please refer to Note 27 of the audited consolidated financial statements for more details. Excluding this loss, the discontinued operation recorded a profit of US$2.7 million after tax in FY2018.

In FY2018, SWK's brokerage division benefited from an increase in daily market turnover on the Main Board and GEM Board of the Stock Exchange by 59% to US$14.5 billion for FY2018 as compared with US$9.1 billion for FY2017 as a result of improved global economic markets and the low interest rate environment of the local market.

There were 99 companies newly listed on the Stock Exchange during FY2018, of which ten IPO projects were completed by SWK. However, the capital market for secondary fund raising remained lackluster in SWK's target client segment. The staff costs of SWK's corporate finance teams increased because additional staff were recruited to handle the increased number of projects and the variable compensation accrual was increased as a result of higher revenue for the division.

Moreover, SWK generated stable cash inflow of interest and dividend income from proprietary investment through its investment in different products managed by external investment managers and rental income from properties invested in Hong Kong and PRC.

As SWK ceased to be a subsidiary of the Group and is now accounted for under the equity method after the Deemed Disposal of SWK, its results are presented as "share of results of an associate" under continuing operations for FY2019.

4.8 Discontinued operation – Technology products and services

As described, the Group disposed of its remaining 70% equity interests in POP and Daceasy on May 31, 2019 which constituted the substantial portion of the Group's segment of technology products and services, and the results are presented under the discontinued operations for both FY2019 and FY2018. Excluding a small gain of US$9,000 on the disposal of subsidiaries, a loss of US$63,000 was recorded in FY2019 compared with profit of $48,000 in FY2018 mainly due to the combination of a decrease in revenue due to the lower demand and an increase in costs due to general inflation.

5. QUARTERLY REVIEW

	Total Revenue (continuing operations after segment elimination)	Total Revenue (discontinued operations after segment elimination)	Net (loss) income for the period attributable to owners of the Company (continuing & discontinued operations)	Net loss for the period attributable to owners of the Company (continuing operations)	Net (loss) income for the period attributable to owners of the Company per share (continuing & discontinued operations)	Net (loss) income for the period attributable to owners of the Company per share (continuing & discontinued operations) (fully diluted)	Net loss for the period attributable to owners of the Company per share (continuing operations)	Net loss for the period attributable to owners of the Company per share (continuing operations) (fully diluted)
	(note a & c)	(note a & c)		(note a)			(note a)	(note a)
	(US$'000)	(US$'000)	(US$'000)	(US$'000)	(US$)	(US$)	(US$)	(US$)
Quarter Ended								
June 30,2019	770	85	(1,085)	(1,076)	(0.0116)	(0.0116)	(0.0115)	(0.0115)
March 31,2019 (note e)	919	125	(268)	(245)	(0.0028)	(0.0028)	(0.0026)	(0.0026)
December 31,2018	343	141	(1,558)	(1,544)	(0.0168)	(0.0168)	(0.0166)	(0.0166)
September 30,2018	9	176	(473)	(482)	(0.0051)	(0.0051)	(0.0052)	(0.0052)
	2,041	527	(3,384)	(3,347)				
June 30,2018 (note b)	9	174	150	(463)	0.0016	0.0016	(0.0050)	(0.0050)
March 31,2018 (note d)	10	6,503	(15,833)	(234)	(0.1700)	(0.1700)	(0.0025)	(0.0025)
December 31,2017	9	5,307	(31)	(277)	(0.0003)	(0.0003)	(0.0029)	(0.0029)
September 30,2017	8	4,709	316	(285)	0.0034	0.0034	(0.0031)	(0.0031)
	36	16,693	(15,398)	(1,259)				

(note a) The amounts have been restated as a result of the classification between continuing and discontinued operations due to the Deemed Disposal of SWK in FY2018 and disposal of POP and Daceasy in FY2019.

(note b) The results commencing from the fourth quarter ended June 30, 2018 included the share of results of SWK using the equity method upon its deconsolidation. Please refer to Section 1.1 of this MD&A and Notes 1, 10 and 35 of the audited consolidated financial statements.

(note c) Income from sales and maintenance fee for software products were included in "Other Income" in prior years and were reclassified as "Revenue" in FY2018. The directors consider that this change will result in a more effective management of segment business. Revenue from "investment income derived from net (loss) profit on financial assets/liabilities at fair value through profit or loss and remeasurement to fair value" and "gain on disposal of available-for-sale financial asset" were included in "Revenue" in prior years and reclassified out of "Revenue" in FY2018. The directors consider that this change will result in a more effective management of business.

(note d) The Loss on Deemed Disposal of SWK was recorded at US$15.35 million which was different from the US$15.96 million recorded in quarter ended March 31, 2018. The difference mainly arises from the adjustments on the net asset value of SWK deemed disposed.

(note e) The impairment of goodwill was recorded at US$312,000 which was different from the US$408,000 recorded in quarter ended March 31, 2019. The difference mainly arises from the additional information becomes available on the valuations of assets acquired and liabilities assumed on the acquisition of HFL Limited.

(note f) The increase in the revenue from the continuing operations of FY2019 mainly due to the contribution of the restaurant operations of HFL Limited commencing from the quarter ended December 31, 2018.

(note g) The decrease in the revenue from the discontinued operations commencing from the quarter ended June 30, 2018 mainly due to the deconsolidation of SWK.

(note h) The higher net loss for the quarter ended June 30, 2019 and December 31, 2018 mainly due to the loss on the share of results of SWK as an associate under the equity method and decrease in the fair value of the financial assets at fair value through profit or loss for the quarter ended June 30, 2019.

5.1 Review of Quarterly Figures

The Hang Seng Index closed at 28,543 at the end of June 2019, compared with 28,955 at the end of June 2018 and 25,846 at the end of December 2018. Amidst the sharp market correction in late 2018, the average monthly turnover on the Main Board and GEM Board during the year ended 30 June 2019 (“FY2019”) fell to US$243 billion, a decrease of 18% as compared with US$297 billion for FY2019. Investors have since become increasingly cautious and market activity is lackluster. Funds raised from IPOs on the Main Board in FY2019 amounted to US$39 billion as compared with US$15 billion for FY2018, a year-over-year increase that was mainly the result of a boost from the listing of three big cap stocks, Xiaomi Corporation, China Tower Corporation Limited and Meituan Dianping in the 1st Quarter of FY2019.

The Group reported total revenue of US$2.57 million in FY2019, compared to US$16.73 million in FY2018. Revenue from continuing operations amounted to US$2.04 million and US$36,000 for FY2019 and FY2018, respectively. Revenue from discontinued operations amounted to US$527,000 and US$16.69 million for FY2019 and FY2018, respectively.

Net loss attributable to the owners of the Company was US$3.38 million in FY2019, compared to a net loss of US$15.4 million in FY2018. Basic and diluted loss per share was US$0.0363 for the current year, compared to a basic and diluted loss per share of US$0.1653 in last year.

Net loss from continuing operations attributable to owners of the Company was US$3.35 million in FY2019, compared to a net loss of US$1.26 million in FY2018. Basic and diluted loss per share from continuing operations was US$0.0359 for the current year, compared to a basic and diluted loss per share of US$0.0135 in last year.

6. OPERATIONAL REVIEW

The Company has changed auditors from Deloitte Touche Tohmatsu to Cheng & Cheng Limited with effect from September 13, 2019 to fill the casual vacancy and to hold office until the conclusion of the next annual general meeting of the Company.

During the year ended June 30, 2018 and up to the Deemed Disposal of SWK, a substantial part of the operations of the Group were conducted through SWK. SWK and its subsidiaries' main activities include proprietary investment, properties investment, brokerage, corporate finance & capital markets and asset management.

As described, during the year ended June 30, 2018, the Group's equity interest in SWK was diluted from 43.31% to 34.65%. SWK ceased to be a subsidiary and became an associate of the Group. As a result, the results of SWK up to the completion of the Deemed Disposal of SWK in March 2018 are classified as "Discontinued Operation of SWK".

Also, during the year ended June 30, 2019, the Group disposed of its 70% equity interests in POP and Daceasy which represents the substantial portion of the Group's Technology Products and Services segment. As a result, the results of the Technology Products and Services segment are classified as discontinued operation and the Group restated comparatives in this note.

The Group's activities are organized under the following operating segments:

Financial Services	The results of the segment are contributed by the equity interest in SWK as an associate upon the Deemed Disposal of SWK in March 2018.
Restaurant operations	The segment includes the strategic investment in the restaurant operations of HFL, a premium Chinese seafood restaurant in Hong Kong.
Strategic investments and other activities	The segment includes strategic investments, proprietary investments and other activities of the Group.
Discontinued Operation of SWK	As described in Note 1, Note 27 and Note 28 of the audited consolidated financial statements, in March 2018, the Group's interest in SWK was diluted from 43.31% to 34.65% and ceased to be a subsidiary.
Discontinued Operation of Technology Products and Services	The segment includes the sales of software products and provision of the related maintenance services performed by POP and Daceasy which were discontinued on May 31, 2019 upon the disposal of the 70% equity interests in the subsidiaries.

6. OPERATIONAL REVIEW (CONTINUED)

6.1 FINANCIAL SERVICES

In thousands of US$	**Financial Services**	
For the year ended June 30,	**2019**	**2018**
Gain on partial disposal of an associate	83	-
Loss on deemed partial disposal of an associate	(117)	-
Share of (losses)/profits of an associate	(1,008)	156
(Loss) / profit before income taxes and non-controlling interests	(1,042)	156

SWK represents the financial services division of the Group. The SWK group is licensed to provide a full range of financial solutions in Hong Kong and abroad that include award-wining brokerage services and innovative corporate finance offerings.

During the FY2019, as a result of the completion of the Debts Settlement, a gain of US$83,000 on the partial disposal of an associate was recorded.

The loss on deemed partial disposal of an associate amounted to US$117,000 represents the result of the dilution of the Group's equity interests in SWK from 28.36% to 27.90% due to the scrip dividend arrangement of SWK in the Q3 of FY2019.

Please refer to Note 10 of the audited consolidated financial statements for details.

After the Deemed Disposal of SWK in March 2018 of FY2018, the performance of SWK was presented as share of results of an associate in the consolidated financial statements. A share of loss of US$1,008,000 was recorded for FY2019 while a profit of US$156,000 was recorded for FY2018.

The associate recorded a loss in FY2019 mainly due to the trading loss on the financial assets at fair value through profit or loss and decrease in commission and fee income.

Dividends received from SWK during the FY2019 amounted to US$1,254,000.

6. OPERATIONAL REVIEW (CONTINUED)

6.2 RESTAURANT OPERATIONS

In thousands of US$	**Restaurant operations**	
For the year ended June 30,	**2019**	**2018**
Revenue from restaurant operations	2,002	N/A (Note 1)
Cost of sales	(575)	N/A (Note 1)
	1,427	
General, selling and administrative expenses	(1,615)	N/A (Note 1)
Depreciation and amortisation	(214)	N/A (Note 1)
Impairment of goodwill and intangible asset	(341)	N/A (Note 1)
Loss before income taxes and non-controlling interests	(743)	N/A (Note 1)

(Note 1) The Company acquired a 51% equity interest in HFL on November 30, 2018, thus, there is no applicable information for the periods of FY2018.

The division encompasses the strategic investment in restaurant operations of a premium Chinese seafood restaurant in Hong Kong.

The restaurant is a Chinese full-service restaurant operating under the name “Fullhouse Seafood Chinese Restaurant” and is strategically located in prominent commercial and residential areas. The division is committed to providing and presenting the richness and freshness of seafood in the way of Cantonese cuisine and offers a meticulously designed seafood menu and top-of-the-line service.

Revenue of US$2.00 million was recorded in FY2019, representing results from date of acquisition of HFL (i.e. November 30, 2018) to June 30, 2019.

Cost of sales mainly represents the cost of food and beverages used in restaurant operations. The cost of sales amounted to US$575,000 for the FY2019.

Included in the results were staff costs totalling approximately US$974,000. Staff costs primarily consist of salaries, wages and allowances, pension costs and other employee benefits. With the implementation of Minimum Wage Ordinance and the general increase in labour costs in Hong Kong, salary levels in the food and beverage industry in Hong Kong have generally increased recently. As at June 30, 2019, the division had 40 employees and their remuneration is determined with reference to market terms and in accordance with their performance, qualification and relevant experience.

Depreciation and amortization for FY2019 amounted to US$214,000 and property rental and related management expenses amounted to US$348,000 for FY2019.

The division recorded losses of approximately US$743,000 for FY2019 after an impairment loss on goodwill and intangible asset of US$312,000 and US$29,000 were recorded respectively. The Group will strive to implement more cost control measures while increasing various marketing strategies and maintaining the quality of food and services.

6. OPERATIONAL REVIEW (CONTINUED)

6.3 STRATEGIC INVESTMENTS AND OTHER ACTIVITIES

In thousands of US$	**Strategic investments and other activities**	
For the year ended June 30,	**2019**	**2018**
Interest income	39	36
Net loss on financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	(632)	(50)
Other income	12	6
General and administrative expenses	(1,042)	(867)
Finance costs	(18)	(472)
Other losses, net	(136)	(68)
Loss before income taxes and non-controlling interests	(1,777)	(1,415)

The segment includes strategic investments, proprietary investments and other activities of the Group.

Interest income increased slightly to US$39,000 in FY2019 from US$36,000 in FY2018.

Net loss on financial assets at fair value through profit or loss of US$632,000 was recorded in FY2019 while there was a loss of US$50,000 for the FY2018. The current year's loss on financial assets at fair value through profit or loss mainly represents the change in fair value of the investment in TCA.

TCA engages in the business of automobile dealerships in the premium market segment in the PRC ("4S" dealerships), mainly in the southern China. Currently, TCA is engaging in the dealership of three premium brands in PRC. Their business includes new automobile sales, after-sales services, which include maintenance and repair services, automobile parts and accessory sales, and automobile agency services, which include related registration, financing and insurance services.

The Chinese GDP grew by 6.2% in the second quarter of 2019, one of the slowest rates of growth in 27 years. The ongoing trade dispute with the U.S. is weighing on the economy despite measures to stimulate the economy. The overall car market in China contracted and the central government of the People's Republic of China initiated a number of economic initiatives, including an aggressive loosening of credit, liquidity conditions, reduced new-car purchase taxes, reduced Value added Tax, as well as relaxed plate restrictions in some cities in southern China in order to offset the negative pressures on the current sluggish economy.

6. OPERATIONAL REVIEW (CONTINUED)

6.3 STRATEGIC INVESTMENTS AND OTHER ACTIVITIES (CONTINUED)

There was an increase in selling, general and administrative expenses from US$867,000 in FY2018 to US$1.04 million in FY2019. The increase was mainly due to the staff secondment and management fee expenses payable to SWK.

A substantial decrease in finance cost was mainly due to the completion of the Debts Settlement. Through the Debts Settlement, the Group repaid its entire loan balance borrowed from a related party and redeemed the debentures in Q1 of FY2019.

Other net losses of US$136,000 was recorded in FY2019, compared to net losses of US$68,000 recorded in FY2018. The increase in net losses was mainly due to a modification loss on financial assets of US$127,000 in FY2019 while in FY2018 the losses were mainly derived from a provision for impairment loss of an amount due from a related party amounting to US$98,000, partially offset by a foreign exchange gain.

As a result of the changes in fair value of financial assets and an increase in selling, general and administrative expenses, which was partially offset by the decrease in the finance costs, the overall loss increased to US$1.78 million in FY2019, compared to a loss of US$1.42 million in FY2018.

6. OPERATIONAL REVIEW (CONTINUED)

6.4 DISCONTINUED OPERATION OF TECHNOLOGY PRODUCTS AND SERVICES

In thousands of US$	**Discontinued operation of Technology Products and Services**	
For the year ended June 30,	**2019**	**2018**
Sales of software products	306	441
Maintenance fees income	221	258
Cost of sales	(275)	(322)
Other losses, net	(2)	-
Gain on disposal of subsidiaries	9	-
General and administrative expenses	(313)	(329)
Profit (loss) before income taxes and non-controlling interests	(54)	48

The division encompasses sales of software products and related maintenance fees income.

As previously described, the Group disposed of its remaining 70% equity interests in POP and Daceasy on May 31, 2019 which constituted the majority portion of the Group's segment of technology products and services and accordingly, the results are presented under the discontinued operations for both FY2019 and FY2018. A small gain of US$9,000 was recorded for these disposals.

The results for FY2019 only covers the period of 11 months leading up to the disposal of POP and Daceasy on 31 May 2019 while the results for FY2018 covers a 12 months period for the year ended June 30, 2018.

Sales of software products decreased to US$306,000 in FY2019 compared with US$441,000 in FY2018 and the maintenance fee income decreased from US$258,000 in FY2018 to US$221,000 in FY2019. The higher revenue from software sales in FY2018 reflected the high demand for a compliance program launched in that period.

Cost of sales mainly represent the cost for producing the revenue from sales and maintenance fees for software products such as staff costs, pension expenses and any direct costs in producing the revenue. The cost of sales decreased from US$322,000 in FY2018 to US$275,000 in FY2019, which is in line with the decrease in revenue. The fluctuation was mainly due to the combination of an increment in staff salary and a decrease in other direct costs which is in line with the decrease in the revenue.

The decrease in general and administrative expenses from US$329,000 in FY2018 to US$313,000 in FY2019 is mainly attributable to the combination of increased staff salaries in the division and the difference between the periods covered of 11 months in FY2019 compared with a full year in FY2018.

The division recorded a loss of US$54,000 in FY2019, compared to a profit of US$48,000 in FY2018.

6. OPERATIONAL REVIEW (CONTINUED)

6.5 DISCONTINUED OPERATIONS OF SWK

In thousands of US$	**Discontinued Operations of SWK**	
For the year ended June 30,	**2019**	**2018**
Commission and fee income (Note a)	N/A	13,462
Rental income	N/A	359
Interest income	N/A	2,254
	N/A	16,075
Net gain on financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	N/A	746
Other income	N/A	11
Commission expenses	N/A	(1,070)
General and administrative expenses	N/A	(13,624)
Finance costs	N/A	(86)
Other gains, net	N/A	436
Fair value changes on investment properties	N/A	366
Fair value changes on non-controlling interests in consolidated investment fund	N/A	(179)
Loss on Deemed Disposal of SWK	N/A	(15,345)
Share of results of associates	N/A	363
Loss before income taxes and non-controlling interests	N/A	(12,307)

(Note a) Included inter-segment revenue of US$81,000 for 2018.

6. OPERATIONAL REVIEW (CONTINUED)

6.5 DISCONTINUED OPERATIONS OF SWK (CONTINUED)

The results of the discontinued operations of SWK in FY2018 represented the consolidated result of SWK from the beginning of the year up to the date of deconsolidation.

The Group recorded a loss of US$12.3 million before tax for FY2018 from discontinued operations.

Included in the results from discontinued operation was a loss on the Deemed Disposal of SWK that amounted to US$15.35 million. Please refer to Note 27 of the audited consolidated financial statements for more details. Excluding this loss, the discontinued operation recorded a profit of US$2.7 million after tax in FY2018.

In FY2018, SWK's brokerage division benefited from an increase in daily market turnover on the Main Board and GEM Board of the Stock Exchange of 59% to US$14.5 billion for FY2018 as compared with US$9.1 billion for FY2017, reflecting the improvement in the global economic markets and the low interest rate environment of the local market.

During FY2018, SWK was successful in completing several significant IPO underwriting transactions. However, the capital market for secondary fund raising remained lackluster in SWK's target client segment. The staff costs of SWK's corporate finance teams increased because additional staff were recruited to handle the increased number of projects and the variable compensation accrual was increased as a result of higher revenue for the division.

Moreover, SWK generated stable cash inflow of interest and dividend income from proprietary investment through its investment in different products managed by external investment managers and rental income from properties invested in Hong Kong and PRC.

7. FINANCIAL AND LIQUIDITY POSITION, CAPITAL STRUCTURE

7.1 Non-controlling Interests

The following table shows the movement in the non-controlling interests:

In US$000	
At June 30, 2018	**140**
Share of total comprehensive expenses	(224)
Acquisition of a subsidiary	(55)
Release upon disposal of subsidiaries	(20)
At June 30, 2019	**(159)**

7.2 Working Capital and Liquidity

The Group's business requires capital for operating purposes. The objective for capital management is to safeguard the Group's ability to continue as a going concern, to enhance shareholders' value and to match the funding needs of the business. The Group generally finances its operations from internal resources, loans from non-controlling shareholders of a subsidiary and debts financing, if necessary.

Senior management of the Group regularly monitors its working capital requirements and considers other means of financing including debt financing or the issuance of shares or debentures when necessary, in order to maintain the necessary liquidity.

In September 2008, the Group issued 9% unsecured convertible debentures with an aggregate principal amount of CAD$7.5 million (approximately US$7.0 million) which were subscribed by related companies controlled by the directors of the Group.

On 19 September 2017, the Company and the Debenture Holders agreed to further extend the maturity date from 19 September 2017 to 19 September 2018. The other major terms and conditions remained the same: the interest rate at 8% per annum, with an arrangement fee of 1% of the amount of the Debentures.

On September 30, 2013, the Group also obtained an unsecured revolving loan facility of HK$8 million from a company controlled by the family members of Dr. Jonathan Choi, a controlling shareholder and a director of the Company. The loan bears interest at the annual rate of 12% and over the years, the loan facility had been amended several times including the extension of the expiry date and changing on the loan facility amount. As at June 30, 2018, HK$8 million (equivalent to US$1,026,000) was borrowed.

The Group entered into the Debts Settlement in June 2018. The Group redeemed the outstanding debentures with a principal amount of CAD$6 million and settled the interest accrued as of June 30, 2018 and a 1% arrangement fee by transferring 357,506,826 shares of SWK at a price of HK$0.104 per share to the debenture holders. The Group also settled the outstanding loan balance of HK$8 million (equivalent to US$1,026,000) by transferring 76,923,076 shares of SWK at a price of HK$0.104 per share to the lender. The Debts Settlement was completed in July 2018 and as a result the Group's equity interests in SWK decreased from 34.65% to 28.36% in Q1 of FY2019.

Cash and cash equivalents and the current portion of financial assets at fair value through profit or loss reflected on the Group's consolidated statement of financial position are highly liquid. Management currently anticipates that dividends expected to be distributed from SWK and the short-term borrowings facilities will be sufficient to satisfy most of the operating expenses and obligations of the Group. If necessary, the Group may dispose of a part of its interest in long term investments to satisfy additional operating expenses and the funding needs for future development.

7. FINANCIAL AND LIQUIDITY POSITION, CAPITAL STRUCTURE (CONTINUED)

7.2 Working Capital and Liquidity (Continued)

As at June 30, 2019, the liquid resources of the Group consisting of cash and cash equivalents and the current portion of financial assets at fair value through profit or loss amounted to US$0.38 million, compared to US$1.2 million as at June 30, 2018. The current portion of accounts and other receivables were US$73,000 as at June 30, 2019, compared to US$160,000 as at June 30, 2018. The liquidity ratio (i.e. current assets/current liabilities) was 0.39 as at June 30, 2019 and 1.1 as at June 30, 2018.

Total borrowings (including both short-term and long-term payable portions) decreased to US$0.84 million as at June 30, 2019, compared with US$5.6 million as at June 30, 2018. As at June 30, 2019, the Group's borrowing was mainly comprised of loans from non-controlling shareholders of a subsidiary which arose due to the acquisition of HFL on November 30, 2018. As at June 30, 2018, the Group's borrowings were mainly comprised of unsecured debentures of US$4.6 million and a short-term unsecured loan of US$1 million. All of these borrowings were fully settled through the Debts Settlement in Q1 of FY2019.

As at June 30, 2019, the gearing ratio (i.e. total borrowings/shareholders' equity) reduced to 3% due to the combination of the Debts Settlement in Q1 of FY2019 and the partial repayment of loans from non-controlling shareholders of HFL in the Q3 of FY2019. As at June 30, 2018, the gearing ratio was 18%. The ratio is well within the Group's target range and did not affect the strong liquidity position the Group has enjoyed in the past.

Significant cash flow changes for FY2019 were as follows:

- Repayments to non-controlling shareholders of a subsidiary of US$874,000;
- Dividends received from an associate of US$1,254,000;
- Net cash inflow in acquisition of a subsidiary of US$80,000; and
- Net cash outflow in disposal of subsidiaries of US$293,000

8. COMMITMENTS

The Group has not entered into any material agreements for the purchase of equipment as at June 30, 2019 and June 30, 2018.

The Group has entered into operating lease agreements.

- Amounts payable in future years ending June 30, 2019 for operating lease commitments are as follows:

Contractual Obligations	Less than 1 year (US$'000)	2 - 5 years (US$'000)	Beyond 5 years (US$000)	Total (US$'000)
Operating Leases	433	1,119	Nil	1,552

9. DISCUSSION OF RISKS AND UNCERTAINTIES

9.1 Overview

Risk and uncertainty are constant elements in business operations. The principal assets of the Group included its investment in SWK, TCA and HFL, the majority of their operations and assets are located in PRC and Hong Kong, linking the global investment community with China's economy.

As a result, the Group is exposed to a wide range of risks and uncertainties that could result in financial losses. The Group's principal risks are: (i) market risk; (ii) operational risk; and (iii) other risks, all as hereafter described.

9.2 Risk Management Structure and Governance

The Group's risk management process is comprehensive in scope and relies upon senior management's knowledge of the Group's business lines and their ability to understand and adjust to market conditions. The Group's senior management has developed policies and procedures to monitor, assess and control the wide range of risks and uncertainties facing by the Group. These policies and procedures are periodically reviewed so that the Group's risk management process can evolve with the ever changing financial landscape.

To monitor the Group's exposure to risks, it has implemented a series of reporting systems. These reporting systems cover such areas as investment criteria, accounting policies and procedures and regulatory compliance. The information provided by these reporting systems allows senior management to mitigate identified risks and uncertainties.

One method by which the Group mitigates risks is through the adoption of internal controls. Senior management will adopt and implement these internal controls, while the Board, which has an oversight responsibility over the risk management process, monitors the effectiveness of these internal controls.

9.3 Market Risk

The Group's activities include investment in listed securities and other unlisted investments and thus it is exposed to price risk and liquidity risk. The Group is also exposed to foreign exchange risk from its foreign operation and interest rate risks arising from bank balances and financial assets or liabilities. The Company mitigates its exposure to these risks through continuing oversight and review by senior management and the implementation of guidelines and policies. Senior management and the Group's Finance Department also monitor the trading results and concentration levels. The liquidity position is also closely monitored by senior management to ensure the Group maintains a prudent and adequate liquidity ratio and to ensure the availability of sufficient liquid funds to meet the Group's obligations.

Moreover, each of the Company's investees is subject to the risks inherent in the industry in which it operates. In the case of SWK, its business activities include lending, settlement, treasury, market making and proprietary trading which expose SWK to several market risks such as price risk, liquidity risk, competition risk, foreign exchange risk, interest rate risk and credit risk where a counterparty may default on its payment obligations. In relation to the restaurant operations, profit may be affected by increases in costs such as wages (including Statutory Minimum Wage) and food supply costs where HFL may not able to fully pass those costs along to its customers through higher menu prices. Restaurant operations also face competition risks and risks arising from changes in consumers' preferences. In the case of TCA's operations also face competition risks as the car manufacturer may appoints other or additional dealers or any changes to the terms, which may have a negative impact to its operations. The slow down in China's economy may also decrease the consumer demand on the new products. In addition, the ever-changing technology may affect the consumer preferences (e.g. electric vehicle).

In addition, the Company's focus on linking the global investment community with China means that the Company is exposed to risks in several international markets.

9. DISCUSSION OF RISKS AND UNCERTAINTIES (CONTINUED)

9.4 Operational Risk

Operational risk is an inherent aspect of the Group's business. The Group faces the risk of loss from such events as the loss of key personnel, employee malpractice and the failure of internal controls. Operational risks can also rise from natural disasters, health hazards and security threats.

In relation to the Company's investment in SWK, SWK operates in several markets and relies upon its employees and systems to execute transactions and provide advisory services. To mitigate the risk of relying upon its employees, SWK has adopted a system of internal controls over its business activities including disaster recovery procedures in the event of system or technological failures or natural disasters. In addition, operating restaurant in Hong Kong requires various types of licenses including general restaurant licenses and/or liquor licenses. Also, restaurant operation may be subject to tightened licensing requirements. In order to comply with the relevant laws and regulations, licenses are required to renew before the expiration to avoid any disruption for the restaurant operation.

9.5 Other Risks

Some of the risks in the "Other Risks" category include:

i) political, economic and social risks;

ii) regulation and compliance risks; and

iii) risks relating to PRC (foreign exchange, political, economic, social and Chinese legal system).

Since the Group and its investments including SWK, operate in several jurisdictions, they also face legal risks in these jurisdictions. To mitigate the legal risks, SWK has in-house legal counsel in Hong Kong and the Group has retained a Canadian law firm as its external Canadian legal counsel. Furthermore, the in-house legal counsels are provided with access to external legal counsel to assist in addressing legal and compliance matters.

For a detailed list of the risk factors that are relevant to the Group's business and the industry in which it operates, see "Risk Factors" in the Company's FY2019 Annual Information Form ("AIF"). The discussions of the risks exposures and the Group's financial management policies and practices are also detailed in Note 32 to the audited consolidated financial statements for the year ended June 30, 2019. Risks include, but are not necessarily limited to, those listed in the AIF and the audited consolidated financial statements for the year ended June 30, 2019. Investors should carefully consider the information about risks, together with the other information in this document, before making investment decisions. It should be noted that the risk factors listed in the AIF and the audited consolidated financial statements for the year ended June 30, 2019 are not exhaustive, but cover risks that the Company considers to be of particular relevance. Other risk factors may apply.

9.6 Changes in Risks

Upon the acquisition of HFL on November 30, 2018, the Group is exposed to a wider range of risks and uncertainties. Certain risks which apply to HFL were discussed in Section 9.1 to 9.5 above. There were no significant changes in risks in relation to other Group's business.

10. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

In the current year, the Group has applied the following new and amendments to IFRSs for the first time which are relevant to the Group.

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

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

Except for below, the application of the new and amendments to IFRSs in current year has had no material effect on the Group's financial performance and positions for the current year and prior years and/or disclosures set out in the audited consolidated financial statements.

10.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 9 FINANCIAL INSTRUMENTS

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

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at July 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at July 1, 2018. The difference between carrying amounts as at June 30, 2018 and the carrying amounts as at July 1, 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement ("IAS39").

(I) Classification and measurement of financial assets

In general, IFRS 9 categories financial assets into the following three classification categories:

- measured at amortised cost;
- at fair value through other comprehensive income (FVTOCI); and
- at fair value through profit or loss (FVTPL).

These classification categories are different from those set out in IAS 39 which included held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Details about the Group's accounting policies for its financial assets and financial liabilities are disclosed in note 3 to the audited consolidated financial statements. The Group did not designate or dedesignate any financial asset at FVTPL at July 1, 2018.

10. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION (CONTINUED)

10.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

(II) Impairment

IFRS 9 has introduced the "expected credit loss model" to replace the "incurred loss" model under IAS 39. The "expected credit loss model" requires an ongoing measurement of credit risk associated with a financial asset. The Group has applied the "expected loss model" to the financial assets that are subsequently measured at amortised cost (including cash and cash equivalents, accounts and other receivables, other financial assets and loans to related parties).

As at July 1, 2018, additional credit allowances of US$34,000 have been recognised against the accumulated losses. The additional loss allowance is charged against the respective asset.

Please see note 3 to the audited consolidated financial statements regarding accounting policies for impairment.

(III) Classification and measurement of financial liabilities

The application of IFRS 9 in respect of financial liabilities' classification and measurement has had no impact on the consolidated financial statements.

(IV) Hedge accounting

The Group has not applied any hedge accounting and hence the new general hedge accounting model set out in IFRS 9 has not had any impact on the Group's consolidated financial statements.

Summary of effects arising from initial application of IFRS 9

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

	Notes	Carrying amount as at June 30, 2018 under IAS 39	Reclassification	Remeasurement	Carrying amount as at July 1, 2018 under IFRS 9
		US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)
Interests in associates	(a),(c)	25,720	-	(63)	25,657
Available-for-sale investments	(b)	3,035	(3,035)	-	-
Financial assets at FVTPL (Non-current)	(b)	-	3,035	97	3,132
Amounts due from a related party (Non-current)	(c)	862	-	(8)	854
Amounts due from related parties (Current)	(c)	160	-	(26)	134
Other reserves		52,813	-	(21)	52,792
Accumulated losses		(29,066)	-	21	(29,045)

Notes:

(a) Effects on the IFRS 9 adopted by the Group's associate

(b) From available-for-sale investments to financial assets at FVTPL

At the date of initial application of IFRS 9, the Group's unlisted partnership investments of US$3,035,000 were reclassified from available-for-sale investments to financial assets at FVTPL since the management did not opt to designate the financial assets to FVTOCI. The net fair value gains of US$97,000 relating to those investments upon initial application of IFRS 9 were transferred to accumulated losses.

10. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION (CONTINUED)

10.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

Summary of effects arising from initial application of IFRS 9 (Continued)

Notes: (Continued)

(c) Impairment under ECL model

As at July 1, 2018, additional credit allowances of US$34,000 have been recognized against the accumulated losses. The additional loss allowance is charged against the respective asset. The additional credit allowance for interests in associate of US$63,000 have been recognized in respect of financial assets held by the associate against the accumulated losses.

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

	Impairment allowance under IAS 39	**Impairment allowance under re-measurement**	**Impairment allowance under IFRS 9**
	US$ ('000)	US$ ('000)	US$ ('000)
Interests in associates	826	63	889
Accounts and other receivables	186	-	186
Amounts due from a related party	-	8	8
Amounts due from related parties	163	26	189
Total	1,175	97	1,272

10.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and other revenue-related Interpretations. Under IAS 11 and IAS 18, revenue arising from construction contracts and provision of services was recognised over time whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 has introduced additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Please see note 3 to the audited consolidated financial statements for details of old and new accounting policies.

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

The Group recognises revenue from the following major sources:

- Sales and maintenance fee income for software products
- Revenue from restaurant operations

10. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION (CONTINUED)

10.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 15 REVENUE FROMCONTRACTS WITH CUSTOMERS (CONTINUED)

As evaluated by management, the adoption of IFRS 15 did not result in a material impact on the financial statements as the Group did not have any complex sales transactions or long term contracts and the adoption of IFRS 15 did not have significant impact on timing and amount of revenue recognition.

However, under IAS 18, the Group's associate recognised corporate finance advisory fees when the amount of revenue could be reliably measured, when it was probable that future economic benefits would flow to the Group's associate and when such services were rendered. Upon application of IFRS 15, the Group's associate assessed that the performance obligation for corporate finance advisory fees was fulfilled when all the relevant duties of a sponsor as stated in the contract were completed. As at July 1, 2018, any incomplete corporate finance advisory contracts with payment received and revenue recognised to its profit or loss in prior years by the Group's associate under IAS 18 (not recognised under IFRS 15) were reclassified to its contract liabilities with a corresponding adjustment to its opening accumulated losses, any incomplete corporate finance advisory contracts with payment not yet received and revenue recognised to its profit or loss in prior years by the Group's under IAS 18 (not recognised under IFRS 15) were adjusted in its account receivables and its opening accumulated losses. Deferred tax arises as a result of the opening adjustments of the accumulated losses.

Summary of effects arising from initial application of IFRS 15

The following table summarizes the impact on the consolidated statements of financial position as at July 1, 2018:

	As at June 30 2018	**Adoption of IFRS 15**	**As at July 1 2018**
	US$ ('000)	US$ ('000)	US$ ('000)
Interests in associates	25,720	(1,562)	24,158
Accumulated losses	(29,066)	(1,562)	(30,628)

10. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION (CONTINUED)

10.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 15 REVENUE FROMCONTRACTS WITH CUSTOMERS (CONTINUED)

The following table summarizes the impact of transition to IFRS 15 on accumulated losses at July 1, 2018:

	Impact of adopting IFRS 15 at July 1, 2018
	US$ ('000)
Accumulated losses	
Adjustment on interests in associates and impact at July 1, 2018	(1,562)

The following tables summarises the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at June 30, 2019 and its consolidated statement of profit or loss for the current year for each of the line items affected. Line items that were not affected by the changes have not been included. There was no impact on the consolidated statements of cash flows.

Impact on the consolidated statement of financial position as at June 30, 2019

	As reported	**Adjustments**	**Amounts without application of IFRS 15**
	US$ ('000)	US$ ('000)	US$ ('000)
Non-current Assets			
Interests in associates	21,717	1,150	22,867
Capital and Reserves			
Reserves	(18,852)	(1,150)	(20,002)

Impact on the consolidated statement of profit or loss for the year ended June 30, 2019

	As reported	**Adjustments**	**Amounts without application of IFRS 15**
	US$ ('000)	US$ ('000)	US$ ('000)
Share of losses of associates	(1,008)	(412)	(1,420)
Loss for the year	(3,608)	(412)	(4,020)
Total comprehensive expense for the year	(3,582)	(412)	(3,994)

10. CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION (CONTINUED)

10.3 IMPACTS ON OPENING CONSOLIDATED STATEMENT OF FINANCIAL POSITION ARISING FROM THE APPLICATION OF ALL NEW STANDARDS, AMENDMENTS AND INTERPRETATION

	As at June 30, 2018			As at July 1, 2018
	(Audited)	Adoption of IFRS 9	Adoption of IFRS 15	(Restated)
	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)
Property and equipment	5	-	-	5
Interests in associates	25,720	(63)	(1,562)	24,095
Available-for-sale investments	3,035	(3,035)	-	-
Financial assets at fair value through profit or loss (Non-current)	-	3,132	-	3,132
Other financial assets (Non-current)	10	-	-	10
Amounts due from a related party (Non-current)	862	(8)	-	854
Financial assets at fair value through profit or loss (Current)	1	-	-	1
Accounts and other receivables	160	-	-	160
Amounts due from related parties (Current)	160	(26)	-	134
Cash and cash equivalents	1,152	-	-	1,152
Assets held for sale	5,709	-	-	5,709
Accruals, accounts and other payables	(781)	-	-	(781)
Amount due to a related party	(1,026)	-	-	(1,026)
Unsecured debentures	(4,566)	-	-	(4,566)
Net Assets	**30,441**	**-**	**(1,562)**	**28,879**
Capital	6,554	-	-	6,554
Other reserves	52,813	(21)	-	52,792
Accumulated losses	(29,066)	21	(1,562)	(30,607)
Non-controlling interests	140	-	-	140
Total equity	**30,441**	**-**	**(1,562)**	**28,879**

11. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements in accordance with IFRS requires management to exercise significant judgments to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates and assumptions. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates and assumptions are recognized in the period in which the estimate and assumption are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

A discussion of the significant accounting judgments, estimates and assumptions made by the management in the preparation of its consolidated financial statements were also included in note 6 to the audited consolidated financial statements for the year ended June 30, 2019. Except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 9 and IFRS 15, there are no new critical accounting estimates or assumptions compared to the information disclosed in the Group's audited annual financial statements for the year ended June 30, 2018.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Fair value of the financial assets at fair value through profit or loss

The Group invested in unlisted investments and the investments are classified as financial assets at fair value through profit or loss because of the adoption of IFRS 9 during the current period. The fair value of the unlisted investments is derived from unobservable inputs including various financial ratios including the unaudited performance of similar listed companies. The determination of the valuation of the investments requires significant judgement and estimation.

(b) Expected credit loss on financial instruments

The measurement of expected credit loss ("ECL") under IFRS 9 across all categories of financial assets to which ECL measurements apply requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group use external credit rating reports, research reports and statistics to estimate the probability of default, the loss given default and the impact on the forward-looking information.

At each reporting date, the Group and its associate assess whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

The Company and its associate consider reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes qualitative and quantitative information and also, forward-looking analysis.

(c) Estimated impairment of interest in an associate

The Group has carried out impairment testing to determine whether the Group's interest in an associate, SWK, is impaired as indicated by the quoted market price of the shares of SWK, which is lower than the net asset value of SWK. Determining whether the interest in an associate is impaired requires an estimation of the fair value less cost of sell or value in use on the basis of data available to the Group. Where recoverable amount is less than expected, an impairment loss may arise.

11. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Control over SWK

The Group's shareholding in SWK was approximately 43.31% for the period from July 1, 2017 to March 15, 2018. Upon the Deemed Disposal of SWK, the shareholding interest of the Company in SWK was diluted from approximately 43.31% to 34.65%. The directors of the Company assessed whether the Group has control over SWK based on whether the Group has the practical ability to direct the relevant activities of SWK unilaterally. In making their judgement, the directors of the Company considered the Group's dominant voting interest relative to the size and dispersion of holdings of the other vote holders, rights arising from other contractual arrangements, participation rates of shareholders and voting patterns in previous shareholders' meetings. The directors of the Company concluded that the Group had control over SWK before March 15, 2018 despite its voting rights being less than 50% and that SWK qualified as a subsidiary of the Group under IFRS 10 for the period from July 1, 2017 to March 15, 2018. Upon completion of Open Offer, the directors of the Company considered that the Group is no longer in a position to dominate the voting interest and exercise control but maintains significant influence over SWK. Accordingly, SWK ceased to be a subsidiary of the Company and became an associate of the Company with effect from March 16, 2018.

12. FINANCIAL AND OTHER INSTRUMENTS

The Group does not use any derivative financial instruments for hedging purposes. Included in the Group's financial assets at fair value through profit or loss are investments in listed equity securities or unlisted investments, which are held for the purpose of short-term appreciation or those that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income. They are recorded at fair values as detailed in note 32 to the audited consolidated financial statements for the year ended June 30, 2019. The Group has not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties.

13. RELATED PARTY TRANSACTIONS

A summary of material related party transactions was included in notes 10, 15, 18 and 38 to the audited consolidated financial statements for the year ended June 30, 2019. In addition to the Debts Settlement, the following is a summary of significant related party transactions which were carried out in the normal course of the Group's business:

	2019	**2018**
	US$ ('000)	US$ ('000)
Rental income from an investment property		
- a company controlled by Group's directors' close family member	-	114
Interest expenses paid to related parties (Note a)	13	470
Management fee payable to SWK (Note b)	108	27
Staff secondment fee payable to SWK (Note b)	51	-
Consultancy fee paid to a director (Note c)	95	-
Rental expenses (Note d)		
- a company controlled by Group's directors' close family member	261	-
Management fee expenses (Note e)		
- a company controlled by Group's directors' close family member	87	-
Purchases of goods (Note e)		
- companies controlled by Group's director or close family members of the director	38	-

13. RELATED PARTY TRANSACTIONS (CONTINUED)

(Note a) Interest expense of US$5,000 for the year ended June 30, 2019 (Year ended June 30, 2018: US$91,000) was related to a short-term borrowing from a company controlled by family members of Dr. Jonathan Choi, a controlling shareholder and a director of the Company. The remaining interest expense was related to the unsecured debentures subscribed by related companies controlled by the directors of the Group. Please refer to note 14(c) and note 18 to the audited consolidated financial statements.

(Note b) The management fee represents the administrative and management support services to the Group by SWK. Staff secondment fee represents the secondment of the SWK staffs' services to the Group.

(Note c) This represents the consultancy fee paid to a director of the Company, Mr. Douglas C. Betts, in relation to his consultancy services provide to the Group.

(Note d) Rental expenses represent those that arose from HFL's restaurant operations and that were paid to a company controlled by a sister of Mr. Michael Koon Ming Choi, the Chief Executive Officer and Executive Director of the Company.

(Note e) Management fee expenses represent those that arose from the rental space of HFL's restaurant operations and that were paid to a company controlled by a sister of Mr. Michael Koon Ming Choi, the Chief Executive Officer and Executive Director of the Company. Purchases of goods represents the purchases of food products and materials for HFL's restaurant operations from a company controlled by a sister of Mr. Michael Koon Ming Choi, the Chief Executive Officer and Executive Director of the Company.

In relation to entering into the Debts Settlement in FY2018, a special committee comprised of three independent members of the Board of Directors of the Company was formed. The special committee considered and discussed numerous factors including information with respect to the business, financial condition including liquidity ratio, property, assets, operations and plans of the Company, capital market conditions and the impact to the Company of the reduction in the Group's holdings in SWK. The special committee concluded that completion of the Debts Settlement was in the best interests of the Company and recommended that the Board of Directors approve the transaction. Except for the Debts Settlement, all other significant related party transactions were carried out in the normal course of the Group's business.

Key Management Personnel Remuneration

Remuneration for key management personnel (those persons having authority and responsibility for planning, directing and controlling the activities of the Group) is as follows:

	2019	**2018**
	US$ ('000)	US$ ('000)
Fees	130	138
Salaries, commissions and other allowance	93	924
Bonuses	-	-
Stock-based compensation	25	26
Retirement scheme contributions	3	13
	251	1,101

14. OUTSTANDING SHARE DATA

As at September 27, 2019, there were 93,139,927 common shares issued and outstanding. The number of Deferred Share Units ("DSU") outstanding as at September 27, 2019 was 1,890,876. Each DSU entitles the holder subject to certain conditions to exchange it for one common share of the Company. The Company has no outstanding stock options or other securities convertible into common shares as of September 27, 2019.

15. FUTURE PROSPECTS

Notwithstanding the reduction in the Company's shareholdings in SWK, the Company continues to be very involved in SWK through our substantial equity interest in and influence over SWK, which remains our largest investment and asset. We believe this new structure to be the best way for Sunwah International to participate in SWK's success, and that the better-balanced allocation of resources will bring benefits to the Company moving forward.

To take our business to the next level, we intend to introduce various initiatives designed to expand and diversify our investment base in order to avoid concentrating investments too heavily in any particular industry. In particular and demonstrated by the recent acquisition of HFL Limited, we are looking at opportunities in the food and beverage industry, which is one of the Sunwah Group's core pillars and which we expect will be more resilient to the volatilities created by the recent international trade war. In addition, Sunwah International is confident in our ability to strengthen our balance sheet and achieve a lower gearing level through a variety of strategies, including debt repayment and the fine-tuning of our business model to capture new opportunities and assist with earnings stabilization in the future.

16. EVENT AFTER THE REPORTING PERIOD

On September 24, 2019, the Group borrowed a short-term loan, with a six months maturity, of approximately US$513,000 at the interest rate of 12% per annum from an unrelated party for general working capital purpose. The Group has an option to extend the maturity date for an additional six months.

17. CONTROLS AND PROCEDURES

17.1 Disclosure Controls and Procedures

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, and are disclosed in public documents as required.

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in National Instrument 52-109, was conducted by and under the supervision of the Company's management, including the Chief Executive Officer and Chief Financial Officer for the year ended June 30, 2019. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as at June 30, 2019.

17.2 Internal Control over Financial Reporting

Management has designed and implemented internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's management has used the Internal Control - Integrated Framework (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) to evaluate the effectiveness of the Company's internal control over financial reporting for the year ended June 30, 2019. Based on that assessment, the Chief Executive Officer and Chief Financial Officer concluded that as at June 30, 2019, the Company's internal control over financial reporting was effective.

There have been no changes in the design of the internal controls over financial reporting during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect the Group's internal control over financial reporting.

The Group's internal control over financial reporting may not prevent or detect all misstatements because of inherent limitations. Additionally projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Group's policies and procedures.

18. FUTURE ACCOUNTING CHANGES

There are several new and amendments to Standards and Interpretations that have been issued but are not yet effective and the Group has not early applied for in the Group's consolidated financial statements for the year ended June 30, 2019. These new and amendments Standards and Interpretations were disclosed in Note 5 to the Group's audited consolidated financial statements.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. IFRS 16 also includes requirements relating to subleases and lease modifications. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows by the Group.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.

As at June 30, 2019, the Group has non-cancellable operating lease commitments of US$1,552,000 as disclosed in note 39. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of US$159,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profit without restating comparative information.

19. FORWARD-LOOKING STATEMENTS

This document contains certain statements that reflect management's current beliefs, expectations and objectives for the Company's future performance, opportunities and growth, which constitute "forward-looking information" and "forward-looking statements" (collectively "forward-looking statements") as defined under applicable securities laws. Such statements, other than statements of historical fact, are predictive in nature or depend on future events or conditions. Forward-looking statements involve estimates, assumptions, judgments and uncertainties. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plan" or "continue", or similar expressions suggesting future outcomes or events. Specifically, this document contains forward-looking statements in the Business Overview, Market Environment and General Impact on the Group and Future Prospects sections and elsewhere concerning our objectives for 2019 and beyond, our strategies to achieve those objectives, the receipt by SWK of the approval of the CSRC for the establishment by SWK of the joint venture company in the PRC and the timing thereof, the continued success of the car brands sold by TCA, the success of the restaurant operations of HFL, and the adequacy of the Company's working capital and capital resources, including the continued receipt of dividends from SWK.

Such forward-looking statements are based on information currently available to management and are based on assumptions, estimates and analysis made by management in light of its experience and perception of trends, current conditions and expected developments, as well as other factors believed to be reasonable and relevant in the circumstances. These assumptions include but are not limited to those in respect of the Company's continued involvement with and influence over SWK, the Company's ability to successfully diversify its investments and the Company's ability to successfully manage the risks faced by it.

These statements are not guarantees of future performance and are subject to numerous risks and uncertainties, both known and unknown, including those described in this document. We caution readers not to place undue reliance on forward-looking statements as a number of factors could cause actual results, events and prospects to differ materially from those expressed or implied by the forward-looking statements. HFL's and SWK's primary business activities are both competitive and subject to various risks. These risks include market, credit, liquidity, operational and legal and regulatory risks and other risk factors including, without limitation, variations in the market value of securities, the volatility and liquidity of equity trading markets, the volume of new financings and mergers and acquisitions, competition in the marketplace for suitable investments, sustainability of fees, nature and type of portfolio company investments and dependence on key personnel. Other factors, such as general economic conditions, including interest rate and exchange rate fluctuations, may also have an effect on the Group's results of operations. For a description of additional risks that could cause our actual results to materially differ from our current expectations, please see the "Discussion of Risks and Uncertainties" section in this MD&A and the "Risk Factors" in the Company's FY2019 AIF. Material assumptions or factors underlying the forward-looking statements contained in this document are set out in the "Market Environment and General Impact on the Group" section in this MD&A. Although forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing the Group's views as of any date subsequent to the date of this MD&A.

Except as required by applicable law, management and the board of directors of the Company undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

20. ADDITIONAL INFORMATION

Additional information relating to the Company including the Company's FY2019 AIF may be obtained from SEDAR at www.sedar.com.

SUNWAH INTERNATIONAL LIMITED

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The accompanying consolidated financial statements of Sunwah International Limited have been prepared by Management of the Company in accordance with International Financial Reporting Standards.

Management maintains a system of internal accounting controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information. The Company's overall controls include an organizational structure providing for effective segregation of responsibilities, delegation of authority and personal accountability, written communication of policies and procedures of corporate conduct throughout the Company and careful selection and training of personnel; the regular updating and application of written accounting and administrative policies and procedures necessary to ensure adequate internal control over transactions, assets and records.

The consolidated financial statements necessarily include amounts based on informed judgements and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. The Board of Directors oversees Management's responsibilities for the consolidated financial statements through the Audit Committee, which is composed solely of directors who are not officers or employees of the Company. The Audit Committee meets four times per year at a minimum. Each year it reviews the adequacy of internal controls and discusses with the Shareholders' auditors the overall scope, timing and specific plans for their respective audits. The Audit Committee reviews with Management and the Shareholders' auditors the content and format of the Company's consolidated financial statements. As part of this process it reviews the adoption of and changes in accounting principles and practices that have a material effect on the Company's consolidated financial statements and key management estimates and judgements material to those statements. The Audit Committee also considers, for review by the Board and approval by Sunwah International Limited, the engagement or re-appointment of the Shareholders' auditors.

The Board has approved the consolidated financial statements. External auditors appointed by the Shareholders have examined the consolidated financial statements and their report follows. All other financial and operating data included in the annual report are consistent, where appropriate, with information contained in the consolidated financial statements.

Michael K.M. Choi
Chief Executive Officer

Eric K.K. Chan
Chief Financial Officer

SUNWAH INTERNATIONAL LIMITED

(incorporated in Bermuda with limited liability)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sunwah International Limited

Opinion

We have audited the consolidated financial statements of SUNWAH INTERNATIONAL LIMITED (the "Company") and its subsidiaries ("the Group") set out on pages 41 to 108, which comprise the consolidated statement of financial position as at June 30, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other matter

The consolidated financial statements of the Company for the year ended June 30, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on September 21, 2018.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- Information other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

CHENG & CHENG LIMITED
Certified Public Accountants
Hong Kong, September 27, 2019

Lam Chun Sing
Practising Certificate number P06998

SUNWAH INTERNATIONAL

SUNWAH INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at June 30, 2019 and 2018

	Notes	2019 US$ ('000)	2018 US$ ('000)
ASSETS			
Non-current assets			
Property and equipment	7	1,057	5
Other intangible assets	8	215	-
Goodwill	9	-	-
Interests in associates	10	21,717	25,720
Available-for-sale investments	11	-	3,035
Financial assets at fair value through profit or loss	11	2,500	-
Other financial assets	12	197	10
Amounts due from a related party	14	694	862
		26,380	29,632
Current assets			
Inventories		51	-
Financial assets at fair value through profit or loss	11	1	1
Accounts and other receivables	13	73	160
Amounts due from related parties	14	128	160
Cash and cash equivalents		374	1,152
Assets classified as held for sale	15	-	5,709
		627	7,182
LIABILITIES			
Current liabilities			
Accruals, accounts and other payables	16	780	781
Amount due to a related party	14	-	1,026
Borrowings	17	839	-
Unsecured debentures	18	-	4,566
		1,619	6,373
Non-current liabilities			
Provision for reinstatement costs		106	-
Deferred tax liabilities	19	35	-
		141	-
NET ASSETS		25,247	30,441
CAPITAL AND RESERVES			
Capital stock	20	6,554	6,554
Other reserves		52,843	52,813
Accumulated losses		(33,991)	(29,066)
Equity attributable to owners of the Company		25,406	30,301
Non-controlling interests		(159)	140
TOTAL EQUITY		25,247	30,441

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors on September 27, 2019

Douglas C. Betts
Director

Michael K.M. Choi
Director

SUNWAH INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the years ended June 30, 2019 and 2018

		2019	2018
			(Restated)
Continuing operations:	Notes	US$ (‘000)	US$ (‘000)
Revenue from restaurant operations	21	2,002	-
Interest income	21	39	36
		2,041	36
Cost of sales		(575)	-
		1,466	36
Net loss on financial assets/liabilities at fair value through profit or loss and remeasurement to fair value		(632)	(50)
Other income		12	6
		846	(8)
General, selling and administrative expenses		(2,871)	(867)
Finance costs	22	(18)	(472)
Share of results of an associate		(1,008)	156
Loss on deemed partial disposal of an associate		(117)	-
Gain on partial disposal of an associate		83	-
Modification loss on financial assets		(127)	-
Impairment of goodwill	9	(312)	-
Impairment of intangible asset	8	(29)	-
Other losses, net	21	(9)	(68)
Loss before tax		(3,562)	(1,259)
Income tax credit	23	8	-
Loss for the year from continuing operations	24	**(3,554)**	**(1,259)**
Discontinued operations – SWK:			
Loss on deemed disposal of a subsidiary	27	-	(15,345)
Profit for the year, net of tax	28	-	2,726
Discontinued operations – Technology products and services:			
Gain on disposal of subsidiaries	31	9	-
(Loss)/profit for the year, net of tax	29	(63)	48
Loss for the year from discontinued operations		**(54)**	**(12,571)**
Loss for the year		**(3,608)**	**(13,830)**
Attributable to:			
Owners of the Company		(3,384)	(15,398)
Non-controlling interests		(224)	1,568
Loss for the year		**(3,608)**	**(13,830)**
		US$	US$
Basic loss per share – continuing and discontinued operations	25	(0.0363)	(0.1653)
Diluted loss per share – continuing and discontinued operations	25	(0.0363)	(0.1653)
Basic loss per share – continuing operations	25	(0.0359)	(0.0135)
Diluted loss per share – continuing operations	25	(0.0359)	(0.0135)

See accompanying notes to the consolidated financial statements

SUNWAH INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME/(EXPENSES)

For the years ended June 30, 2019 and 2018

	Note	2019	2018
			(Restated)
		US$ ('000)	US$ ('000)
Loss for the year		(3,608)	(13,830)
Other comprehensive income (expenses):			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of financial statements of overseas subsidiaries		25	35
Release of reserve related to partial disposal and deemed disposal of an associate		4	-
Fair value changes on available-for-sale investments		-	123
Share of other comprehensive (expense) income of an associate			
- Foreign exchange reserve		(3)	(21)
- Investment revaluation reserve		-	21
Release of reserves related to deemed disposal of a subsidiary	27	-	(133)
Total items that may be reclassified subsequently to profit or loss		26	25
Other comprehensive income for the year		26	25
Total comprehensive expenses for the year		(3,582)	(13,805)
Total comprehensive (expenses) income attributable to:			
Owners of the Company		(3,358)	(15,455)
Non-controlling interests		(224)	1,650
Total comprehensive expenses for the year		(3,582)	(13,805)

See accompanying notes to the consolidated financial statements

SUNWAH INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the years ended June 30, 2019 and 2018

	Attributable to owners of the Company									
	Capital stock	Share premium	Contributed surplus	Foreign exchange reserve	Investment revaluation reserve	Properties revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total
	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)	US$('000)	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)
As at July 1, 2018	6,554	51,596	828	368	21	-	(29,066)	30,301	140	30,441
Adoption of IFRS 9 and IFRS 15	-	-	-	-	(21)	-	(1,541)	(1,562)	-	(1,562)
Restated balance as at July 1, 2018	6,554	51,596	828	368	-	-	(30,607)	28,739	140	28,879
Loss for the year	-	-	-	-	-	-	(3,384)	(3,384)	(224)	(3,608)
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	25	-	-	-	25	-	25
Share of other comprehensive expense of an associate	-	-	-	(3)	-	-	-	(3)	-	(3)
Release of reserves related to partial disposal and deemed partial disposal of an associate	-	-	-	4	-	-	-	4	-	4
Total comprehensive (expenses) income for the year	-	-	-	26	-	-	(3,384)	(3,358)	(224)	(3,582)
Release of non-controlling interests upon disposal of subsidiaries (Note 31)	-	-	-	-	-	-	-	-	(20)	(20)
Acquisition of a subsidiary with non-controlling interests (Note 30)	-	-	-	-	-	-	-	-	(55)	(55)
Stock based compensation	-	-	25	-	-	-	-	25	-	25
As at June 30, 2019	6,554	51,596	853	394	-	-	(33,991)	25,406	(159)	25,247
As at July 1, 2017	6,554	51,596	802	446	-	820	(14,488)	45,730	62,084	107,814
(Loss) profit for the year	-	-	-	-	-	-	(15,398)	(15,398)	1,568	(13,830)
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	23	-	-	-	23	12	35
Fair value changes on available-for-sale investments	-	-	-	-	53	-	-	53	70	123
Share of other comprehensive (expense) income of an associate	-	-	-	(21)	21	-	-	-	-	-
Release of reserves related to deemed disposal of a subsidiary (Note 27)	-	-	-	(80)	(53)	-	-	(133)	-	(133)
Total comprehensive (expenses) income for the year	-	-	-	(78)	21	-	(15,398)	(15,455)	1,650	(13,805)
Contribution from non-controlling interests in a subsidiary's open offer	-	-	-	-	-	-	-	-	17,775	17,775
Transfer of reserves and release of non-controlling interests upon completion of deemed disposal of a subsidiary	-	-	-	-	-	(820)	820	-	(79,564)	(79,564)
Dividends	-	-	-	-	-	-	-	-	(1,805)	(1,805)
Stock based compensation	-	-	26	-	-	-	-	26	-	26
As at June 30, 2018	6,554	51,596	828	368	21	-	(29,066)	30,301	140	30,441

See accompanying notes to the consolidated financial statements

SUNWAH INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the years ended June 30, 2019 and 2018

	Notes	2019	2018
		US$ ('000)	US$ ('000)
			(Restated)
OPERATING ACTIVITIES			
Loss before income taxes – continuing operations		(3,562)	(1,259)
(Loss)/profit before income taxes – discontinued operations	29	(54)	3,086
Loss on deemed disposal of a subsidiary – discontinued operations	28	-	(15,345)
Items not affecting cash and cash equivalents:			
Fair value changes on non-controlling interests in consolidated investment fund		-	179
Fair value change on financial assets at fair value through profit or loss		632	-
Gain on disposal of subsidiaries	31	(9)	-
Amortisation of intangible assets	8	18	-
Depreciation of leasehold improvements and equipment	7	198	637
Share of losses (profits) of associates		1,008	(519)
Fair value changes on investment properties		-	(366)
Provision for impairment losses of account and other receivable		10	44
Provision for impairment losses of amount due from a related party	14	1	98
Loss on deemed disposal of a subsidiary	27	-	15,345
Loss on deemed partial disposal of an associate		117	-
Gain on partial disposal of an associate		(83)	-
Modification loss on financial assets		127	-
Impairment of goodwill	9	312	-
Impairment of intangible asset	8	29	-
Interest expenses	22	18	558
Interest income		(39)	(2,118)
Dividend income		-	(172)
Stock-based compensation		25	26
Effect of foreign exchange rate changes		-	(523)
Operating loss before changes in working capital		(1,252)	(329)
Changes in financial assets/liabilities at fair value through profit or loss		-	(4,220)
Changes in operating working capital		329	(937)
Cash used in operations		(923)	(5,486)
Interest paid		-	(178)
Interest received		1	2,325
Profit tax paid		-	(175)
Dividend received		-	232
Net cash used in operating activities		(922)	(3,282)
FINANCING ACTIVITIES			
Dividends paid by a subsidiary to non-controlling interests	36	-	(1,805)
Repayment to non-controlling shareholders of a subsidiary	36	(874)	-
Repayment of loan from related party	36	-	(449)
Drawdown of loan from related party	36	-	834
Repayment of bank loans, secured	36	-	(42,308)
Drawdown of bank loans, secured	36	-	42,308
Payment of interest on unsecured debentures	36	(13)	(426)
Payment on interest on amount due to related party	36	(5)	-
Net proceeds from issue of shares of a subsidiary		-	17,775
Net cash (used in) provided by financing activities		(892)	15,929

SUNWAH INTERNATIONAL LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the years ended June 30, 2019 and 2018

	Notes	2019	2018
		US$ ('000)	US$ ('000)
			(Restated)
INVESTING ACTIVITIES			
Net cash inflow arising from acquisition of a subsidiary	30	80	-
Dividends received from an associate	10	1,254	-
Purchase of property and equipment	7	(30)	(159)
Repayment of an amount due from a related party		25	-
Net cash outflow arising from disposal of subsidiaries	31	(293)	-
Cash outflow arising from deemed disposal of a subsidiary	27	-	(32,519)
Deposit paid for the subscription of available-for-sale investment		-	(2,608)
Net cash provided by (used in) investing activities		1,036	(35,286)
Effect of foreign currency changes		-	1
Net decrease in cash and cash equivalents		(778)	(22,638)
Cash and cash equivalents, at beginning of the year		1,152	23,790
Cash and cash equivalents, at end of the year		374	1,152
Analysis of the balances of cash equivalents:			
Bank balance		374	1,152

See accompanying notes to the consolidated financial statements

SUNWAH INTERNATIONAL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION AND NATURE OF BUSINESS

Sunwah International Limited ("The Company") is an investment holding company originally incorporated under the Companies Act of the Province of British Columbia and then continued in Bermuda and is listed on the main board of the Toronto Stock Exchange with symbol "SWH". The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office of the Company is located at 7/F., Tower One, Lippo Centre, 89 Queensway, Hong Kong.

On January 8, 2018, a former subsidiary, Sunwah Kingsway Capital Holdings Limited ("SWK"), announced a proposal to raise approximately US$18.2 million before expenses by issuing 1,380,326,220 new ordinary shares at the price of US$0.013 (equivalent to HK$0.103) per share on the basis of one share for every four existing shares (the "Open Offer") in order to enlarge the capital base to facilitate its long-term development. The Group did not participate in the Open Offer and, upon of its completion on March 15, 2018, the Group's interest in SWK was diluted from 43.31% to 34.65%, and SWK ceased to be a subsidiary and became an associate of the Group ("Deemed Disposal of SWK").

Up to the Deemed Disposal of SWK, a substantial part of the operations of the Company and its subsidiaries (the "Group") were conducted through SWK, which is based in Hong Kong and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). SWK and its subsidiaries' main activities include proprietary investment, properties investment, brokerage, corporate finance & capital markets and asset management.

Moreover, the Company entered into debts settlement agreements with its debenture holders and loan lender in June 2018 to mitigate its liquidity risk. The transaction was settled by delivery of a portion of the Group's share holdings in SWK, and was completed in July 2018, after which the Group's interest in SWK was further reduced to 28.36%. For the details of the arrangement, please refer to Notes 10(b), 15 and 18.

On January 17, 2019, SWK issued 112,838,572 shares in relation to its scrip dividend arrangement. The Group elect to receive cash dividend for cashflow purpose and as a result, the Group's equity interests in SWK was further diluted from 28.36% to 27.90% on January 17, 2019. As a result of the arrangement, the Group realized a loss of approximately US$117,000.

The Company obtained control of HFL Limited by acquiring 51% interest in HFL Limited on November 30, 2018. HFL Limited operates a premium Chinese seafood restaurant in Hong Kong. For the details, please refer to Note 30.

On May 31, 2019, the Group disposed all of its 70% equity interests in both Pop Electronic Products Limited ("Pop") and Daceasy (H.K.) Limited ("Daceasy") which constitute the substantial portion of the segment of technology products and services. Pop and Daceasy ceased to be the subsidiaries of the Group thereafter. As a result of the disposal of the technology products and services segment, the operation results are presented as discontinued operations. Please refer to Notes 29 and 31 for details.

The Group now engages in investment holding, restaurant operations and participate in the business of financial services through its equity interests in SWK as an associate.

The details of the Company's significant subsidiaries and the Group's associates are set up in Note 34 and Note 10, respectively.

2 BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standard Board ("IASB"). These consolidated financial statements were approved by the Board of Directors for issuance on September 27, 2019.

The consolidated financial statements have been prepared under the going concern basis notwithstanding that the Group incurred a net loss from continuing operations of US$3,554,000 for the year ended June 30, 2019 and as of that date, had net current liabilities of US$992,000. The directors of the Company consider that the Group will be able to obtain sufficient funds to enable it to operate, as well as to meet its liabilities as and when they become due, and the capital expenditure requirements for the coming 12 months on the basis that:

2 BASIS OF PREPARATION (CONTINUED)

(a) Statement of Compliance (Continued)

(i) subsequent to June 30, 2019, the Group has entered into a 6-month loan agreement, with an option to extend the maturity date for an additional six months, totaling amounting to HK$4,000,000 (equivalent to US$513,000) with an independent third party to provide additional financing to the Group. The amount was drawn down by the Group in September 2019.

(ii) Subsequent to June 30, 2019, the Group obtained a 18-month loan facility amounting to HK$10,000,000 (equivalent to US$1,282,000) from a controlling shareholder of the Company to provide additional financing to the Group.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

(b) Basis of Measurement

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. Except as described in Note 4, the accounting policies and methods of computation used in these consolidated financial statements for the year ended June 30, 2019 are consistent with those applied in the prior year.

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair values at the end of each reporting period as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Additionally, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventory or value in use in IAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

2 BASIS OF PREPARATION (CONTINUED)

(c) Functional and Presentation Currency

The consolidated financial statements are presented in United States dollars ("US$"), which is the functional currency of the Company. All financial information presented in US$ has been rounded to the nearest thousand, unless otherwise specified.

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described in Note 4, the accounting policies and methods of computation used in these consolidated financial statements for the year ended June 30, 2019 are consistent with those applied in the prior year.

(d) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of operations and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intragroup transactions, balances, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

SUNWAH INTERNATIONAL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(b) Business Combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business Combinations (Continued)

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income and measured under IFRS 9/IAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively, during the measurement period (see above), and additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(c) Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it or the portion so classified is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Where the associate uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances, appropriate adjustments are made to conform the associate’s accounting policies to those of the Group. Under the equity method, investments in the associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associates. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group’s share of losses of an associate exceeds the Group’s interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Investments in the associates are accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investments in associates, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired. The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investments in Associates (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9/IAS39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with its associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(d) Non-current Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(e) Intangible Assets

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortization and any accumulated impairment losses (see the accounting policy in respect of impairment of tangible and intangible assets other than goodwill below). Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Trademark
Purchased trademark is stated at cost less any impairment losses and is amortized on the straight-line basis over their estimated useful lives of 8.5 years.

SUNWAH INTERNATIONAL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash- generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

(g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(h) Financial Instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with IFRS 15 since July 1, 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the Group’s ordinary course of business are presented as revenue.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions)

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

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

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions) (Continued)

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets (upon application IFRS 9 with transitions)

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including accounts, loans and other receivables, cash and cash equivalents, other financial assets, amounts due from related parties and contract assets (if any)). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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

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

<u>Significant increase in credit risk</u>

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions) (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers that default has occurred when the instrument is more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Measurement and recognition of ECL

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions) (Continued)

Measurement and recognition of ECL (Continued)

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts, loans and other receivables where the corresponding adjustment is recognized through a loss allowance account and presented under “net impairment losses on financial instruments”.

Classification and subsequent measurement of financial assets (before application of IFRS 9 on July 1, 2018)

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Group’s financial assets are classified into one of the specified categories, including financial assets at fair value through profit or loss (“FVTPL”), loans and receivables and available-for-sale (“AFS”) financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL upon initial recognition. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future, or on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking, or it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis, or it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on July 1, 2018) (Continued)

Financial assets at FVTPL (Continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in the statement of operations. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets. The dividend and interest earned is included in revenue from discontinued operation in the consolidated statements of operations. Fair value is determined in the manner described in Notes 11 and 32(f).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables, which mainly comprise accounts and other receivables, amounts due from related parties, bank balances and cash-trust accounts, and cash and cash equivalents, are measured at amortized cost using the effective interest method, less any impairment, unless the effect of discounting would be immaterial. In such case, the receivables are stated at cost less impairment losses, if any.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables or financial assets at FVTPL or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity instruments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, changes in foreign exchange rates and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect to impairment of financial assets below).

Impairment of financial assets (before application of IFRS 9 on July 1, 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, or breach of contract, such as default or delinquency in interest or principal payments, or it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on July 1, 2018) (Continued)

Impairment of financial assets (before application of IFRS 9 on July 1, 2018) (Continued)

For accounts and loans receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts and loans receivables, where the carrying amount is reduced through the use of an allowance account. When an account or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of operations.

When an AFS investment is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated in the investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or are designated at FVTPL on initial recognition. A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing in the near future, or on initial recognition, it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking, or it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized in the statement of operations. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities. Fair value is determined in the manner described in Notes 11 and 32(f).

Other financial liabilities

Other financial liabilities (including accounts and other payables, amount due to a related party, bank loans and unsecured debentures) are subsequently measured at amortized cost using the effective interest method, unless the effect of discounting would be immaterial. In such case, the liabilities are stated at cost.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

SUNWAH INTERNATIONAL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial Instruments (Continued)

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(i) Property and Equipment

Property and equipment, including land and buildings held for own use, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statements of operations.

Depreciation is recognized so as to write off the cost or fair value of property and equipment less their residual values, if any, using the straight-line method over their estimated useful lives as follows:

Land and buildings held for own use	:	Shorter of the remaining lease terms or 50 years
Leasehold improvements	:	Shorter of the lease terms or 5 years
Furniture and fixtures	:	5 years
Equipment	:	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(j) Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in, first-out method. Net realizable value represents the estimated selling price for inventories less costs necessary to make the sale.

SUNWAH INTERNATIONAL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(m) Impairment of Tangible and Intangible Assets other than Goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

SUNWAH INTERNATIONAL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue Recognition (Prior to July 1, 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from sales of software products is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Maintenance fee income is recognized pro-rata over the term of the maintenance period.

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognized when the shareholders' rights to receive payment has been established.

Revenue Recognition (Applicable from July 1, 2018)

Under IFRS 15, the Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

Revenue from restaurant operation is generally recognized at a point in time when food and beverages are served to the customers.

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets.

Revenue from sales of software products is recognized at a point in time when the customer obtains control of the software products, which generally coincides with the time when the goods are delivered to customers and title has passed.

Maintenance fee income is recognized pro-rata over the term of the maintenance period.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee Benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) Bonus plans

The expected cost of bonus payments is recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus payments are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Defined contribution pension plan obligations

The Group operates a defined-contribution pension scheme (“MPF Scheme”) under the rules and regulations of the Hong Kong Mandatory Provident Fund (“MPF”) Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. Payments to the MPF Scheme are charged as expense when employees have rendered service entitling them to the contributions and are reduced by contributions forfeited, if applicable, by those employees who leave the scheme prior to the contributions becoming fully vested.

(iv) Equity-settled share-based payments transactions

The fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (contributed surplus).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to contributed surplus. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to the profit or loss.

At the time when the share options are exercised, the amount previously recognized in contributed surplus will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in contributed surplus will be transferred to accumulated losses.

Under the Company’s Deferred Shares Unit (“DSU”) plan, on the date directors’ fees are payable, the number of DSUs to be awarded to a participant is determined by dividing the amount of the fees payable by way of DSUs by the market value of a common share on the Toronto Stock Exchange. The amount of directors’ fees payable, which represents the fair value of the DSUs awarded, is charged to the statement of operations in the period of grant.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profits for the year. Taxable profit differs from 'loss before tax' as reported in the consolidated statements of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(r) Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (and therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interest.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangement that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

4 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current year, the Group has applied the following new and amendments to IFRSs for the first time which are relevant to the Group.

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

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

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

4.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 9 FINANCIAL INSTRUMENTS

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

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

(I) Classification and measurement of financial assets

In general, IFRS 9 categories financial assets into the following three classification categories:

- measured at amortized cost;
- at fair value through other comprehensive income (FVTOCI); and
- at fair value through profit or loss (FVTPL).

These classification categories are different from those set out in IAS 39 which included held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Details about the Group's accounting policies for its financial assets and financial liabilities are disclosed in note 3 to the consolidated financial statements. The Group did not designate or dedesignate any financial asset at FVTPL at July 1, 2018.

4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

4.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

(II) Impairment

IFRS 9 has introduced the “expected credit loss model” to replace the “incurred loss” model under IAS 39. The “expected credit loss model” requires an ongoing measurement of credit risk associated with a financial asset. The Group has applied the “expected loss model” to the financial assets that are subsequently measured at amortized cost (including cash and cash equivalents, accounts and other receivables, other financial assets, and loans to related parties).

As at July 1, 2018, additional credit allowances of US$34,000 have been recognized against the accumulated losses. The additional loss allowance is charged against the respective asset.

Please see note 3 regarding accounting policies for impairment.

(III) Classification and measurement of financial liabilities

The application of IFRS 9 in respect of financial liabilities’ classification and measurement has had no impact on the consolidated financial statements.

(IV) Hedge accounting

The Group has not applied any hedge accounting and hence the new general hedge accounting model set out in IFRS 9 has not had any impact on the Group’s consolidated financial statements.

Summary of effects arising from initial application of IFRS 9

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

	Notes	Carrying amount as at June 30, 2018 under IAS 39	Reclassification	Remeasurement	Carrying amount as at July 1, 2018 under IFRS 9
		US$ (‘000)	US$ (‘000)	US$ (‘000)	US$ (‘000)
Interests in associates	(a),(c)	25,720	-	(63)	25,657
Available-for-sale investments	(b)	3,035	(3,035)	-	-
Financial assets at FVTPL (Non-current)	(b)	-	3,035	97	3,132
Amounts due from a related party (Non-current)	(c)	862	-	(8)	854
Amounts due from related parties (Current)	(c)	160	-	(26)	134
Other reserves		52,813	-	(21)	52,792
Accumulated losses		(29,066)	-	21	(29,045)

Notes:

(a) Effects on the IFRS 9 adopted by the Group’s associate

(b) From available-for-sale investments to financial assets at FVTPL

At the date of initial application of IFRS 9, the Group’s unlisted partnership investments of US$3,035,000 were reclassified from available-for-sale investments to financial assets at FVTPL since the management did not opt to designate the financial assets to FVTOCI. The net fair value gains of US$97,000 relating to those investments upon initial application of IFRS 9 were transferred to accumulated losses.

4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

4.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

Summary of effects arising from initial application of IFRS 9 (Continued)

Notes: (Continued)

(c) Impairment under ECL model

As at July 1, 2018, additional credit allowances of US$34,000 have been recognized against the accumulated losses. The additional loss allowance is charged against the respective asset. The additional credit allowance for interests in associate of US$63,000 have been recognized in respect of financial assets held by the associate against the accumulated losses.

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

	Impairment allowance under IAS 39 US$ ('000)	**Impairment allowance under re-measurement** US$ ('000)	**Impairment allowance under IFRS 9** US$ ('000)
Interests in associates	826	63	889
Accounts and other receivables	186	-	186
Amounts due from a related party	-	8	8
Amounts due from related parties	163	26	189
Total	1,175	97	1,272

4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

4.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and other revenue-related Interpretations. Under IAS 11 and IAS 18, revenue arising from construction contracts and provision of services was recognized over time whereas revenue from sale of goods was generally recognized at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under IFRS 15, revenue is recognized when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 has introduced additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Please see note 3 for details of old and new accounting policies.

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

The Group recognizes revenue from the following major sources:

- Sales and maintenance fee income for software products
- Revenue from restaurant operations

As evaluated by management, the adoption of IFRS 15 did not result in a material impact on the financial statements as the Group did not have any complex sales transactions or long term contracts and the adoption of IFRS 15 did not have significant impact on timing and amount of revenue recognition.

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

4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

4.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON IFRS 15 REVENUE FROMCONTRACTS WITH CUSTOMERS (CONTINUED)

Summary of effects arising from initial application of IFRS 15

The following table summarizes the impact on the consolidated statements of financial position as at July 1, 2018:

	As at June 30 2018	**Adoption of IFRS 15**	**As at July 1 2018**
	US$ (‘000)	US$ (‘000)	US$ (‘000)
Interests in associates	25,720	(1,562)	24,158
Accumulated losses	29,066	1,562	30,628

The following table summarizes the impact of transition to IFRS 15 on accumulated losses at July 1, 2018:

	Impact of adopting IFRS 15 at July 1, 2018
	US$ (‘000)
Accumulated losses	
Adjustment on interests in associates and impact at July 1, 2018	(1,562)

The following tables summarises the impacts of applying IFRS 15 on the Group’s consolidated statement of financial position as at June 30, 2019 and its consolidated statement of profit or loss for the current year for each of the line items affected. Line items that were not affected by the changes have not been included. There was no impact on the consolidated statement of cashflows.

Impact on the consolidated statement of financial position as at June 30, 2019

	As reported	**Adjustments**	**Amounts without application of IFRS 15**
	US$ (‘000)	US$ (‘000)	US$ (‘000)
Non-current Assets			
Interests in associates	21,717	1,150	22,867
Capital and Reserves			
Reserves	(18,852)	(1,150)	(20,002)

Impact on the consolidated statement of profit or loss for the year ended June 30, 2019

	As reported	**Adjustments**	**Amounts without application of IFRS 15**
	US$ (‘000)	US$ (‘000)	US$ (‘000)
Share of losses of associates	(1,008)	(412)	(1,420)
Loss for the year	(3,608)	(412)	(4,020)
Total comprehensive expense for the year	(3,582)	(412)	(3,994)

4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

4.3 IMPACTS ON OPENING CONSOLIDATED STATEMENT OF FINANCIAL POSITION ARISING FROM THE APPLICATION OF ALL NEW STANDARDS, AMENDMENTS AND INTERPRETATION

	As at June 30, 2018			As at July 1, 2018
	(Audited)	Adoption of IFRS 9	Adoption of IFRS 15	(Restated)
	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)
Property and equipment	5	-	-	5
Interests in associates	25,720	(63)	(1,562)	24,095
Available-for-sale investments	3,035	(3,035)	-	-
Financial assets at fair value through profit or loss (Non-current)	-	3,132	-	3,132
Other financial assets (Non-current)	10	-	-	10
Amounts due from a related party (Non-current)	862	(8)	-	854
Financial assets at fair value through profit or loss (Current)	1	-	-	1
Accounts and other receivables	160	-	-	160
Amounts due from related parties (Current)	160	(26)	-	134
Cash and cash equivalents	1,152	-	-	1,152
Assets held for sale	5,709	-	-	5,709
Accruals, accounts and other payables	(781)	-	-	(781)
Amount due to a related party	(1,026)	-	-	(1,026)
Unsecured debentures	(4,566)	-	-	(4,566)
Net Assets	**30,441**	**-**	**(1,562)**	**28,879**
Capital	6,554	-	-	6,554
Other reserves	52,813	(21)	-	52,792
Accumulated losses	(29,066)	21	(1,562)	(30,607)
Non-controlling interests	140	-	-	140
Total equity	**30,441**	**-**	**(1,562)**	**28,879**

5 NEW AND AMENDMENTS TO IFRSs AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to IFRSs and Interpretations that have been issued but are not yet effective, which may be relevant to the Group:

IFRS 16	Leases[1]
IFRIC - Int 23	Uncertainty over income tax treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment features with negative compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IAS 19	Plan amendment, curtailment or settlement[1]
Amendments to IAS 28	Long-term interests in associates and joint ventures[1]
Amendments to IFRSs	Annual improvements to IFRSs 2015-2017 cycle[1]

1 Effective for annual periods beginning on or after January 1, 2019.
2 Effective for annual periods beginning on or after January 1, 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020.

Except for the impact mentioned below, the directors of the Company anticipate that the application of all other new and revised IFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

5 NEW AND AMENDMENTS TO IFRSs AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

- IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. IFRS 16 also includes requirements relating to subleases and lease modifications. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows by the Group.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.

As at June 30, 2019, the Group has non-cancellable operating lease commitments of US$1,552,000 as disclosed in note 39. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of US$159,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognize the cumulative effect of initial application to opening retained profit without restating comparative information.

6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements in accordance with IFRSs requires management to exercise significant judgments to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates and assumptions. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates and assumptions are recognized in the period in which the estimate and assumption are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical judgements in applying accounting policies

Control over SWK

The Group's shareholding in SWK was approximately 43.31% for the period from July 1, 2017 to March 15, 2018. Upon the Deemed Disposal of SWK, the shareholding interest of the Company in SWK was diluted from approximately 43.31% to 34.65%. The directors of the Company assessed whether the Group has control over SWK based on whether the Group has the practical ability to direct the relevant activities of SWK unilaterally. In making their judgement, the directors of the Company considered the Group's dominant voting interest relative to the size and dispersion of holdings of the other vote holders, rights arising from other contractual arrangements, participation rates of shareholders and voting patterns in previous shareholders' meetings. The directors of the Company concluded that the Group had control over SWK before March 15, 2018 despite its voting rights being less than 50% and that SWK qualified as a subsidiary of the Group under IFRS 10 for the period from July 1, 2017 to March 15, 2018. Upon completion of Open Offer, the directors of the Company considered that the Group is no longer in a position to dominate the voting interest and exercise control but maintains significant influence over SWK. Accordingly, SWK ceased to be a subsidiary of the Company and became an associate of the Company with effect from March 16, 2018.

Key sources of estimation uncertainty

(a) Fair value of the financial assets at fair value through profit or loss

The Group invested in unlisted investments and the investments are classified as financial assets at fair value through profit or loss because of the adoption of IFRS 9 during the current period. The fair value of the unlisted investments is derived from unobservable inputs including various financial ratios including the unaudited performance of similar listed companies. The determination of the valuation of the investments requires significant judgement and estimation.

(b) Expected credit loss on financial instruments

The measurement of ECL under IFRS 9 across all categories of financial assets to which ECL measurements apply requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group use external credit rating reports, research reports and statistics to estimate the probability of default, the loss given default and the impact on the forward-looking information.

At each reporting date, the Group and its associate assess whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

The Company and its associate consider reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes qualitative and quantitative information and also, forward-looking analysis.

(c) Estimated impairment of interest in an associate

The Group has carried out impairment testing to determine whether the Group's interest in an associate, SWK, is impaired as indicated by the quoted market price of the shares of SWK, which is lower than the net asset value of SWK. Determining whether the interest in an associate is impaired requires an estimation of the fair value less cost of sell or value in use on the basis of data available to the Group. Where recoverable amount is less than expected, an impairment loss may arise.

SUNWAH INTERNATIONAL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 PROPERTY AND EQUIPMENT

	Land and buildings held for own use	Leasehold improvements	Furniture and fixtures	Office equipment	Total
	US$('000)	US$('000)	US$('000)	US$('000)	US$('000)
Cost:					
As at July 1, 2017	28,111	2,459	273	1,425	32,268
Additions	41	21	17	80	159
Derecognized on Deemed Disposal of SWK (Note 27)	(28,152)	(2,462)	(202)	(1,405)	(32,221)
As at June 30, 2018 and July 1, 2018	-	18	88	100	206
Additions	-	26	2	2	30
Written off	-	(9)	(35)	(19)	(63)
Acquisition of a subsidiary (Note 30)	-	994	206	25	1,225
Disposal of subsidiaries (Note 31)	-	(9)	(53)	(83)	(145)
As at June 30, 2019	-	1,020	208	25	1,253
Accumulated depreciation and impairment:					
As at July 1, 2017	3,111	1,886	273	1,384	6,654
Charge for the year	460	143	14	20	637
Eliminated on Deemed Disposal of SWK (Note 27)	(3,571)	(2,012)	(201)	(1,306)	(7,090)
As at June 30, 2018 and July 1, 2018	-	17	86	98	201
Charge for the year	-	160	33	5	198
Written off	-	(9)	(35)	(19)	(63)
Eliminated on disposal of subsidiaries (Note 31)	-	(8)	(52)	(80)	(140)
As at June 30, 2019	-	160	32	4	196
Carrying values:					
As at June 30, 2019	-	860	176	21	1,057
As at June 30, 2018	-	1	2	2	5

8 OTHER INTANGIBLE ASSETS

	Trademarks	Trading Rights	Memberships	Total
Cost:	US$('000)	US$('000)	US$('000)	US$('000)
As at July 1, 2017	-	825	76	901
Derecognized on Deemed Disposal of SWK (Note 27)	-	(825)	(76)	(901)
As at June 30, 2018 and July 1, 2018	-	-	-	-
Arising on acquisition of a subsidiary (Note 30)	262	-	-	262
As at June 30, 2019	262	-	-	262
Amortization:				
As at July 1, 2017 and 2018	-	-	-	-
Charge for the year	18	-	-	18
As at June 30, 2019	18	-	-	18
Impairment:				
As at July 1, 2017	-	629	9	638
Derecognized on Deemed Disposal of SWK (Note 27)	-	(629)	(9)	(638)
As at June 30, 2018 and July 1, 2018	-	-	-	-
Impairment loss recognized in the year	29	-	-	29
As at June 30, 2019	29	-	-	29
Carrying values:				
As at June 30, 2019	215	-	-	215
As at June 30, 2018	-	-	-	-

The trademarks are amortized on the straight-line basis over their estimated useful lives of 8.5 years.

9 GOODWILL

	US$('000)
Arising on acquisition of a subsidiary (Note 30)	312
Impairment loss recognized in the year	(312)
At June 30, 2019	-

Goodwill acquired through business combinations has been allocated to restaurant operation upon the acquisition of HFL Limited in the current year. Further details of the acquisition are contained in note 30 to the financial statements.

The recoverable amount of the restaurant operation cash-generating unit was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the cash flow projections was 13.17% and cash flows beyond the five-year period were extrapolated using a growth rate of 2.5%, which was the same as the long term average growth rate of the industry.

Due to the unfavourable operating performance of the premium Chinese seafood restaurant in Hong Kong operated by HFL Limited after the acquisition by the Group due to increased uncertainty in operating environment as result of US-China trade war, an impairment loss of US$312,000 was recognized in the current year.

10 INTERESTS IN ASSOCIATES

	June 30, 2019	June 30, 2018
The Group's interests in associates	US$('000)	US$('000)
- **Unlisted shares**		
Interests in an associate (Note a)	-	826
Less: impairment losses recognized	-	(826)
	-	-
- **Listed shares in Hong Kong**		
– SWK (Note b)	21,717	31,429
Carrying amount of associates	21,717	31,429
Less: reclassified as held for sale (Note b)	-	(5,709)
	21,717	25,720
Total market value of listed shares in SWK	14,803	24,086

Notes:

(a) The associate was dissolved.

(b) Upon the Deemed Disposal of SWK completed on July 13, 2018, the Group has adopted equity accounting in respect of its remaining interest in SWK thereafter.

In June 2018, the Group entered into a debenture settlement agreement and a loan settlement agreement with the debenture holders and lender, respectively (collectively referred to "Debts Settlement"). In accordance with the debenture settlement agreement, the Group will redeem the debentures of CAD6 million and settle the interest accrued as of June 30, 2018 and 1% arrangement fee by transferring 357,506,826 shares of SWK at a price of HK$0.104 per share to the debenture holders. In accordance with the loan settlement agreement, the Group will also settle the outstanding loan balance of HK$8 million (equivalent to US$1,026,000) by transferring 76,923,076 shares of SWK at a price of HK$0.104 per share to the lender. As a portion of the interests in an associate was used for the Debts Settlement, the portion of the investment is classified as held for sale as at June 30, 2018. According to the debenture settlement agreement and loan settlement agreement, the debenture, debenture interests and 1% arrangement fee with carrying amount of US$4,766,000 and the loan with carrying amount of US$1,026,000 were settled by assets classified as held for sale with carrying amount of US$5,709,000 (Note 15). The gain on partial disposal of an associate of US$83,000 was recorded in profit or loss.

On July 13, 2018, the Debts Settlement has been completed and the Group's interest in SWK was further reduced from 34.65% to 28.36%. The transaction is recorded as "Partial disposal of an associate".

(c) On September 18, 2018, the board of directors of SWK recommended the payment of a final dividend of HK0.3 cent per ordinary share for the year ended June 30, 2018 payable on January 17, 2019 to the shareholders of SWK.

At the annual general meeting of SWK held on November 22, 2018, the 2018 final dividend was approved by the shareholders. The shareholders were provided with an option to receive an allotment of new shares of HK$0.01 each in the capital of SWK (the "Scrip Shares") in lieu of cash only for the 2018 final dividend (the "Scrip Dividend Arrangement").

On January 17, 2019, SWK issued 112,838,572 shares in relation to its Scrip Dividend Arrangement. The Group elected to receive cash dividend of US$753,000 for cashflow purpose and as a result, the Group's equity interests in SWK was diluted from 28.36% to 27.90% on January 17, 2019. The transaction is recorded as "Deemed partial disposal of an associate".

10 INTERESTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

(d) The following list contains the particulars of significant associates which principally affected the results or assets of the Group:

Name of entity	Form of entity	Place of incorporation/ operations	Class of shares held	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activities
				2019	**2018**	**2019**	**2018**	
SWK	Incorporated	Bermuda/ Hong Kong	Ordinary	27.90%	34.65%	27.90%	34.65%	Investment holding, securities dealing and financial services, and loan financing (2018: Investment holding, securities dealing and financial services, and loan financing)

(e) Summarized financial information of material associate:

The summarized financial information below represents amounts shown in the associates financial statements / management accounts in accordance with IFRSs.

i) Information of an associate that is individually material

SWK	**June 30, 2019**	**June 30, 2018**
	US$('000)	US$('000)
Current assets	173,254	235,720
Non-current assets	81,677	78,496
Current liabilities	(111,086)	(160,300)
Non-current liabilities	(5,020)	(4,646)
Net assets	138,825	149,270

	From July 1, 2018 to June 30, 2019	**From March 16, 2018 to June 30, 2018**
	US$('000)	US$('000)
Revenue	21,916	7,249
(Loss) Profit for the year attributable to owners	(4,208)	449
Other comprehensive income for the year attributable to owners	3,103	-
Total comprehensive (expenses) income for the year attributable to owners	(1,105)	449
Dividend income from SWK during the periods	1,254	-

SUNWAH INTERNATIONAL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INTERESTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

(d) Summarized financial information of material associate: (Continued)

Reconciliation of the above summarized financial information to the carrying amount of the interest in SWK recognized in the consolidated financial statements:

	June 30, 2019	June 30, 2018
	US$('000)	US$('000)
Net assets of SWK	138,825	149,270
Non-controlling interests of SWK	(8)	(24)
	138,817	149,246
Effect of fair value adjustments at acquisition	(36,026)	(36,026)
Adjustment on differences in accounting policy (Note)	(24,953)	(22,519)
	77,838	90,701
Proportion of the Group's ownership interest in SWK	27.90%	34.65%
Carrying amount of the Group's interest in SWK	21,717	31,429

Note: The adjustment was made to align the different accounting policies on the measurement basis of property and equipment between the Group and SWK. As disclosed in note 3(i), the Group measures property and equipment at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. In contrast, SWK measures property using the revaluation model.

11 AVAILABLE-FOR-SALE INVESTMENTS / FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Available-for-sale investments comprise:

	June 30, 2019	June 30, 2018
	US$ ('000)	US$ ('000)
Limited partnership shares at cost (Note)	-	3,035

Financial assets/liabilities at fair value through profit or loss comprises of listed and unlisted investments as follows:

	June 30, 2019	June 30, 2018
	US$ ('000)	US$ ('000)
Financial assets at fair value through profit or loss		
- Limited partnership shares outside Hong Kong	2,500	-
- Listed equity securities outside Hong Kong	1	1
	2,501	1
Represented by:		
- Non-current	2,500	-
- Current	1	1
	2,501	1

11 AVAILABLE-FOR-SALE INVESTMENTS / FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Notes: (Continued)

The Group's investment in shares of limited partnership incorporated in the Cayman Islands represents a 3.57% partnership interest in an unlisted limited partnership, of which the partnership through its wholly owned subsidiaries indirectly own 76.31% equity interest in a private company with principal operation in car dealership and after-sale service of motor vehicles primarily in Mainland China.

As at June 30, 2018, the limited partnership shares are stated at cost less impairment because their fair value cannot be measured reliably as the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

As detailed in note 4, the Group's available-for-sale investments as at June 30, 2018 have been reclassified to appropriate categories of financial assets upon adoption of IFRS 9 on July 1, 2018.

12 OTHER FINANCIAL ASSETS

	June 30, 2019	June 30, 2018
	US$ ('000)	US$ ('000)
Rental deposits	159	-
Other deposits and receivables	38	10
	197	10

13 ACCOUNTS AND OTHER RECEIVABLES

	June 30, 2019	June 30, 2018
	US$ ('000)	US$ ('000)
Amounts due from brokers and clearing houses	40	152
Accounts receivables (Note (a))	24	-
Fixed-rate loans receivable (Note (b))	186	186
Other account receivables (Note (c))	-	5
	250	343
Less: Impairment losses recognized	(186)	(186)
	64	157
Prepaid expenses and deposits	9	3
	73	160

Notes:

(a) The accounts receivables represents revenue from the Group's Chinese restaurant operations. The Group's trading terms with its customers are mainly on cash and credit card settlement. The Group also grants a credit period from 30 to 90 days to certain customers. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Senior management reviews overdue balances regularly. In view of the aforementioned and the fact that the Group's account receivables relate to a number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these accounts receivable balances. Accounts receivables are non-interest bearing. Details of impairment assessment of accounts and other receivables for the year ended June 30, 2019 are set out in note 32.

(b) As at June 30, 2019 and 2018, full provision has been made because the management considers the amount to be uncollectable.

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

13 ACCOUNTS AND OTHER RECEIVABLES (CONTINUED)

The aging analysis of accounts and other receivables net of impairment losses based on invoice/advanced/trade date/contractual maturity date is as follows:

	June 30, 2019	**June 30, 2018**
	US$ ('000)	US$ ('000)
Current and within one month	64	157
More than one month and within three months	-	-
More than three months	-	-
	64	157

The movements in the allowance for impairment were as follows:

	Amounts due from margin clients	**Amounts due from cash clients**	**Other account receivables**	**Total**
	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)
As at July 1, 2017	851	182	186	1,219
Impairment losses recognized on receivables	-	-	44	44
Derecognized on Deemed Disposal of SWK	(851)	(182)	(44)	(1,077)
As at June 30, 2018 and 2019	-	-	186	186

14 AMOUNTS DUE FROM/TO RELATED PARTIES

	June 30, 2019	June 30, 2018
	US$ ('000)	US$ ('000)
Due from a director (Note (a))		
- Non current portion	694	862
- Current portion	128	109
Due from other parties (Note (b))	-	51
	822	1,022
Represented by:		
Current asset	128	160
Non-current asset	694	862
	822	1,022
Due to a related party (Note (c))	-	(1,026)

Notes

(a) In April 2004, the Company granted a HK$ loan equivalent to approximately US$565,000 to a director of the Company to subscribe for shares in the Company. The loan is repayable on demand, bears interest at 1% over the Hong Kong Dollar Best Lending Rate and is secured by 375,000 shares, which represents 0.4% shareholding, of the Company, which are pledged by the borrower. The outstanding balance represents the original loan balances and accumulated interest, as well as certain other miscellaneous advances to the director.

During the year ended June 30, 2019, the Group has agreed with the director a settlement schedule. According to IFRS 9, the Group is required to record an immediate profit or loss impact as at restructuring date when there is a significant modification on the financial assets. The existing financial asset was de-recognized in the consolidated financial statements, with the difference between the carrying amount and the fair value of the consideration paid recognized in profit or loss. As at June 30, 2019, a modification loss on financial assets of US$127,000 is recorded. Based on the timing of such repayments schedule, an amount of US$694,000, net of credit loss allowance, representing the repayment after 1 year is classified as non-current portion as at June 30, 2019 (June 30, 2018: US$862,000).

As at July 1, 2018, a credit loss allowance of US$8,000 has been recognized as a result of the adoption of the expected credit losses model under IFRS 9. During the year ended June 30, 2019, an additional expected credit losses of US$1,000 was recognized.

(b) In April 2011, a loan with the principal amount of US$270,000 granted by a subsidiary of the Group was drawn by minority shareholders for the acquisition of shares of another subsidiary of the Group. Additional loans of US$63,000 and US$24,000 were drawn by these minority shareholders in October 2011 and February 2012 respectively for the working capital of the subsidiary. The loans are unsecured, repayable on demand and bear interest at the annual rate of 5%-13.25% over the Hong Kong Dollar Best Lending rate. The subsidiary ceased operation since 2013.

Principal in the aggregate amount of US$194,000 (June 30, 2018: US$169,000) and a portion of the interest were repaid by the minority shareholders.

As at June 30, 2018 and June 30, 2019, the amount due from the minority shareholder amounted to US$163,000, which has been fully provided as at the reporting dates as the management considers the amounts to be uncollectable.

As at June 30, 2018, US$26,000 was due from a company related to a Group's director in relation to the office rental expenses. As at July 1, 2018, a credit loss allowance of US$26,000 has been recognized as a result of the adoption of the expected credit losses model under IFRS 9.

SUNWAH INTERNATIONAL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

Notes (Continued)

(c) As at June 30, 2018, HK$8 million (equivalent to US$1,026,000) was borrowed from the company controlled by family members of Dr. Jonathan Choi, a controlling shareholder and a director of the Company. The loan bears interest at the annual rate of 12% and will expire in September 2018.

As set out in Note 10, in June 2018, the Group entered into a loan settlement agreement in which the Group settled the outstanding loan balance of HK$8 million (equivalent to US$1,026,000) by transferring 76,923,076 shares of SWK to the lender on July 13, 2018.

15 ASSETS CLASSIFIED AS HELD FOR SALE

	June 30, 2019	June 30, 2018
	US$ (‘000)	US$ (‘000)
Interests in an associate	-	5,709

In June 2018, the Group entered into Debts Settlement with the debenture holders and lender to be settled by transferring shares of SWK. Details of the Debts Settlements are set out in Note 10.

As at June 30, 2018, a portion of an interest in an associate is expected to be used for the Debts Settlement within twelve months, the relevant portion has been classified as held for sale and is presented separately in the consolidated statements of financial position. The Debts Settlement is exceed the carrying amount of the relevant interests in an associate, so no impairment loss has been recognized.

16 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	June 30, 2019	June 30, 2018
	US$ (‘000)	US$ (‘000)
Creditors, accruals, other payables and provisions	780	599
Debentures interests payable	-	182
	780	781

17 BORROWINGS

	June 30, 2019	June 30, 2018
	US$ (‘000)	US$ (‘000)
Loans from non-controlling shareholders of a subsidiary	839	-

The loans from non-controlling shareholders of a subsidiary are interest-free, unsecured and repayable on demand.

18 UNSECURED DEBENTURES

In September 2008, the Group issued 9% unsecured convertible debentures with an aggregate principal amount of CAD7.5 million (approximately US$7.0 million) which were subscribed by related companies controlled by the directors of the Company. The debentures bore interest at the rate of 9% per annum payable semi-annually in arrears and were to mature on September 19, 2011 at their nominal value of CAD7.5 million, or be converted into shares at the holder's option at any time prior to the close of business on the earlier of maturity and the business day immediately preceding the date fixed for redemption of the convertible debentures at a conversion price of CAD0.80 per share. The Group would have had the right to early redeem the debentures in whole or in part, if, and only if, the 20-day volume weighted average price of the common shares of the Company (the "Shares") traded on the Toronto Stock Exchange ("TSX") exceeded CAD1.60 per share.

Over the years, the convertible debentures had been amended several times, including the events of extension of maturity date; changes on interest rate, conversion, and redemption prices; shares conversion and debentures repurchase. On September 19, 2014, the Company and the Debenture Holders agreed to amend the convertible debentures as an unsecured debenture, along with the cancellation of the conversion right of the Debenture Holders and the cancellation of the Company's redemption right. On September 18, 2015, the Company and the Debenture Holders agreed to further extend the maturity date from September 19, 2015 to September 19, 2016, with the same terms and conditions. In September 2016, the Company and the Debenture Holders agreed to further extend the maturity date from September 19, 2016 to September 19, 2017. The other major terms and conditions remained the same: the interest rate at 8% per annum, with an arrangement fee of 1% of the amount of the Debentures.

On September 19, 2017, the Company and the Debenture Holders agreed to further extend the maturity date from September 19, 2017 to September 19, 2018. The other major terms and conditions remained the same: principal amount of CAD6 million, the interest rate at 8% per annum, with an arrangement fee of 1% of the amount of the Debentures.

As set out in Note 10, in June 2018, the Group entered into a debenture settlement agreement with the debenture holders in which the Group redeemed the debentures of CAD6 million and settle the interest accrued as of June 30, 2018 and 1% arrangement fee by transferring to the debenture holders 357,506,826 shares of SWK at a price of HK$0.104 per share on July 13, 2018.

19 DEFERRED TAX LIABILITIES

(a) Deferred Tax Liabilities Recognized

The components of deferred tax liabilities recognized in the consolidated statements of financial position and the movements during the years are as follows:

	Amortization of Intangible assets	**Accelerated depreciation and revaluation**	**Total**
	US$ ('000)	US$ ('000)	US$ ('000)
As at July 1, 2017	-	612	612
Charged to profit or loss	-	129	129
Derecognized on Deemed Disposal of SWK (Note 27)	-	(741)	(741)
As at June 30, 2018 and July 1, 2018	-	-	-
Acquisition of a subsidiary (Note 30)	43	-	43
Credited to profit or loss	(8)	-	(8)
As at June 30, 2019	35	-	35

(b) Deferred Tax Assets Not Recognized

In accordance with the accounting policy set out in Note 3(p), the Group has not recognized deferred tax assets in respect of cumulative tax losses of approximately US$13 million (2018: US$20 million) as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. All the losses may be carried forward indefinitely for both years.

20 CAPITAL STOCK

	No. of common shares ('000)	Amount US$('000)
Authorized:		
150,000,000 common shares with par value of US$0.04		
Issued:		
Balance, as at June 30, 2019 and 2018 and July 1, 2017	93,140	6,554

Notes:

(a) The Company operates a stock option plan and a DSU plan. Under the stock option plan, stock options are vested, subject to certain qualifying conditions, over a three-year period, with option lives ranging from thirty six months to sixty months.

On October 1, 2004, the Company established the DSU plan which is a share award plan used as a tool for providing compensation to directors.

A DSU is a notional common share having the same value as one common share (a “Share”) at the time of grant. As with a Share, the holder of a DSU is entitled to participate in any dividends declared by the Company and a DSU, which is immediately vested on the date of grant, may be exchanged without further payment for a Share issued from treasury. DSUs are personal to the individual to whom they have been issued and are not transferable.

A portion or all of future directors' fees payable to directors will be paid by the issuance of DSUs. Independent directors' annual base retainers will be satisfied by the issuance of DSUs pursuant to the DSU plan. Any other fees payable to independent directors may be satisfied in a combination of cash and DSUs at the election of the director. Any shares necessary for the DSUs will be allocated from the Company's stock option plan.

During this year, no DSUs were exchanged for common shares.

A summary of the status of the group’s DSUs as at June 30, 2019 and 2018, and changes during the years ended on those dates are presented below:

	2019	2018
Outstanding, as at July 1, 2018 and 2017	1,784,756	1,693,584
Issued	106,120	91,172
Outstanding, as at June 30, 2019 and 2018	1,890,876	1,784,756

The DSUs granted on September 30, 2018, December 31, 2018, March 31, 2019 and June 30, 2019. The fair value of DSUs granted on those date are US$25,000 based on the market value.

(b) As at June 30, 2019, the reserve balance for the future issue of shares under the Company’s SWH Stock Option Scheme is approximately 9,019,000 shares (2018: approximately 9,125,000 shares).

SUNWAH INTERNATIONAL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 REVENUE AND OTHER LOSSES, NET

An analysis of revenue and other losses from continuing operations is as follows:

	2019	2018
REVENUE	US$('000)	US$('000)
Continuing operations		
Restaurant operations	2,002	-
Interest income		
– interest from		
– bank deposits	1	1
– others	38	35
	39	36
	2,041	36

	2019	2018
OTHER LOSSES, NET	US$('000)	US$('000)
Continuing operations		
Exchange gain (loss)	-	43
Other receivables written off (net)	(8)	-
Provision for impairment losses of amount due from a related party (Note 14)	(1)	(98)
Others	-	(13)
	(9)	(68)

22 FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2019	2018
	US$ ('000)	US$ ('000)
Interest expense on unsecured debentures	13	379
Others	5	93
	18	472

23 INCOME TAX CREDIT

Continuing operations

	2019	2018
	US$ (‘000)	US$ (‘000)
Deferred tax:		
Current year	(8)	-

The operations of the Group’s companies are substantially conducted in foreign jurisdictions and accordingly are not considered to be business conducted in Canada for the purposes of the Canadian Income Tax Act. The results arising from the operations are therefore not subject to Canadian tax.

Realized/unrealized foreign currency translation gains/losses arising from translation of foreign subsidiaries included in other comprehensive income are not subject to taxation in the respective jurisdictions of the holding companies.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit or there are tax losses available to set-off the assessable profit for both years.

The tax credit for the year can be reconciled to the loss before tax per the consolidated statements of operations as follows:

	2019	2018
	US$ (‘000)	US$ (‘000)
Loss before tax from continuing operations	(3,562)	(1,259)
Income tax based on Hong Kong statutory tax rate of 16.5% (2018: 16.5%)	(588)	(208)
Effect on income taxes of subsidiaries operating in other jurisdictions with different tax rates	(39)	(99)
Tax effect of share of results of an associate	166	(26)
Tax effect of non-taxable income	(18)	-
Tax effect of expenses not deductible for tax purpose	175	-
Tax effect of tax losses not recognized	296	333
Income tax credit	(8)	-

24 LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations is arrived at after charging the following:

	2019	2018
	US$ (‘000)	US$ (‘000)
Cost of inventories sold	575	-
Amortization of intangible assets	18	-
Depreciation	196	-
Impairment of goodwill	312	-
Impairment of intangible asset	29	-
Minimum operating lease expenses	261	8
Employee benefit expenses (excluding directors’ and chief executive’s remuneration)		
Wages and salaries and other benefits	988	51
Pension expenses	38	-
Stock-based compensation	25	26

25 LOSS PER SHARE

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

	2019	2018
	US$ ('000)	US$ ('000)
		(Restated)
Loss attributable to owners of the Company		
From continuing operations	(3,347)	(1,259)
From discontinued operations	(37)	(14,139)
Total from continuing operations and discontinued operations	(3,384)	(15,398)
From continuing operations and from total of continuing and discontinued operation:		
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	93,139,927	93,139,927
Effect of dilutive potential ordinary shares - DSUs	-	-
Weighted average number of ordinary shares for the purpose of diluted loss per share	93,139,927	93,139,927

The computation of diluted loss per share from continuing operations and from total of continuing and discontinued operations did not assume the shares to be issued in relation to the DSU because it is anti-dilutive for the year ended June 30, 2019 and 2018.

From discontinued operations: (Notes 28 and 29)

Basic and diluted loss per share from the discontinued operations is US$0.0004 per share (2018: Basic and diluted loss per share from the discontinued operation is US$0.1518 per share), based on the loss for the year from discontinued operation of US$37,000 (2018: loss of US$14,139,000). The denominators used are the same as those detailed above for the loss per share from continuing operations and from total of continuing and discontinued operation.

26 DIVIDENDS

The Board did not propose any dividend for the years ended June 30, 2019 and 2018.

27 DEEMED DISPOSAL OF SWK

Upon the Deemed Disposal of SWK, the Group recognized a loss of US$15,345,000 and details of the loss are calculated as follows:

	Notes	US$ ('000)	US$ ('000)
Fair value of 34.65% equity interest in SWK retained by the Group (Note (a))			31,273
Less: Carrying amount of net assets of SWK as at March 15, 2018			
Assets			
Property, plant and equipment	7	25,131	
Intangible assets	8	263	
Investment properties		12,262	
Interest in associates		2,111	
Available for sale investments		6,998	
Other financial assets		3,900	
Accounts and other receivables		58,718	
Financial assets at fair value through profit or loss		25,049	
Cash and bank balance		33,672	
Cash and bank balances – Trust		62,574	
Total assets		230,678	
Liabilities			
Net assets attributable to holders of non-controlling interests in consolidated investment fund		2,136	
Accruals, accounts and other payables		96,081	
Current taxation		248	
Financial liabilities at fair value through profit or loss		158	
Bank loans, secured		3,846	
Bank overdraft		1,153	
Deferred tax liability	19	741	
Total liabilities		104,363	(126,315)
Release of non-controlling interests			79,564
Release of reserves			133
Loss on the deemed disposal of a subsidiary recognized in the consolidated statements of profit or loss (Note 28)			(15,345)

Cash outflow arising from the deemed disposal of a subsidiary:	
- Cash and cash equivalent disposed of	(33,672)
- Bank overdraft	1,153
	(32,519)

Note:
(a) The fair value was based on the market price of the listed shares of SWK at the date of the deemed disposal.

28 DISCONTINUED OPERATIONS - SWK

As a result of the Deemed Disposal of SWK, the operation of SWK is presented as discontinued operations.

(a) The (losses) profits from the discontinued operations for the prior year are analysed as follows:

	Note	**From July 1, 2017 to March 15, 2018** US$ ('000)
Revenue and other income		16,832
Expenses		(14,694)
Finance cost		(86)
Other gains (losses), net		436
Fair value changes on investment properties		366
Share of profit (loss) of associates		363
Fair value changes on non-controlling interests in consolidated investment fund		(179)
Profit before loss on deemed disposal of a subsidiary and tax from discontinued operation		3,038
Income tax		(312)
Profit before loss on deemed disposal of a subsidiary from discontinued operation		2,726
Loss on deemed disposal of a subsidiary	27	(15,345)
Loss from discontinued operation, net of tax		(12,619)
Attributable to:		
Owners of the Company		(14,173)
Non-controlling interests		1,554
		(12,619)

(Note)
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the SWK and when specific criteria have been met for each of the SWK's activities, as described below.

(i) Brokerage and commission income is recognized on a trade date basis when the relevant transactions are executed and related services are provided. Underwriting and sub-underwriting commission is recognized once the corresponding underwriting exposure has ceased. Corporate finance advisory, asset management, loan arrangement, secretarial and other service fees are recognized upon such services being rendered.

(ii) Interest income is recognized as it accrues using the effective interest method.

(iii) Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

(iv) Rental income arising on investment properties is recognized on a straight-line basis over the lease term regardless of when the cash rental payment is received.

28 DISCONTINUED OPERATIONS – SWK (CONTINUED)

(b) Cash flows from discontinued operations:

	From July 1, 2017 to March 15, 2018
	US$ ('000)
Net cash (outflow) inflow from operating activities	(4,036)
Net cash outflow from investing activities	(2,591)
Net cash inflow (outflow) from financing activities	17,202
Net cash inflow	10,575

29 DISCONTINUED OPERATIONS – TECHNOLOGY PRODUCTS AND SERVICES

As a result of the disposal of 70% equity interests in Pop and Daceasy of the technology products and services segment in May 2019, the operation results of technology products and services is presented as discontinued operations.

(a) The (losses) profits from the discontinued operations for the current and prior year are analysed as follows:

	From July 1, 2018 to May 31, 2019	From July 1, 2017 to June 30, 2018
	US$ ('000)	US$ ('000)
Revenue and other income	527	699
Cost of sales	(275)	(322)
Expenses and other losses	(311)	(329)
Depreciation	(2)	-
Impairment losses of account and other receivables	(2)	-
(Loss)/profit before tax	(63)	48
Income tax	-	-
Gain on disposal of subsidiaries	9	-
(Loss) profit from discontinued operation, net of tax	(54)	48
Attributable to:		
Owners of the Company	(37)	34
Non-controlling interests	(17)	14
	(54)	48

(b) Cash flows from discontinued operations:

	From July 1, 2018 to May 31, 2019	From July 1, 2017 to June 30, 2018
	US$ ('000)	US$ ('000)
Net cash (outflow) inflow from operating activities	(43)	45
Net cash outflow from investing activities	(295)	(2)
Net cash (outflow) inflow	(338)	43

30 ACQUISITION OF A SUBSIDIARY

On November 30, 2018, the Group obtained control of HFL Limited by acquiring 51% equity interests in HFL Limited. HFL Limited operates a premium Chinese seafood restaurant in Hong Kong. HFL Limited was acquired as the first step of the Group's expansion in hospitality industry under the strategic investment.

(A) Consideration transferred

	US$ ('000)
Cash	256

Acquisition-related costs have been excluded from the cost of acquisition and have been recognized directly as an expense in the period and included in the consolidated statements of profit or loss.

(B) Assets and liabilities recognized at the date of acquisition

	US$ ('000)
Inventories	50
Accounts receivables	15
Deposits and prepayments	216
Cash and cash equivalents	336
Leasehold improvement and equipment	1,225
Intangible assets	262
Accounts payables	(73)
Other payables, accrued expenses and other liabilities	(280)
Provision for reinstatement	(106)
Deferred tax liabilities	(43)
Shareholders' loan	(1,713)
Identifiable net liabilities	(111)

(C) Non-controlling interests

The non-controlling interests (49%) in HFL Limited recognized at the acquisition date was measured by reference to the proportionate share of recognized amounts of net liabilities of HFL Limited.

(D) Goodwill arising on acquisition

	US$ ('000)
Consideration transferred	256
Less: Non – controlling interests	(55)
Add: recognized amount of identifiable net liabilities acquired (100%)	111
Goodwill arising on acquisition (Note)	312

(Note) Goodwill arose in the acquisition of HFL Limited because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of HFL Limited. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

(E) Net cash inflow arising from acquisition

	US$ ('000)
Consideration paid in cash	(256)
Less: cash and cash equivalent balances acquired	336
	80

30 ACQUISITION OF A SUBSIDIARY (CONTINUED)

(F) Impact of acquisition on the results of the Group

Included in the loss for the year ended June 30, 2019 is loss of US$743,000 attributable to restaurant operations. Revenue for the year ended June 30, 2019 includes US$2,002,000 is attributable to HFL Limited.

Had the acquisition of HFL Limited been effected at the beginning of the year ended June 30, 2019, the total amount of revenue of the Group from continuing operations for the year ended June 30, 2019 would have been increased by US$1,323,000, and the amount of the loss for the year ended June 30, 2019 from continuing operations would have been increased by US$297,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended June 30, 2019, nor is it intended to be a projection of future results.

31 DISPOSAL OF SUBSIDIARIES

As referred to note 29, on May 31, 2019, the Group disposed all of its 70% equity interests in both Pop and Daceasy. After the disposal, the Group does not retain any interests in Pop and Daceasy and the net assets of Pop and Daceasy at the date of disposal were as follows:

(A) Consideration received

	US$ ('000)
Cash	74

(B) Analysis of asset and liabilities over which control was lost

	US$ ('000)
Property and equipment (Note 7)	5
Accounts and other receivables	26
Deposits and prepayments	11
Cash and cash equivalents	367
Accounts payables	(5)
Other payables, accrued expenses and other liabilities	(319)
Net assets disposed of	85

(C) Gain on disposal of subsidiaries

Consideration received	74
Net assets disposed of	(85)
Non-controlling interests	20
Gain on disposal of subsidiaries	9

(D) Net cash outflow on disposal of subsidiaries

	US$ ('000)
Consideration received in cash	74
Less: cash and cash equivalent balances disposed of	(367)
	(293)

32 FINANCIAL INSTRUMENTS AND RISK EXPOSURE

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, price risk, foreign exchange risk and interest rate risk. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit Risk

As at June 30, 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position. The Group does not provide any guarantees which would expose the Group to credit risk.

In order to minimize the credit risk in relation to accounts receivables, senior management of the Group will only advance credit to debtors with good credit history. In addition, senior management reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group has no significant concentration of credit risk on its accounts receivables with exposure spreading over a number of counterparties.

The credit risk in relation to bank balances is limited because the majority of the counterparties are financial institutions and banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk on its bank balances with exposure spreading over a number of counterparties.

Upon adoption of IFRS 9 on July 1, 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for accounts receivables.

Senior management assessed the expected loss on accounts receivables individually by estimation based on historical credit loss experience, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a group of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group's accounts receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtor.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the Group to assess both the current as well as the forecast direction of conditions. The grouping is regularly reviewed by the senior management to ensure relevant information about specific debtors is updated.

Based on the assessment by the senior management, senior management considers the ECL for accounts receivables is insignificant as at June 30, 2019.

In determining the ECL for other receivables, amount due from related parties and amount due from a director, the senior management has taken into account the historical default experience and forward-looking information, as appropriate.

The Group had concentration of credit risk on amount due from a director. Credit risk is considered as limited because the loan is secured by shares of the Company held by the director and the director has good financial position. The market value of the collateral was approximately US$109,000 as at June 30, 2019. Other than the amount due from a director as described in Note 14(a), the Group does not hold any collateral over the receivables. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts and other receivables are set out in Note 14.

The Group also reviewed the recoverable amount of each individual amount due from related parties and amount due from a director at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts in order to minimize the credit risk.

The table below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

32 FINANCIAL INSTRUMENTS AND RISK EXPOSURE (CONTINUED)

(a) Credit Risk (continued)

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount
Financial assets at amortized costs					US$('000)
Amounts due from related parties	14	N/A	Low risk	12-month ECL	831
		N/A	Loss	Life time ECL (credit-impaired)	26
Accounts and other receivables	13	N/A	Low risk	12-month ECL	73
Bank balances		N/A	N/A	12-month ECL	374

An ECL of US$9,000 was provided for receivables classified as 12-month ECL and US$26,000 was provided for lifetime ECL. No ECL provided for new financial assets originated or purchases. The senior management considers the bank balances that are deposited with the financial institutions with good credit rating to be low credit risk financial assets. The senior management considers the bank balances are short-term in nature and the probability of default is negligible on the basis of high-credit-ratings issuers, and accordingly, loss allowance was considered as insignificant.

(b) Liquidity Risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and committed credit facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group's policy is to regularly monitor its liquidity requirements including dividend payments to shareholders, payments of accrued expenses and credit facilities available to ensure that sufficient reserves of cash is maintained to satisfy its contractual and foreseeable obligations as they fall due.

At June 30, 2019, the Group has net current liabilities of US$992,000. Taking into account of the internally generated funds of the Group and other factors described in note 1, the Group has sufficient working capital for its present requirements for the next twelve months from June 30, 2019.

The following table details the maturities analysis of the Group's financial liabilities at the end of the reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

As at June 30, 2019	Weighted average Interest rate	Repayment on demand or within one year US$('000)	More than one year US$('000)	Total US$('000)
Accounts and other payables	-	780	-	780
Borrowings	-	839	-	839
		1,619	-	1,619

As at June 30, 2018	Weighted average Interest rate	Repayment on demand or within one year US$('000)	More than one year US$('000)	Total US$('000)
Accounts and other payables	-	781	-	781
Amount due to a related party	12%	1,026	-	1,026
Unsecured debentures (Note)	8%	4,566	-	4,566
		6,373	-	6,373

Note: The Company entered into Debts Settlement in June 2018 to mitigate its liquidity risk and completed on July 13, 2018.

32 FINANCIAL INSTRUMENTS AND RISK EXPOSURE (CONTINUED)

(c) Price Risk

The Group is exposed to price changes arising from investments classified as financial assets at fair value through profit or loss.

As at June 30, 2019, the Group is exposed to equity security price risks mainly through its investments in unlisted equity. Management manages this exposure by monitors the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis
The sensitivity analysis below have been determined based on the exposure to equity security price risks at the end of the reporting period.

As at June 30, 2019, if the fair value of the equity security classified as financial assets at fair value through profit or loss had been increased/decreased by 10% and all other variables were held constant, the post-tax loss of the Group for the year ended June 30, 2019 would decrease/increase by approximately US$250,000, results from the changes in fair value of this equity security.

As at June 30, 2018, given the size and nature of the financial assets at fair value through profit or loss held by the Group, the price risk exposed is minimal and no sensitivity analysis for the year ended June 30, 2018 is presented.

(d) Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from movements of foreign exchange rates. Foreign exchange risk is monitored by the Finance Department and senior management on a regularly basis. Financial assets and liabilities are revalued regularly using the market exchange rates and are reported to senior management for review.

The Group operates mainly in Hong Kong and Canada. As the Hong Kong Dollar is linked to the United States Dollar, it is considered that foreign exchange risk from the Hong Kong Dollar is not material.

The Group's foreign exchange risk primarily arises from currency exposures originating from its financial assets at fair value through profit or loss, bank balances in foreign operation and unsecured debentures.

32 FINANCIAL INSTRUMENTS AND RISK EXPOSURE (CONTINUED)

(d) Foreign Exchange Risk (continued)

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	USD	RMB	CAD	HKD
As at June 30, 2019	US$('000)	US$('000)	US$('000)	US$('000)
Financial assets at fair value through profit or loss	2,500	-	1	-
Cash and cash equivalents	3	-	3	7
Accounts and other payables	(19)	-	(18)	(263)
Net exposure arising from recognized assets and liabilities	2,484	-	(14)	(256)

	USD	RMB	CAD	HKD
As at June 30, 2018	US$('000)	US$('000)	US$('000)	US$('000)
Available-for-sale investments	3,035	-	-	-
Financial assets at fair value through profit or loss	-	-	1	-
Cash and cash equivalents	22	-	1	-
Accounts and other payables	(15)	-	(23)	(186)
Net exposure arising from recognized assets and liabilities	3,042	-	(21)	(186)

32 FINANCIAL INSTRUMENTS AND RISK EXPOSURE (CONTINUED)

(d) Foreign Exchange Risk (continued)

Other than above, several subsidiaries of the Company have intra-group payables denominated in HK$, which are foreign currencies of the relevant group entities whose functional currency is Canadian Dollar ("CAD").

	Amounts due from group entities	
	June 30, 2019	**June 30, 2018**
	US$ (‘000)	US$ (‘000)
HK$	2,062	2,069

An analysis of the estimated change in the Group's loss before tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period is presented in the following table.

	June 30, 2019		**June 30, 2018**	
	Increase/ (decrease) in exchange rates	**Increase/ (decrease) in loss before tax**	**Increase/ (decrease) in exchange rates**	**Increase/ (decrease) in loss before tax**
		US$('000)		US$('000)
HK$	+5%	102	+5%	102
	-5%	(102)	-5%	(102)

The above analysis assumes the change in foreign exchange rates had occurred at the end of reporting period and had been applied to each of the Group entities' exposure to currency risk in existence at that date while all other variables remain constant. The stated changes also represent management’s assessment of reasonably possible changes in foreign exchange rates until the end of the next reporting period.

(e) Interest Rate Risk

Interest rate risk primarily results from timing differences in the re-pricing of interest bearing assets, liabilities and commitments.

As at June 30, 2019 and 2018, the Group's cash flow interest rate risk exposure arises mainly from bank balances and fair value interest rate risk from amount due from a director.

Interest rates paid by the Group are managed by the Finance Department with the aim of maximizing the spread of interest consistent with liquidity and funding obligations.

Assuming that the Hong Kong market interest rates had been 50 basis points (2018: 50 basis points) higher and all other variables held constant at the end of the reporting period, the Group's loss before tax would have an estimated decrease of US$2,000 (2018: US$6,000).

32 FINANCIAL INSTRUMENTS AND RISK EXPOSURE (CONTINUED)

(f) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value as at					
	June 30, 2019	**June 30, 2018**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
	US$('000)	US$('000)				
Financial assets						
Listed equity securities	1	1	Level 1	Quoted price in an active market	N/A	N/A
Unlisted equity investment	2,500	-	Level 3	Market approach with reference to various financial ratios	Total enterprise value to earnings ratio Lack of marketability discount	The higher the ratio, the higher the fair value The higher the discount, the lower the fair value

The following table shows the movement of Level 3 financial instruments during the years:

	US$('000)
As at June 30, 2018	-
Reclassified from available-for-sale investments upon adoption of IFRS 9	3,035
Adjustment upon adoption of IFRS 9	97
As at July 1, 2018	3,132
Net loss of financial assets at FVTPL	(632)
As at June 30, 2019	2,500

There were no transfers between Level 1 and 2 in the current and prior year.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

33 CAPITAL MANAGEMENT

The Group's objective for capital management is to safeguard the Group's ability to continue as a going concern, to enhance shareholder value and to match the business funding needs. The Group manages its capital structure and makes adjustments to it in line with the changes in economic conditions and business strategies by adjusting the dividend payout ratio, returning capital to shareholders or issuing new shares. During the year, the Group consistently followed the objectives and applied the policies and process on managing capital.

The Group is not subject to externally imposed capital requirements. The Group monitors capital using a target gearing ratio of 0% - 60% (2018: 10%-60%), which is total borrowings divided by the shareholders' equity. Total borrowings comprise of unsecured debentures, amount due to a related party and loans from non-controlling shareholders. Shareholders' equity comprises all components of equity attributable to the equity shareholders of the Company. The gearing ratio as at June 30, 2019 and 2018 was as follows:

	June 30, 2019	**June 30, 2018**
	US$('000)	US$('000)
Total loans from non-controlling shareholders	839	-
Total unsecured debentures	-	4,566
Total amount due to a related party	-	1,026
Total borrowings	839	5,592
Shareholders' equity	25,406	30,301
Gearing ratio	3%	18%

34 SUBSIDIARIES

The Group's significant subsidiaries as at the end of the financial years are as follows:

NAME	PLACE OF INCORPORATION/ OPERATIONS	PRINCIPAL ACTIVITIES	EQUITY INTEREST HELD BY THE GROUP	
			2019	2018
HFL Limited	Hong Kong	Restaurant operation	51.00%	-
Daceasy (H.K.) Limited	Hong Kong	Software distribution	-	54.05%
Pop Electronic Products Limited	Hong Kong	Development and distribution of computer software and hardware	-	54.05%
Kingsway Capital of Canada Inc.	Canada	Provision of financial advisory services	100.00%	100.00%
Sunwah International Financial Services Limited	Hong Kong	Investment holding	100.00%	100.00%
Excel Courage Limited	British Virgin Islands / Hong Kong	Investment holding	100.00%	100.00%
Goal Brilliant Limited	British Virgin Islands / Hong Kong	Investment holding	100.00%	100.00%
Excel Day Limited	British Virgin Islands / Hong Kong	Investment holding	100.00%	100.00%

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

34 SUBSIDIARIES (CONTINUED)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarized as follows:

Principal activities	Place of incorporation / operations	Number of subsidiaries June 30, 2019	Number of subsidiaries June 30, 2018
Investment holding	Hong Kong	1	1
	British Virgin Islands / Hong Kong	6	7
		7	8
Dormant	Hong Kong	1	1
	Canada	2	2
		3	3
Securities investment	British Virgin Islands / Hong Kong	1	1
Provision of asset management services	Cayman Islands	1	1
Provision of investment or general advisory services	Hong Kong	-	1
		12	14

None of the subsidiaries had issued any debt securities at the end of the year.

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation /operations	Proportion of ownership interests and voting rights held by non-controlling interests June 30, 2019	Proportion of ownership interests and voting rights held by non-controlling interests June 30, 2018	Profit/(loss) allocated to non-controlling interests 2019 US$ ('000)	Profit/(loss) allocated to non-controlling interests 2018 US$ ('000)	Accumulated non-controlling interests June 30, 2019 US$ ('000)	Accumulated non-controlling interests June 30, 2018 US$ ('000)
SWK (Note a)	Bermuda/ Hong Kong	N/A	N/A	N/A	1,554	N/A	N/A
HFL Limited	Hong Kong	49.00%	N/A	(207)	N/A	(262)	N/A
Individually immaterial subsidiaries with non-controlling interests				(17)	14	103	140
						(159)	140

Note:

(a) As a result of the Deemed Disposal of SWK, SWK ceased to be a subsidiary of the Group and became an associate of the Group during the year ended June 30, 2018 as detailed in Note 1.

35 SEGMENT INFORMATION

Information reported to the Board of Directors of the Company being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment performance, focuses on the types of services provided.

During the year ended June 30, 2018 and up to the Deemed Disposal of SWK, a substantial part of the operations of the Group was conducted through SWK, which is based in Hong Kong and listed on Stock Exchange. SWK and its subsidiaries' main activities include proprietary investment, properties investment, brokerage, corporate finance & capital markets and asset management.

As described in Note 1, during the year ended June 30, 2018, the Group's equity interest in SWK was diluted from 43.31% to 34.65%. SWK ceased to be a subsidiary and became an associate of the Group. As a result, the results of SWK up to the completion of the Deemed Disposal of SWK in March 2018 are classified as "Discontinued Operation of SWK".

Also, as described in Note 1, during the year ended June 30, 2019, the Group disposed all of its 70% equity interests in Pop and Daceasy which represents the substantial portion of the Technology Products and Services segment. As a result, the results of the Technology Products and Services segment are classified as discontinued operation.

With the changes in the composition of segments, the Group restated comparatives in this note.

The Group's activities are organized under the following operating segments:

Financial Services	The results of the segment are contributed by the equity interest in SWK as an associate upon the Deemed Disposal of SWK in March 2018.
Restaurant operations	The segment includes the strategic investment in the restaurant operations of a premium Chinese seafood restaurant in Hong Kong.
Strategic investments and other activities	The segment includes strategic investments, proprietary investments and other activities of the Group.
Discontinued Operation of SWK	As described in Note 1, Note 27 and Note 28, in March 2018, the Group's interest in SWK was diluted from 43.31% to 34.65% and ceased to be a subsidiary.
Discontinued Operation of Technology Products and Services	The segment includes the sales of software products and provision of the related maintenance services performed by Pop and Daceasy which were discontinued on May 31, 2019 upon the disposal of the 70% equity interests in the subsidiaries.

Inter-segment revenues are charged among segments at an agreed rate with reference to the rate normally charged to third party customers, the nature of services or the costs incurred. As the Group's total liabilities is only reviewed by the CODM as a whole, no analysis of the Group's total liabilities by operating segments is disclosed.

SUNWAH INTERNATIONAL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 SEGMENT INFORMATION (CONTINUED)

	2019						
	Continuing Operations						
	Financial Services	Restaurant operations	Strategic investments and other activities	Sub-total	Discontinued Operation of Technology Products and Services	Inter-Segment Elimination	Total
	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)
Sales and maintenance fee for software products	-	-	-	-	527	-	527
Revenue from restaurant operations	-	2,002	-	2,002	-	-	2,002
Interest income	-	-	39	39	-	-	39
Total revenue	-	2,002	39	2,041	527	-	2,568
Cost of sales	-	(575)	-	(575)	(275)	-	(850)
Net loss on financial assets at fair value through profit or loss	-	-	(632)	(632)	-	-	(632)
Other income	-	-	12	12	-	-	12
General, selling and administrative expenses	-	(1,615)	(1,042)	(2,657)	(311)	-	(2,968)
Amortization	-	(18)	-	(18)	-	-	(18)
Depreciation	-	(196)	-	(196)	(2)	-	(198)
Finance costs	-	-	(18)	(18)	-	-	(18)
Other losses, net	-	-	(9)	(9)	(2)	-	(11)
Gain on disposal of subsidiaries	-	-	-	-	9	-	9
Gain on partial disposal of an associate	83	-	-	83	-	-	83
Loss on deemed partial disposal of an associate	(117)	-	-	(117)	-	-	(117)
Modification loss on financial assets	-	-	(127)	(127)	-	-	(127)
Impairment of goodwill	-	(312)	-	(312)	-	-	(312)
Impairment of intangible asset	-	(29)	-	(29)	-	-	(29)
Share of results of an associate	(1,008)	-	-	(1,008)	-	-	(1,008)
(Loss) profit before tax	(1,042)	(743)	(1,777)	(3,562)	(54)	-	(3,616)
Additions of property and equipment	-	1,253	-	1,253	2	-	1,255
Segment total assets	21,717	1,728	3,562	27,007	-	-	27,007

SUNWAH INTERNATIONAL LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 SEGMENT INFORMATION (CONTINUED)

	2018						
	Continuing Operations						
	Financial Services	Strategic investments and other activities	Sub-total	Discontinued Operation of SWK	Discontinued Operation of Technology Products and Services	Inter-Segment Elimination	Total
	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)	US$ ('000)
Sales and maintenance fee for software products	-	-	-	-	699	-	699
Commission and fee income	-	-	-	13,462	-	(81)	13,381
Rental income	-	-	-	359	-	-	359
Interest income	-	36	36	2,254	-	-	2,290
Total revenue	-	36	36	16,075	699	(81)	16,729
Cost of sales	-	-	-	-	(322)	-	(322)
Net (loss) gain on financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	-	(50)	(50)	746	-	-	696
Other income	-	6	6	11	-	-	17
Commission expenses	-	-	-	(1,070)	-	-	(1,070)
General, selling and administrative expenses	-	(867)	(867)	(12,989)	(327)	81	(14,102)
Depreciation	-	-	-	(635)	(2)	-	(637)
Finance costs	-	(472)	(472)	(86)	-	-	(558)
Other (losses) gains, net	-	(68)	(68)	436	-	-	368
Fair value changes on investment properties	-	-	-	366	-	-	366
Fair value changes on non-controlling interests in consolidated investment fund	-	-	-	(179)	-	-	(179)
Loss on deemed disposal of a subsidiary	-	-	-	(15,345)	-	-	(15,345)
Share of results of associates	156	-	156	363	-	-	519
(Loss) profit before tax	156	(1,415)	(1,259)	(12,307)	48	-	(13,518)
Additions of property and equipment	-	-	-	157	2	-	159
Segment total assets	31,429	4,954	36,383	-	431	-	36,814

The geographical analysis of the Group's revenue from external customers, based on the country from which the transactions are executed, and information about its non-current assets (excluding financial assets at fair value through profit or loss, available-for-sale investments, other receivable and other financial assets), based on the location of assets. The Group principally operates in Hong Kong (country of domicile of major operating subsidiaries), over 90% (2018: 90%) of the Group's revenue from external customers is attributed to the group entities' countries of domicile. 100% of non-current assets are located in Hong Kong (2018: 100%). No individual customer of the Group contributed 10% or more of the Group's revenue for both years.

36 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Unsecured debentures (Note 18)	Amount due to a related party (Note 17)	Borrowings (Note 17)	Bank loans, secured	Interest payable on unsecured debentures (Note 16)	Dividend payable	Total
	US$('000)	US$('000)	US$('000)	US$('000)	US$('000)	US$('000)	US$('000)
As at July 1, 2017	4,621	641	-	3,846	185	-	9,293
Financing cash flows (net)	-	385	-	-	(426)	(1,805)	(1,846)
Derecognized on Deemed Disposal of SWK	-	-	-	(3,846)	-	-	(3,846)
Dividend	-	-	-	-	-	1,805	1,805
Interest expenses on unsecured debentures	-	-	-	-	379	-	379
Exchange difference	(55)	-	-	-	44	-	(11)
As at June 30, 2018 and July 1, 2018	4,566	1,026	-	-	182	-	5,774
Increase arising from acquisition of a subsidiary	-	-	1,713	-	-	-	1,713
Arrangement fee expenses on unsecured debenture	-	-	-	-	45	-	45
Interest expenses on amount due to a related party	-	5	-	-	-	-	5
Interest expenses on unsecured debenture	-	-	-	-	13	-	13
Financing cash flows	-	(5)	(874)	-	(13)	-	(892)
Non cash transaction - Debts settlement	(4,539)	(1,026)	-	-	(227)	-	(5,792)
Exchange difference	(27)	-	-	-	-	-	(27)
As at June 30, 2019	-	-	839	-	-	-	839

37 MAJOR NON-CASH TRANSACTION

In June 2018, the Group entered into Debts Settlement with the debenture holders and lender to be settled by transferring shares of SWK. Details of the Debts Settlements are set out in Note 10.

38 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the Debts Settlement as detailed in Notes 10, 15 and 18 and the transactions and balances disclosed elsewhere in these consolidated financial statements, the following is a summary of significant related party transactions which were carried out in the normal course of the Group's business:

	2019	2018
	US$ ('000)	US$ ('000)
Rental income from an investment property		
- a company controlled by Group's directors' close family member	-	114
Interest expenses paid to related parties	13	470
Management fee payable to SWK	108	27
Staff secondment fee payable to SWK	51	-
Consultancy fee paid to a director	95	-
Rental expenses		
- a company controlled by Group's directors' close family member	261	-
Management fee expenses		
- a company controlled by Group's directors' close family member	87	-
Purchases of goods		
- companies controlled by Group's director or close family members of the director	38	-

Key Management Personnel Remuneration

Except disclosed elsewhere in these consolidated financial statements, remuneration for key management personnel (those persons having authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, including any director of the Group) is as follows:

	2019	2018
	US$ ('000)	US$ ('000)
Fees	130	138
Salaries, commissions and other allowance	93	924
Bonuses	-	-
Stock-based compensation	25	26
Retirement scheme contributions	3	13
	251	1,101

During the year ended June 30, 2018, the Group has granted several initial public offering loans to key management personnel with an aggregate amount of US$2,442,000 (2017: Nil) which has been fully settled as at June 30, 2018.

39 COMMITMENTS

(a) At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019	2018
	US$ ('000)	US$ ('000)
Within one year	433	20
Later than 1 year and not later than 5 years	1,119	27
	1,552	47

Leases are negotiated for lease term of 2 to 5 years. The Group does not have an option to purchase the leased assets at the expiry of the leased period.

40 EVENTS AFTER THE REPORTING DATE

On September 24, 2019, the Group borrowed a short-term loan, with a six months maturity, of approximately US$513,000 at the interest rate of 12% per annum from an unrelated party for general working capital purpose. The Group has an option to extend the maturity date for an additional six months.

41 COMPARATIVE FIGURES

Certain comparative figures have been reclassified in these consolidated financial statements to conform with current year's presentation. Such reclassifications have no material effects on previously reported profit and equity.

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