

SUNWAH KINGSWAY 新華滙富

Sunwah Kingsway Capital Holdings Limited
新華滙富金融控股有限公司

Incorporated in Bermuda with limited liability

Stock Code: 00188



Consolidate our strength, grasp the future



Interim Report

2022/23

CONTENTS

Corporate Information	1
Condensed Consolidated Income Statement	2
Condensed Consolidated Statement of Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	5
Condensed Consolidated Statement of Cash Flows	6
Notes to Condensed Consolidated Financial Statements	7
Management Discussion and Analysis	28
Independent Review Report	36



Sunwah Kingsway is committed to the core values of integrity, teamwork, respect, responsibility and the pursuit of excellence.

We believe that successful companies are built on these core values, the same ones that align and guide our thinking and actions in every area of our business. Our established core values have served our Group well and will continue to guide our growth into the future.

Corporate Information

GENERAL INFORMATION

CHAIRMAN

Jonathan Koon Shum Choi

EXECUTIVE DIRECTOR

Michael Koon Ming Choi (*Chief Executive Officer*)

NON-EXECUTIVE DIRECTORS

Janice Wing Kum Kwan

Lee G. Lam

INDEPENDENT NON-EXECUTIVE DIRECTORS

Robert Tsai To Sze

Elizabeth Law

Huanfei Guan

LEGAL ADVISORS TO THE COMPANY

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As to Bermuda Law:

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AUDITOR

Ernst & Young

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Quarry Bay, Hong Kong

REGISTERED OFFICE

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Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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89 Queensway, Hong Kong

COMPANY SECRETARY

Vincent Wai Shun Lai

AUTHORISED REPRESENTATIVES

Michael Koon Ming Choi

Vincent Wai Shun Lai

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

4th Floor, North Cedar House,

41 Cedar Avenue,

Hamilton HM 12, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Room 1712-1716, 17th Floor,

Hopewell Centre, 183 Queen's Road East,

Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

Standard Chartered Bank (Hong Kong) Limited

Industrial and Commercial Bank of China (Asia) Limited

COMPOSITION OF BOARD COMMITTEES

AUDIT COMMITTEE

Robert Tsai To Sze (*Chairman*)

Elizabeth Law

Huanfei Guan

NOMINATION COMMITTEE

Elizabeth Law (*Chairman*)

Jonathan Koon Shum Choi

Robert Tsai To Sze

Huanfei Guan

COMPENSATION COMMITTEE

Elizabeth Law (*Chairman*)

Jonathan Koon Shum Choi

Robert Tsai To Sze

Huanfei Guan

CORPORATE GOVERNANCE COMMITTEE

Lee G. Lam (*Chairman*)

Janice Wing Kum Kwan

Huanfei Guan

Condensed Consolidated Income Statement

	Notes	Six months ended 31 December	
		2022	2021
		Unaudited HK\$'000	Unaudited HK\$'000
Revenue			
Commission and fee income		8,145	27,539
Interest income arising from financial assets at amortised cost		6,790	6,617
Interest income arising from debt securities		426	628
Dividend income		1,868	1,763
Rental income		1,626	1,465
	3	18,855	38,012
Net loss on financial assets and liabilities at fair value			
through profit or loss	4	(18,996)	(2,422)
Other income and gains or losses	5	596	310
		455	35,900
Commission expenses		(1,126)	(3,350)
General and administrative expenses		(38,493)	(43,687)
Finance costs		(2,407)	(599)
Net impairment losses on financial instruments		(730)	(12,683)
Fair value changes on investment properties		(2,927)	(305)
Changes on non-controlling interests in consolidated investment funds	5	(1,075)	(1,381)
Gain on disposal of an associate	5,6	4,630	–
Share of (losses)/profits of associates	5	(4,677)	1,596
Loss before tax	7	(46,350)	(24,509)
Income tax credit/(expense)	8	30	(1,966)
Loss for the period		(46,320)	(26,475)
Attributable to:			
Owners of the Company		(46,009)	(26,252)
Non-controlling interests		(311)	(223)
Loss for the period		(46,320)	(26,475)
Basic and diluted loss per share	10	(6.30) HK cents	(3.65) HK cents

Condensed Consolidated Statement of Comprehensive Income

Six months ended 31 December

	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Loss for the period	(46,320)	(26,475)
Other comprehensive (expense)/income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Land and buildings held for own use (note 11)		
– (Deficit)/surplus on revaluation	(20,918)	3,524
– Income tax effect	4,237	172
	(16,681)	3,696
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of overseas subsidiaries	(4,063)	589
Reclassification adjustment for foreign operation deregistered during the period	–	144
	(4,063)	733
Other comprehensive (expense)/income for the period	(20,744)	4,429
Total comprehensive expense for the period	(67,064)	(22,046)
Total comprehensive expense attributable to:		
Owners of the Company	(66,720)	(21,807)
Non-controlling interests	(344)	(239)
Total comprehensive expense for the period	(67,064)	(22,046)

Condensed Consolidated Statement of Financial Position

	Notes	31 December 2022 Unaudited HK\$'000	30 June 2022 Audited HK\$'000
Non-current assets			
Investment properties		76,126	79,053
Properties and equipment	11	320,823	347,087
Intangible assets		2,489	2,489
Goodwill		–	1,121
Interest in a joint venture		23,816	22,316
Interests in associates		18,497	66,045
Loans to and amounts due from associates		14,003	13,518
Other assets		4,433	4,609
Financial assets at fair value through profit or loss	12	52,320	51,035
Deferred tax assets		495	264
		513,002	587,537
Current assets			
Financial assets at fair value through profit or loss	12	222,102	223,864
Accounts, loans and other receivables	13	154,543	160,127
Bank balances and cash – trust accounts	14	423,760	531,645
Cash and cash equivalents		177,254	162,529
		977,659	1,078,165
Current liabilities			
Financial liabilities at fair value through profit or loss	15	12,146	8,409
Net assets attributable to holders of non-controlling interests in consolidated investment funds	16	66,516	13,818
Accruals, accounts and other payables	17	478,111	591,509
Lease liabilities		972	981
Contracts liabilities		3,060	1,847
Bank loans and overdraft	18	66,259	105,000
Current tax liabilities		1,812	2,990
		628,876	724,554
Net current assets		348,783	353,611
Total assets less current liabilities		861,785	941,148
Non-current liabilities			
Deferred tax liabilities		23,029	27,433
Lease liabilities		2,292	2,883
		25,321	30,316
NET ASSETS		836,464	910,832
CAPITAL AND RESERVES			
Share capital		73,039	73,039
Reserves		762,942	836,966
Equity attributable to owners of the Company		835,981	910,005
Non-controlling interests		483	827
TOTAL EQUITY		836,464	910,832

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company							Total HK\$'000		
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Capital reserve on consolidat- ion HK\$'000	Exchange reserve HK\$'000	Properties revaluation reserve HK\$'000	Retained profit HK\$'000		Non- controlling interests HK\$'000	
At 1 July 2022 (audited)	73,039	368,751	39,800	63,392	173	200,521	164,329	910,005	827	910,832
Loss for the period	-	-	-	-	-	-	(46,009)	(46,009)	(311)	(46,320)
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	(4,030)	-	-	(4,030)	(33)	(4,063)
Deficit on revaluation of land and buildings held for own use	-	-	-	-	-	(16,681)	-	(16,681)	-	(16,681)
Total comprehensive income/(expense) for the period	-	-	-	-	(4,030)	(16,681)	(46,009)	(66,720)	(344)	(67,064)
2022 final dividend payable	-	-	-	-	-	-	(7,304)	(7,304)	-	(7,304)
At 31 December 2022 (unaudited)	73,039	368,751*	39,800*	63,392*	(3,857)*	183,840*	111,016*	835,981	483	836,464
At 1 July 2021 (audited)	71,945	365,742	39,800	63,392	1,536	192,776	260,494	995,685	1,272	996,957
Loss for the period	-	-	-	-	-	-	(26,252)	(26,252)	(223)	(26,475)
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	605	-	-	605	(16)	589
Surplus on revaluation of land and buildings held for own use	-	-	-	-	-	3,696	-	3,696	-	3,696
Reclassification adjustment for foreign operation deregistered during the period	-	-	-	-	144	-	-	144	-	144
Total comprehensive income/(expense) for the period	-	-	-	-	749	3,696	(26,252)	(21,807)	(239)	(22,046)
2021 final dividend payable	-	-	-	-	-	-	(10,792)	(10,792)	-	(10,792)
Capital contribution from minority shareholder	-	-	-	-	-	-	-	-	203	203
At 31 December 2021 (unaudited)	71,945	365,742*	39,800*	63,392*	2,285*	196,472*	223,450*	963,086	1,236	964,322

* Those reserve accounts comprise the consolidated reserves of HK\$762,942,000 (31 December 2021: HK\$891,141,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

	Six months ended 31 December	
	2022 Unaudited HK\$'000	2021 Unaudited HK\$'000
Operating activities		
Operating cash flows before changes in working capital	(41,664)	(13,271)
Decrease in financial assets at fair value through profit or loss	22,053	25,187
Decrease in accounts, loans and other receivables	154	19,138
Decrease in bank balances and cash – trust accounts	107,885	99,931
Decrease in accruals, accounts and other payables	(120,703)	(32,419)
Increase/(decrease) in contracts liabilities	1,213	(8,702)
Increase/(decrease) in financial liabilities at fair value through profit or loss	3,737	(2,508)
Other operating cash flows	176	300
Cash (used in)/generated from operations	(27,149)	87,656
Interest received	7,861	7,338
Dividend received	2,693	2,326
Interest paid	(2,381)	(575)
Interest portion of lease payments	(26)	(47)
Profits tax paid	(1,545)	(377)
Net cash (used in)/generated from operating activities	(20,547)	96,321
Investing activities		
Payment for purchase of properties and equipment	(316)	–
Additional investment in a joint venture	(1,500)	–
Proceeds from disposal of interest in an associate	25,928	–
Net cash generated from investing activities	24,112	–
Financing activities		
Proceeds from bank loans	385,000	105,000
Repayment of bank loans	(435,000)	(175,000)
Injection from holders of non-controlling interests in consolidated investment fund	51,623	1,336
Principal portion of lease payments	(460)	(1,166)
Contribution of capital from minority shareholder	–	203
Net cash generated from/(used in) financing activities	1,163	(69,627)
Net increase in cash and cash equivalents	4,728	26,694
Cash and cash equivalents at 1 July 2022/2021	162,529	168,610
Effect of foreign exchange rate changes, net	(1,262)	313
Cash and cash equivalents at 31 December 2022/2021	165,995	195,617
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	177,254	199,346
Bank overdraft	(11,259)	(3,729)
	165,995	195,617

Notes to Condensed Consolidated Financial Statements

1 BASIS OF PREPARATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the unaudited interim condensed consolidated financial statements for the six months ended 31 December 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2022.

Application of the Amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparing of the Group’s unaudited interim condensed consolidated financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

Notes to Condensed Consolidated Financial Statements**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 July 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 July 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 July 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 July 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's consolidated financial statements.
- HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

Notes to Condensed Consolidated Financial Statements

3 REVENUE

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

	Six months ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers		
<i>Commission and fee income</i>		
– securities, options, funds, futures and commodities brokerage	3,649	10,802
– corporate finance	2,485	14,020
– asset management	51	23
– miscellaneous fee income	1,960	2,694
	8,145	27,539
Revenue from other sources		
<i>Interest income arising from financial assets at amortised cost</i>		
– bank deposits	3,981	297
– margin and cash clients	230	666
– loans	2,307	5,633
– others	272	21
	6,790	6,617
<i>Interest income arising from debt securities</i>	426	628
<i>Dividend income</i>	1,868	1,763
<i>Rental income</i>	1,626	1,465
	10,710	10,473
	18,855	38,012

3 REVENUE (Continued)

DISAGGREGATION OF REVENUE

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

For six months ended 31 December 2022

Segments	Brokerage and financing HK\$'000	Corporate finance and capital markets HK\$'000	Asset management HK\$'000	Others HK\$'000	Total HK\$'000
Type of services					
Brokerage service	3,649	–	–	–	3,649
Capital market service	–	–	–	–	–
Corporate finance service	–	2,485	–	–	2,485
Asset management service	–	–	51	–	51
Other services	1,598	–	–	362	1,960
Total revenue from contracts with customers	5,247	2,485	51	362	8,145
Geographical markets					
Hong Kong	4,909	2,485	51	362	7,807
Mainland China	22	–	–	–	22
Other countries	316	–	–	–	316
Total revenue from contracts with customers	5,247	2,485	51	362	8,145
Timing of revenue recognition					
Services transferred at a point in time	5,247	385	51	362	6,045
Services transferred over time	–	2,100	–	–	2,100
Total revenue from contracts with customers	5,247	2,485	51	362	8,145

Notes to Condensed Consolidated Financial Statements

3 REVENUE (Continued)**DISAGGREGATION OF REVENUE (Continued)**

For six months ended 31 December 2021

Segments	Brokerage and financing HK\$'000	Corporate finance and capital markets HK\$'000	Asset management HK\$'000	Others HK\$'000	Total HK\$'000
Type of services					
Brokerage service	10,802	–	–	–	10,802
Capital market service	–	–	–	–	–
Corporate finance service	–	14,020	–	–	14,020
Asset management service	–	–	23	–	23
Other services	2,347	–	–	347	2,694
Total revenue from contracts with customers	13,149	14,020	23	347	27,539
Geographical markets					
Hong Kong	12,513	14,020	23	347	26,903
Mainland China	3	–	–	–	3
Other countries	633	–	–	–	633
Total revenue from contracts with customers	13,149	14,020	23	347	27,539
Timing of revenue recognition					
Services transferred at a point in time	13,149	10,480	23	347	23,999
Services transferred over time	–	3,540	–	–	3,540
Total revenue from contracts with customers	13,149	14,020	23	347	27,539

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

	Six months ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Listed equity securities	(22,128)	263
Listed debt securities	1,073	(5,707)
Listed derivatives	1,899	3,699
Bond funds	(107)	(1,060)
Unlisted investment funds	(2,126)	(4,343)
Overseas unlisted equity securities	2,393	4,726
	(18,996)	(2,422)

Notes to Condensed Consolidated Financial Statements

5 SEGMENT INFORMATION

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

	Six months ended 31 December 2022						
	Proprietary investment	Property investment	Brokerage and financing	Corporate finance and capital markets	Asset management	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission and fee income	-	-	5,247	2,485	51	362	8,145
Interest income arising from financial assets at amortised cost	353	122	6,107	15	2	191	6,790
Interest income arising from debt securities	426	-	-	-	-	-	426
Other income	1,868	1,626	-	-	-	-	3,494
Inter-segment revenue	60	-	665	-	1,591	6,607	8,923
Segment revenue	2,707	1,748	12,019	2,500	1,644	7,160	27,778
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(18,999)	-	3	-	-	-	(18,996)
Other income and gains or losses	(144)	157	18	2	618	(55)	596
Eliminations	(60)	-	(665)	-	(1,591)	(6,607)	(8,923)
	(16,496)	1,905	11,375	2,502	671	498	455
Segment results	(29,495)	(2,141)	(3,744)	(4,585)	(1,388)	(3,875)	(45,228)
Gain on disposal of interest in an associate	4,630	-	-	-	-	-	4,630
Share of (losses)/profits of associates	(4,859)	(33)	215	-	-	-	(4,677)
Changes on non-controlling interests in consolidated investment funds	(1,075)	-	-	-	-	-	(1,075)
Loss before tax							(46,350)

Notes to Condensed Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

	Six months ended 31 December 2021						
	Proprietary investment	Property investment	Brokerage and financing	Corporate finance and capital markets	Asset management	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission and fee income	–	–	13,149	14,020	23	347	27,539
Interest income arising from financial assets at amortised cost	21	333	6,262	–	1	–	6,617
Interest income arising from debt securities	628	–	–	–	–	–	628
Other income	1,763	1,465	–	–	–	–	3,228
Inter-segment revenue	–	–	1,028	–	3,153	10,125	14,306
Segment revenue	2,412	1,798	20,439	14,020	3,177	10,472	52,318
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(2,471)	–	49	–	–	–	(2,422)
Other income and gains or losses	110	–	(693)	3	292	598	310
Eliminations	–	–	(1,028)	–	(3,153)	(10,125)	(14,306)
	51	1,798	18,767	14,023	316	945	35,900
Segment results	(11,395)	887	(11,981)	3,256	1,272	(6,763)	(24,724)
Share of profits of associates	–	157	1,439	–	–	–	1,596
Changes on non-controlling interests in consolidated investment fund	(1,381)	–	–	–	–	–	(1,381)
Loss before tax							(24,509)

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

	31 December 2022 HK\$'000	30 June 2022 HK\$'000
Proprietary investment	339,317	369,792
Property investment	115,255	114,593
Brokerage and financing	699,701	827,212
Corporate finance and capital markets	8,243	16,606
Asset management	5,183	8,844
Others	322,962	328,655
Total assets	1,490,661	1,665,702

6 GAIN ON DISPOSAL OF AN ASSOCIATE

On 15 November 2022, the Group sold 129,640,000 shares, approximately 10.01%, of China New Economy Fund Limited at a consideration of HK\$25.9 million and the shareholding of the Group in the company decreased to 9.09%. Considering the change in shareholding, the Group no longer has significant influence on the company and accordingly reclassified the investment as financial asset at fair value through profit or loss. The Group recognised a gain on disposal of an associate of HK\$4.6 million based on the difference between the carrying amount of the associate and the proceeds from disposal and the fair value of the retained investment.

7 LOSS BEFORE TAX

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

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Staff costs	(21,241)	(25,472)
Lease payments not included in the measurement of lease liabilities	(131)	(316)
Depreciation	(5,512)	(6,150)
Impairment loss on goodwill	(1,073)	–
Interest expenses on		
– unsecured bank loans wholly repayable within one month and overdrafts	(1)	(17)
– secured bank loans wholly repayable within one year	(1,922)	(420)
– others	(458)	(115)
– lease liabilities	(26)	(47)
Exchange gain (net)	217	646

8 INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Current tax		
– Hong Kong	368	134
– Mainland China	–	3
	368	137
Deferred tax	(398)	1,829
	(30)	1,966

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the current and prior periods. No tax is payable on the profits of certain subsidiaries arising in Hong Kong for the period since the estimated assessable profits of these subsidiaries of the Group of HK\$0.9 million (31 December 2021: HK\$17.2 million) are wholly set off by tax losses brought forward. Subsidiaries in mainland China are subject to PRC Enterprise Income Tax at 25%.

Notes to Condensed Consolidated Financial Statements

9 DIVIDENDS

Dividends recognised as distributions during the period:

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, declared and payable of 1 HK cent per share (2021: paid of 1.5 HK cents per share)	7,304	10,792

Subsequent to the end of the interim reporting period, at a meeting held on 24 February 2023, the directors declared an interim dividend of 1 HK cent per share (31 December 2021: 1 HK cent per share) for an aggregate amount of HK\$7,396,000 (31 December 2021: HK\$7,304,000) based on the number of shares in issue at 24 February 2023.

10 LOSS PER SHARE

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

	Six months ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Loss		
Loss for the purposes of basic and diluted loss per share		
Loss attributable to owners of the Company for the period	(46,009)	(26,252)
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	730,393,209	719,452,868

11 PROPERTIES AND EQUIPMENT

As at 31 December 2022, the revaluation deficit, net of the related deferred tax, of approximately HK\$16,681,000 (31 December 2021: surplus of HK\$3,696,000) was charged (31 December 2021: credit) to the properties revaluation reserve. The fair value of the Group's land and buildings as at 31 December 2022 and 30 June 2022 has been arrived at on the basis of a valuation carried out on the respective date by RHL Appraisal Limited, an independent qualified professional valuer not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	31 December 2022 HK\$'000	30 June 2022 HK\$'000
Listed equity securities, at quoted price			
– in Hong Kong		132,324	127,644
– outside Hong Kong		7,541	7,739
Listed debt securities, at quoted price			
– in Hong Kong	<i>(a)</i>	5,294	5,962
– outside Hong Kong	<i>(a)</i>	14,488	10,659
Bond funds, at quoted price		10,779	12,005
Overseas unlisted equity securities	<i>(b)</i>	51,990	50,705
Unlisted debt security		330	330
Unlisted investment funds	<i>(c)</i>	51,676	59,855
		274,422	274,899
Represented by:			
Non-current		52,320	51,035
Current		222,102	223,864
		274,422	274,899

Notes:

- (a) The Group held listed debt securities with fair value of HK\$18,276,000 as at 31 December 2022 (30 June 2022: HK\$14,982,000) which will be due in 2023 to 2028 (30 June 2022: 2022 to 2027). The Group also held listed perpetual debts with fair value of HK\$1,506,000 as at 31 December 2022 (30 June 2022: HK\$1,639,000).
- (b) The fair value of overseas unlisted equity securities has been arrived at on the basis of valuation carried out by independent qualified professional valuers not connected to the Group who have appropriate qualifications and recent experience in the valuation of similar securities. The fair value measurement of the overseas unlisted equity securities is described in note 24 to the condensed consolidated financial statements.
- (c) The fair value is based on the net asset value of underlying investments reported by the administrator as of the end of the reporting period.

Notes to Condensed Consolidated Financial Statements

13 ACCOUNTS, LOANS AND OTHER RECEIVABLES

	<i>Notes</i>	31 December 2022 HK\$'000	30 June 2022 HK\$'000
Accounts and loan receivables			
Amounts due from brokers and clearing houses	<i>(a)</i>	81,716	77,029
Amounts due from margin clients	<i>(b)</i>	23,621	24,841
Amounts due from cash clients	<i>(c)</i>	6,946	14,668
Loan receivables	<i>(d)</i>	84,625	102,447
Other accounts receivable	<i>(e)</i>	7,553	2,007
		204,461	220,992
Less: Impairment allowances		(56,004)	(67,863)
		148,457	153,129
Prepayments, deposits and other receivables			
Less: Impairment allowances		(2,450)	(4,207)
		6,086	6,998
		154,543	160,127

Notes:

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

Amounts due from brokers of HK\$14,575,000 (30 June 2022: HK\$10,091,000) was pledged as collateral for the stock borrowing transactions.

- (b) Margin clients of the brokerage division are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount to the value of securities accepted by the Group. The amounts due from margin clients are repayable on demand and bear interest at commercial rates. At 31 December 2022, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK\$10 million (30 June 2022: HK\$23 million). All collaterals were provided by stage 1 margin clients with total outstanding balance of approximately HK\$2 million (30 June 2022: HK\$4 million). The fair value of collateral can be objectively ascertained to cover the outstanding amount of the loan balances under stage 1 based on quoted prices of collateral.
- (c) There are no credit terms granted to cash clients of the brokerage division except for financing of IPO subscriptions. They are required to settle their securities trading balances on the settlement day determined under the relevant market practices or exchange rules.

13 ACCOUNTS, LOANS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (d) Loan receivables comprised fixed-rate loan receivables of HK\$42 million (30 June 2022: HK\$54 million) and factoring receivables of HK\$43 million (30 June 2022: HK\$48 million), and accumulated impairment allowances of HK\$34 million (30 June 2022: HK\$45 million) as at 31 December 2022. The credit terms for loans granted by the Group's brokerage and financing division are determined by management with reference to the financial background and the value and nature of collateral pledged by the borrowers. The loan receivables are mainly secured by personal/corporate guarantee and trade receivables. The contractual maturity date of the loan receivables is normally within one year.
- (e) The Group normally allows credit periods of up to 30 days to customers, except for certain creditworthy customers with long term relationships and stable repayment patterns, where the terms are extended to a longer period.

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

	31 December 2022 HK\$'000	30 June 2022 HK\$'000
Current and within one month	127,562	143,979
More than one month and within three months	540	658
More than three months	20,355	8,492
	148,457	153,129

Included in the above table, loan receivables of approximately HK\$31,157,000 and HK\$19,888,000 were aged within one month and more than three months respectively (30 June 2022: loan receivables of approximately HK\$48,370,000, HK\$654,000 and HK\$8,352,000 were aged within one month, more than one month and within three months and more than three months respectively).

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

	Amounts due from brokers and clearing houses HK\$'000	Amounts due from margin clients HK\$'000	Amounts due from cash clients HK\$'000	Loan receivables HK\$'000	Other accounts receivable HK\$'000	Total HK\$'000
At 1 July 2021	6	17,865	46	22,672	1,223	41,812
Impairment losses recognised/(reversed)	(6)	2,735	322	27,509	824	31,384
Amounts written off as uncollectible	-	-	-	(5,110)	(223)	(5,333)
At 30 June 2022 and 1 July 2022	-	20,600	368	45,071	1,824	67,863
Impairment losses recognised	-	1,422	35	465	-	1,922
Amounts written off as uncollectible	-	-	-	(11,957)	(1,824)	(13,781)
At 31 December 2022	-	22,022	403	33,579	-	56,004

Notes to Condensed Consolidated Financial Statements

14 BANK BALANCES AND CASH – TRUST ACCOUNTS

The Group maintains segregated clients' accounts with licensed banks to hold clients' monies arising from normal business in connection with the Group's brokerage activities. The cash held on behalf of clients is restricted and governed by the Securities and Futures (Client Money) Rules (Chapter 571I) of the laws of Hong Kong under the Securities and Futures Ordinance. The Group has recognised the corresponding clients' accounts payable to respective clients.

15 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2022 HK\$'000	30 June 2022 HK\$'000
Financial liabilities at fair value through profit or loss arising from short selling activities	12,146	8,409

Balance represented the fair value of listed equity securities from short selling activities as at 31 December 2022 and 30 June 2022.

16 NET ASSETS ATTRIBUTABLE TO HOLDERS OF NON-CONTROLLING INTERESTS IN CONSOLIDATED INVESTMENT FUNDS

Net assets attributable to holders of non-controlling interests in the consolidated investment funds, namely MEC Asian Fund and SWK Dynamic OFC, are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to holders of non-controlling interests in investment funds cannot be predicted with accuracy since these represent the interest of non-controlling shareholders in consolidated investment funds that are subject to the actions of the non-controlling investors.

17 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	31 December 2022 HK\$'000	30 June 2022 HK\$'000
Accounts payable (on demand or within one month)		
Amounts due to brokers and clearing houses	4	4,412
Clients' accounts payable	455,014	571,492
Others	7,459	3,709
	462,477	579,613
Other creditors, accruals and other provisions	15,634	11,896
	478,111	591,509

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

18 BANK LOANS AND OVERDRAFT

	31 December 2022 HK\$'000	30 June 2022 HK\$'000
Bank overdraft, unsecured	11,259	–
Secured bank loans (<i>Note</i>)	55,000	105,000
	66,259	105,000

Note: The bank loans as at 31 December 2022 are repayable within one year (30 June 2022: one year). The loans are secured by the Group's land and buildings held for own use with fair value of approximately HK\$305 million (30 June 2022: HK\$330 million) and bear interest at 1.4% above Hong Kong Interbank Offered Rate ("HIBOR") (30 June 2022: 1.4% above HIBOR).

One of the Group's banking facilities is subject to covenant which a certain loan-to-value ratio shall be maintained. The Group is required to repay part of the bank loans to maintain the specified ratio when necessary. The Group regularly monitors its compliance with these covenants. As at 31 December 2022 and 30 June 2022, none of the covenants relating to the facilities drawn had been breached.

19 COMMITMENTS

(A) COMMITMENTS UNDER OPERATING LEASES AS LESSOR

As at 31 December 2022 and 30 June 2022, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases in respect of office premises which fall due as follows:

	31 December 2022 HK\$'000	30 June 2022 HK\$'000
Within one year	2,766	1,640
Between one and two years	3,105	450
	5,871	2,090

Leases are negotiated and rentals are fixed for lease terms of 2 to 3 years. The Group does not provide an option to the lessees to purchase the leased assets at the expiry of the lease period.

Notes to Condensed Consolidated Financial Statements

19 COMMITMENTS (Continued)**(B) OTHER COMMITMENTS**

	31 December	30 June
	2022	2022
	HK\$'000	HK\$'000
Capital commitments for equity investment in an unlisted company	–	1,500

20 CONTINGENT LIABILITIES

During the ordinary course of business the Group is subject to threatened or actual legal proceedings brought by or on behalf of investors or other third parties, as well as legal and regulatory reviews, challenges, investigations and enforcement actions, in Hong Kong. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required at the relevant period end date. In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed properly to assess the merits of the case, and no provisions are held in relation to such matters. However, the Group does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

In the previous years, the Group placed a 130% short selling deposit, of approximately HK\$29.8 million, on a suspended security listed on the Main Board of the Stock Exchange at its Hong Kong clearing house account on behalf of its client. The Hong Kong Clearing house refunded the deposit to the Group after the delisting of the security. The Group signed a letter of indemnity to Hong Kong Securities Clearing Co. Ltd. which agree to undertake all potential claims in connection with the shortfall of the shares.

21 JOINT VENTURE AGREEMENT

On 1 December 2016, the Group entered into a joint venture agreement with several joint venture partners to establish a joint venture company in Chongqing, the PRC. Subject to the approvals of the China Securities Regulatory Commission (“CSRC”), it is contemplated that the joint venture company will become a full-licensed securities company principally engaged in the provision of regulated securities brokerage services, securities underwriting and sponsor services, proprietary trading, securities and asset management and any other business approved by the CSRC in the PRC. Pursuant to the joint venture agreement, the Group will make a capital contribution of RMB330 million into the joint venture company, representing a 22% equity interest in the joint venture company. The transaction will be fully financed by the Group’s internal resources. The joint venture agreement and the transactions were approved by the Company’s shareholders at special general meeting held in February 2017. The Group received an acknowledged receipt for the application from the CSRC on 28 December 2018. The Group is currently waiting for the reply from the CSRC.

22 RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

The following is a summary of significant related party and connected party (as defined in the Listing Rules) transactions which were carried out in the normal course of the Group’s business:

(A) KEY MANAGEMENT PERSONNEL REMUNERATION

	Six months ended 31 December	
	2022	2021
	HK\$’000	HK\$’000
Fees	1,100	1,100
Salaries, commission and other allowance	2,922	2,922
Retirement scheme contributions	87	87
	4,109	4,109

(B) OTHERS

	Six months ended 31 December	
	2022	2021
	HK\$’000	HK\$’000
Brokerage commission earned on securities, options, futures and commodities dealing		
– Group’s directors, their close family members and their companies	151	138
Consultancy and management fees earned		
– a company controlled by a Group’s director	380	380
Clients’ accounts payable		
– Group’s directors, their close family members and their companies	12,141	19,499

Notes to Condensed Consolidated Financial Statements

22 RELATED PARTY AND CONNECTED PARTY TRANSACTIONS (Continued)**(C) LOANS TO ASSOCIATES**

The Group provided pro-rata shareholder loans to associates for the acquisition of investment properties in Japan. As at 31 December 2022, a loan with the principal amount of HK\$5,044,000 (30 June 2022: HK\$4,916,000) is unsecured, interest bearing at 5% per annum and repayable in January 2024. The other loan with the principal amount, net of imputed interest, of HK\$7,824,000 (30 June 2022: HK\$7,618,000) is unsecured, interest free and repayable in October 2024.

23 FINANCIAL INSTRUMENTS

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.

The unaudited interim condensed consolidated financial statements do not include all financial risk management information and disclosures related to the unaudited interim condensed consolidated financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 30 June 2022.

There has been no change in the risk management policies during the current six-month period.

24 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**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 and financial liabilities 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 categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

24 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31 December 2022	30 June 2022			
	HK\$'000	HK\$'000			
<i>Financial assets</i>					
Listed equity securities	139,865	135,383	Level 1	Quoted price in an active market	N/A
Listed debt securities	19,782	16,621	Level 2	Quoted price in an inactive market	N/A
Bond funds	10,779	12,005	Level 2	Quoted price in an inactive market	N/A
Unlisted investment funds	51,676	59,855	Level 2	Dealing price of the fund derived from the net asset value of the investment with reference to observable quoted price of underlying investment portfolio in active markets	N/A
Unlisted debt security	330	330	Level 2	Quoted price in an inactive market	N/A
Overseas unlisted equity security	45,232	41,780	Level 2	Recent transaction price in an inactive market	N/A
Overseas unlisted equity security	2,770	4,400	Level 2	Net asset value	N/A
Overseas unlisted equity securities	3,988	4,525	Level 3	Income approach	Cost of capital of 22.53% (30 June 2022: 21.99%) Discount for lack of control of 10% (30 June 2022: 10%) Discount for lack of marketability of 25% (30 June 2022: 25%)
<i>Financial liabilities</i>					
Listed equity securities	12,146	8,409	Level 1	Quoted price in an active market	N/A
Net assets attributable to holders of non-controlling interests in consolidated investment fund	66,516	13,818	Level 2	Net asset value of underlying investments determined with reference to active market price	N/A

Notes to Condensed Consolidated Financial Statements

24 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

For overseas unlisted equity security under level 3 of the fair value hierarchy, a 10% increase/decrease in the cost of capital used in isolation would result in a decrease in the fair value measurement of the overseas unlisted equity security of HK\$71,000 or an increase of HK\$86,000. A 10% increase/decrease in discount for lack of control and discount for lack of marketability used in isolation would result in a decrease/increase in the fair value measurement of the overseas unlisted equity security of HK\$9,000 and HK\$26,000 respectively.

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

	Financial assets at fair value through profit or loss	
	31 December 2022 HK\$'000	30 June 2022 HK\$'000
Opening balance	4,525	12,243
Transfer into level 2	–	(8,400)
Fair value change charged to profit or loss	(537)	682
	3,988	4,525

For the six-month period ended 31 December 2022, of the total gains or losses for the period included in profit or loss, HK\$537,000 (31 December 2021: HK\$2,881,000) is related to unrealised (loss)/gain for the period related to financial assets measured at fair value through profit or loss under Level 3 held at the end of the reporting period.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the interim condensed consolidated financial statements approximate their fair value.

FAIR VALUE MEASUREMENT AND VALUATION PROCESS

Management is responsible for determining the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the financial instruments, the Group uses market-observable data to the extent it is available. In estimating the fair value of a financial asset under level 3 of the fair value hierarchy, the Group has engaged the valuer to establish appropriate valuation technique. The management reviews the valuations bi-annually.

25 KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these interim condensed consolidated financial statements, management is required to exercise significant judgments in the selection and application of accounting principles, including making estimates and assumptions. 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. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is 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. In preparing the unaudited interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended 30 June 2022.

Management Discussion and Analysis

THE MARKET

The interest rate hike by the US Federal Reserve adversely affected the market liquidity of Hong Kong. The Hong Kong Interbank Offered Rates continued to rise in the second half of 2022. The one-month lending rate at the end of December 2022 was as high as 4.35%, about five times the level at the end of June 2022. Hong Kong major banks lifted prime rate by 12.5 basis points in September 2022, the first rate hike since September 2018. At the end of December 2022, the cumulative increase was 62.5 basis points. The continued weak performance in external trade has affected the Hong Kong Gross Domestic Product (“GDP”). The Census and Statistics Department estimated the GDP decreased by 4.2% in real terms in the fourth quarter of 2022 from a year earlier, compared with the decrease of 4.6% in the third quarter of 2022. Amid rising interest rates, the economic contraction in Hong Kong, the epidemic developments in China and the conflict between Russia and Ukraine, the Hang Seng Index (“HSI”) fell to 14,687 on 31 October 2022, the lowest close since 2009. The HSI surged after the mainland China eased some of its COVID-19 restrictions in November 2022. The HSI closed at 19,781 at the end of December 2022, compared with 21,860 at the end of June 2022 and 23,398 at the end of December 2021. The average monthly aggregate turnover on the Main Board and GEM Board during the six months ended 31 December 2022 (“the first half year of FY2023”) dropped by 23% to HK\$2,356 billion, as compared with HK\$3,069 billion for the six months ended 31 December 2021 (“the first half year of FY2022”). The continued market fragility and a rising interest rate environment adversely affected the IPO market, with only 63 new listing raising around HK\$85 billion during the first half year of FY2023, a 29% decline from HK\$120 billion for the first half year of FY2022.

FINANCIAL HIGHLIGHTS

The Group recorded a loss after tax of HK\$46 million for the first half year of FY2023, as compared to a loss of HK\$26 million for the first half year of FY2022. After taking into account the other comprehensive expense for the period, the Group recorded a total comprehensive expense of HK\$66 million for the first half year of FY2023, as compared to a total comprehensive expense of HK\$22 million for the first half year of FY2022. In 2022, the Hong Kong property market was under pressure across all sectors. Office leasing activities were limited in the second half of 2022 as economic uncertainties weighed on the uptake. The Group recognised a revaluation deficit, net of tax, of HK\$17 million for its own use offices for the first half year of FY2023, as compared with a surplus of HK\$4 million for the first half year of FY2022. Commission and fee income from our financial intermediary business was HK\$8 million for the first half year of FY2023, as compared with HK\$28 million for the first half year of FY2022. Interest income was HK\$7 million for both of the first half year of FY2023 and FY2022. Interest income from bank deposits increased by HK\$4 million in the first half year of FY2023 due to the interest rate hikes. The increase was offset by a decrease in loan interest income following shrinking loan portfolios. Dividend and rental income was HK\$3 million for both of the first half year of FY2023 and FY2022. The Group recorded a net loss of HK\$19 million on financial assets and liabilities at fair value through profit or loss for the first half year of FY2023, as compared with a net loss of HK\$2 million for the first half year of FY2022. General and administrative expenses decreased by HK\$6 million, from HK\$44 million for the first half year of FY2022 to HK\$38 million for the first half year of FY2023, which was mainly caused by the decrease in staff cost.

BROKERAGE AND FINANCING

Total revenue of the division was HK\$12 million for the first half year of FY2023, as compared with HK\$20 million for the first half year of FY2022. The brokerage commission income decreased by HK\$7 million to HK\$4 million for the first half year of FY2023, as compared with HK\$11 million for the first half year of FY2022, mainly due to the decrease in market turnover and the weak performance of the Hong Kong IPO market.

The margin loans, fixed-rate loans and factoring receivables, after expected credit loss, amounted to HK\$54 million as at 31 December 2022, as compared with HK\$62 million as at 30 June 2022. The Group had further tightened the loan approval procedures and conducted prudent assessment of the collateral amid the poor economic conditions. Hence, the loan portfolio dropped continuously. Legal proceedings against the default debtors are in process.

The Group entered into a joint venture agreement with several joint venture partners to establish a joint venture company in Chongqing, the PRC, in 2016. Subject to the approvals of the China Securities Regulatory Commission (“CSRC”), it is contemplated that the joint venture company will become a full-licensed securities company. The Group is currently waiting for the reply from the CSRC.

CORPORATE FINANCE AND CAPITAL MARKETS

Total revenue of the division was HK\$3 million for the first half year of FY2023, as compared with HK\$14 million for the first half year of FY2022. The progress of due diligence of IPO projects was affected by the quarantine measures between Hong Kong and the mainland China, hence, the division focused on the advisory services provided for listed companies during the period.

ASSET MANAGEMENT

Total revenue of the division was HK\$2 million for the first half year of FY2023, as compared with HK\$3 million for the first half year of FY2022. A Hong Kong boutique investment fund, SWK Dynamic OFC, was launched in October 2022. The fund primarily focuses on investment in securities listed in Hong Kong and the mainland China markets. The Group consolidated the investments of the fund as the Group acted as the investment manager and also as an investor. The division recognised an inter-company fee income of HK\$1 million for the fund in the first half year of FY2023. The division is now approaching high net worth clients to provide assets management services to generate more revenue. The Group is also exploring marketing Vietnam focused investment funds.

PROPRIETARY INVESTMENT

Total revenue of the division was HK\$3 million for the first half year of FY2023, as compared with HK\$2 million for the first half year of FY2022. After including net loss on disposal of financial assets and liabilities at fair value through profit or loss, total loss for the division was HK\$16 million for the first half year of FY2023, as compared to a minimal loss for the first half year of FY2022. The division recognised a net loss of HK\$17 million from its strategic investment portfolio resulted from the poor performance of the stock market. However, the performance of the portfolio could not benefit from the rebound of market indices in November 2022 after mainland China announced easing of COVID-19 restrictions. The Chinese bonds issued by property developers recovered a lot in late 2022 prompted by the recent monetary policies announced by the Chinese government. The division recognized a net gain of HK\$1 million for the debt securities and bond funds portfolio for the first half year of FY2023, as compared with a net loss of HK\$7 million for the first half year of FY2022. For the investment in the unlisted smart mobility company, the division recognised a gain of HK\$3 million for the first half year of FY2023 and recorded an aggregate gain of HK\$44 million since the date of investment. The Group will continue to look for attractive private equity investments to optimize the investment portfolio and enhance investment return for the Group.

Management Discussion and Analysis

The Group acquired approximately 11% equity interest in China New Economy Fund Limited (“China New Economy”) at a consideration of HK\$16 million in November 2021. The Group further subscribed for the rights shares of China New Economy at a consideration of HK\$15 million in February 2022. After the latest acquisition, the Group held approximately 19% equity interest in China New Economy. Our Chief Executive Officer was appointed as a Non-executive Director of China New Economy in February 2022. Thereafter, the investment was classified as an investment in an associate as the Group is in a position to exercise significant influence over China New Economy. The Group shared a loss of result of HK\$5 million for the investment in the first half year of FY2023. The loss was offset by the gain on disposal of an associate of HK\$5 million when the Group disposed of approximately 10% equity interest of China New Economy in November 2022. The Group also redeemed two investment funds with proceeds of HK\$8 million during the period. These transactions improved the Group’s liquidity and allowed it to better structure its asset portfolio.

As at 31 December 2022, the carrying value of the unlisted investments, listed securities and listed debt securities and bond funds portfolio was HK\$104 million, HK\$140 million and HK\$30 million respectively (30 June 2022: HK\$111 million, HK\$135 million and HK\$29 million). The largest investment of the financial assets at fair value through profit or loss was an unlisted equity security which accounted for approximately 3% of the Group’s consolidated total assets as at 31 December 2022. The directors considered that investments with a fair value of more than 5% of the Group’s consolidated total assets as a significant investment.

PROPERTY INVESTMENTS

Total revenue of the division was HK\$2 million for both of the first half year of FY2023 and FY2022. The rental income received from these properties provided stable cash inflow for the division. Hong Kong’s non-residential property market faltered in 2022 amid downbeat retail sentiment and economic recession. Retail rents fell and vacancy rates rose. Our retail shop in Kwun Tong recorded a revaluation deficit of HK\$2 million for the first half year of FY2023. The depreciation of the RMB resulted in a revaluation deficit of HK\$1 million for our investment property in Beijing. In aggregate, the division recognised a revaluation deficit of HK\$3 million for the first half year of FY2023, compared with a deficit of HK\$0.3 million for the first half year of FY2022.

The property project company established in December 2021 completed the ground inspection and obtained the approval of the building plan. It submitted the foundation plan and is now preparing the tendering for the foundation.

To date, the division holds a shop and a carpark in Hong Kong and an office property in Beijing. In addition, the Group has invested in two associated companies which hold commercial properties in Japan and a joint venture company which holds two adjacent parcels of land in Hong Kong.

OUTLOOK

The market comes to a cross road again. Whilst there is consensus that the United States market will complete its interest rate hikes cycle this year, there are different views as to the terminal level as well as how long it will stay at the peak before coming down. Hong Kong will have to follow due to the currency peg. The rebound in the Hong Kong market since October 2022 continued into 2023. However, the market started to fall in February 2023. Market is divided as to whether the rebound has been completed. More and more positive news are emerging as more countries and Hong Kong are removing their COVID related restrictions. Geopolitical tension between US and China remains tight. The conflict between Russia and Ukraine lasted longer than most people expected and there is no sign of when it is going to end. The focus of the Group now is to increase its revenue as many external restrictions are removed. However, we will continue to invest with caution as the volatility is going to be with us for a while.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at the end of December 2022 were HK\$1,491 million, of which approximately 66% were current in nature. Net current assets were HK\$349 million, accounting for approximately 42% of the net assets of the Group as at end of December 2022. The Group had net cash and cash equivalents of HK\$177 million as at end of December 2022, which was mainly denominated in Hong Kong dollars.

The Group generally finances its daily operations from internal resources. Total secured borrowings of HK\$66 million as at the end of December 2022 were used to finance its investment portfolio. The bank loans were denominated in Hong Kong dollars and charged at floating interest rate. The Group's gearing ratio was approximately 8% as at the end of December 2022. As at 31 December 2022, the office property with carrying value of HK\$305 million was pledged to a bank as security for the banking facility.

Other than the indemnity provided to the Hong Kong Securities Clearing Co. Ltd., the Group had no other material contingent liabilities as at the end of December 2022. The Company provided corporate guarantees of HK\$210 million for banking facilities granted to its subsidiaries.

FOREIGN EXCHANGE EXPOSURE

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

Management Discussion and Analysis

RISK MANAGEMENT

The Group's business, financial conditions and results of operations may be affected by risks and uncertainties pertaining to the Group's business. The factors explained below could cause the Group's financial conditions or results of operations to differ materially from expected or historical results. Please refer to the note "Financial instruments" on page 24 for a more detailed discussion of specific risks. There may be other risks in addition to those mentioned in the Interim Report that are unknown to the Group, or which may not be material now but could be material in the future.

The Group's results are affected by trends in the industry in which it operates, particularly, investment, brokerage, corporate finance and capital markets. Income from these operations is dependent upon the interest rates, conditions in global investment and money markets and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's financial conditions and results of operations.

The Group operates in highly competitive and rapidly changeable markets. New market entrants, the intensification of price competition by existing competitors, product innovation or technical advancement could adversely affect the Group's financial conditions and results of operations. When the price of securities (listed or unlisted) decreases, it will adversely affect the value of our investment portfolio.

The introduction of new legislation and rules by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Hong Kong Securities and Futures Commission and other regulatory bodies in Hong Kong and overseas may induce change in market conditions that may adversely affect the operating results of the Company.

RISK MANAGEMENT POLICIES AND PROCEDURES

The Group has established policies and procedures for risk management which are reviewed regularly by the management to ensure the proper monitoring and control of all major risks arising from the Group's activities. The Group's Legal and Compliance Department, together with the Finance and Accounts Department and other control committees also perform regular reviews to supplement the various internal control measures adopted by management and various divisions within the Group to ensure compliance with policies and procedures.

EMPLOYEES

As at 31 December 2022, the number of full time employees of the Group was 78 (30 June 2022: 79). Remuneration and bonus are based on performance and are reviewed annually in conjunction with the annual employee performance appraisal. It also takes into consideration the results of the division to which the employee belongs and the Group as a whole. The Group provides a full induction program and in-house training courses to all staff – particularly professionals registered with relevant regulatory bodies who must meet their mandatory continued professional training requirements. A share option scheme is available to directors, employees and consultants of the Group.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 1 HK cent per ordinary share for the six months ended 31 December 2022 (six months ended 31 December 2021: 1 HK cent). The dividend will be payable on Friday, 31 March 2023 to shareholders whose names appear on the Register of Members at the close of business on Friday, 17 March 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 15 March 2023 to Friday, 17 March 2023, both days inclusive, during which period no transfers of shares will be registered. To determine entitlement to the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited (at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:30 p.m. on Tuesday, 14 March 2023.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2022, the interests and/or short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV the Hong Kong Securities and Futures Ordinance ("SFO")), as recorded in the register maintained under Section 352 of the SFO or as notified to the Company were as follows:

(I) Interest in Long Positions of Ordinary Shares of the Company

Name of director	Type of interest	Number of ordinary shares in the Company	% of total issued shares
Dr Jonathan Koon Shum Choi*	Corporate	215,987,808	29.57%
Dr Jonathan Koon Shum Choi	Personal	199,624,863	27.33%
Mr Michael Koon Ming Choi	Personal	45,660,951	6.25%
Mr Michael Koon Ming Choi	Corporate	10,499,169	1.43%

* Dr Jonathan Koon Shum Choi is deemed to be interested in 215,987,808 ordinary shares by virtue of the SFO. Such interest in shares is also set out under the section "Substantial shareholders' interests and short positions in the shares and underlying shares of the Company" shown on page 34.

Save as disclosed above, none of the directors and chief executive of the Company or any of their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares or debentures of the Company and associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Save as disclosed above, as at 31 December 2022, none of the directors and chief executive had any interests or short positions in the shares of the Company and its associated corporations as defined in the SFO, and none of the directors and chief executive or any of their spouses or children under 18 years of age had been granted any rights to subscribe for the shares of the Company, or had exercised any such rights during the period.

Save as disclosed above, at no time during the period was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors or chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or any other body corporate.

Management Discussion and Analysis

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests represent long positions in the shares of the Company.

	Name of shareholder	Country of incorporation	Number of ordinary shares in the Company		% of total issued shares	Note
			Direct interest	Deemed interest		
(1)	Dr Jonathan Koon Shum Choi	N/A	199,624,863	215,987,808	56.90%	(a)
(2)	World Developments Limited	British Virgin Islands	185,701,741	–	25.42%	(a)
(3)	Sunwah International Limited ("SIL")	Bermuda	–	185,701,741	25.42%	(a)
(4)	Sun Wah Capital Limited	British Virgin Islands	30,286,067	185,701,741	29.57%	(a)
(5)	Mr Michael Koon Ming Choi	N/A	45,660,951	10,499,169	7.68%	

Note:

- (a) 185,701,741 shares represent the same interest and are therefore duplicated amongst World Developments Limited, SIL, Sun Wah Capital Limited and Dr Jonathan Koon Shum Choi. World Developments Limited is a wholly owned subsidiary of SIL. Sun Wah Capital Limited beneficially owns 100% of the issued share capital of SIL and therefore is deemed (by virtue of the SFO) to be interested in these 185,701,741 shares. Dr Jonathan Koon Shum Choi, beneficially owns or has control of more than one-third of the issued share capital of Sun Wah Capital Limited and therefore is deemed (by virtue of the SFO) to be interested in these 185,701,741 shares. As Dr Jonathan Koon Shum Choi beneficially owns or has control of more than one-third of the issued share capital of Sun Wah Capital Limited, he is therefore deemed (by virtue of the SFO) to be interested in 30,286,067 shares directly owned by Sun Wah Capital Limited. Ms Janice Wing Kum Kwan, the spouse of Dr Choi, is deemed (by virtue of the SFO) to be interested in all beneficial and deemed interest of Dr Jonathan Koon Shum Choi.

Save as disclosed above, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified by any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the six months ended 31 December 2022.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 24 November 2020. The principal terms of the Share Option Scheme are summarised in the circular of the Company dated 20 October 2020. The main purpose of the Share Option Scheme is to provide incentives or rewards to participants for their contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group.

During this period, no share option had been granted, exercised, cancelled or lapsed under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

SECURITIES TRANSACTIONS BY DIRECTORS

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

CHANGES IN DIRECTORS' INFORMATION

The changes in the Directors' information as required to be disclosed pursuant to Chapter 13.51B(1) of the Listing Rules are set out below:

Dr Lee G. Lam

Dr Lam resigned as non-executive director of National Arts Group Holdings Limited during the six months under review.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the interim report and the unaudited interim condensed consolidated financial statements for the six months ended 31 December 2022. Terms of reference of the Audit Committee are available on request to shareholders of the Company. The Audit Committee is also responsible for reviewing the Group's financial controls, risk management and internal control systems. The Audit Committee has begun to implement the above responsibilities, including without limitation, reviewing the Company's risk relating to strategy, operation and finance and enhancing the Group's capacity to cope with the risk associated with the business of the Group.

On behalf of the Board

Michael Koon Ming Choi

Chief Executive Officer

Hong Kong, 24 February 2023

Independent Review Report



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

TO THE BOARD OF DIRECTORS OF SUNWAH KINGSWAY CAPITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 2 to 27, which comprises the condensed consolidated statement of financial position of Sunwah Kingsway Capital Holdings Limited (the “Company”) and its subsidiaries (the “Group”) as at 31 December 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

24 February 2023

Directory of Licensed Subsidiaries and Affiliates

LICENSED SUBSIDIARIES OF SUNWAH KINGSWAY CAPITAL HOLDINGS LIMITED

Kingsway Financial Services Group Limited

Licensed Corporation of the Hong Kong Securities and Futures Commission
Exchange Participant of The Stock Exchange of Hong Kong
Broker Participant of Hong Kong Securities Clearing Company Limited
Exchange Participant of Hong Kong Futures Exchange
Participant of HKFE Clearing Corporation Limited
Options Trading Exchange Participant of SEHK
SEOCH Direct Clearing Participant
Lead Underwriter and Securities Broker licence for
B-Shares of Shenzhen and Shanghai Stock Exchanges granted by the China Securities Regulatory Commission
B-Shares Special Seat Holder of Shenzhen Stock Exchange
B-Shares Tangible Trading Seat Holder of Shanghai Stock Exchange
B-Shares Special Clearing Participant of China Securities Depository and Clearing Corporation Limited – Shenzhen Branch
B-Shares Clearing Participant of China Securities Depository and Clearing Corporation Limited – Shanghai Branch

Kingsway Capital Limited

Licensed Corporation of the Hong Kong Securities and Futures Commission
Main Board and GEM Board Sponsor of The Stock Exchange of Hong Kong

Kingsway SW Asset Management Limited

Licensed Corporation of the Hong Kong Securities and Futures Commission

Kingsway SW Finance Limited

Money Lender registered with the HKSAR Government

AFFILIATED & OVERSEAS OFFICES

China

- 廣東新華滙富商業保理有限公司
廣東國富滙基金管理有限公司
2701, Dongshan Plaza,
69 Xianlie Middle Road,
Yuexiu District,
Guangzhou, 510095, PRC
- Shenzhen Kingsway Financial Consultancy Limited
701, Tower A, Aerospace Skyscraper,
4019 Shennan Road, Futian District, Shenzhen,
518048, PRC

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新華滙富

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