

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

As to Hong Kong Law:

MinterEllison LLP
Level 32
Wu Chung House
213 Queen's Road East, Hong Kong

As to Bermuda Law:

Conyers Dill & Pearman
2901 One Exchange Square,
8 Connaught Place, Central, Hong Kong

AUDITOR

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

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor, Tower One, Lippo Centre
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	
		2021 Unaudited HK\$'000	2020 Unaudited HK\$'000
Revenue			
Commission and fee income		27,539	28,054
Interest income arising from financial assets at amortised cost		6,617	10,438
Interest income arising from debt securities		628	869
Dividend income		1,763	881
Rental income		1,465	1,488
	3	38,012	41,730
Net (loss)/gain on financial assets and liabilities at fair value			
through profit or loss	4	(2,422)	27,169
Other income and gains or losses	5	310	3,356
		35,900	72,255
Commission expenses		(3,350)	(3,396)
General and administrative expenses		(43,687)	(51,166)
Finance costs		(599)	(1,879)
Net impairment losses on financial instruments		(12,683)	(11,248)
Fair value changes on investment properties		(305)	159
Changes on non-controlling interests in consolidated investment fund	5	(1,381)	(1,036)
Share of profits/(losses) of associates	5	1,596	(144)
(Loss)/profit before tax	6	(24,509)	3,545
Income tax expenses	7	(1,966)	(1,948)
(Loss)/profit for the period		(26,475)	1,597
Attributable to:			
Owners of the Company		(26,252)	1,959
Non-controlling interests		(223)	(362)
(Loss)/profit for the period		(26,475)	1,597
Basic and diluted (loss)/earnings per share	9	(3.65) HK cents	0.3 HK cent

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 31 December	
	2021	2020
	Unaudited HK\$'000	Unaudited HK\$'000
(Loss)/profit for the period	(26,475)	1,597
Other comprehensive income/(expense):		
<i>Items that will not be reclassified to profit or loss:</i>		
Land and buildings held for own use (note 10)		
– Surplus/(deficit) on revaluation	3,524	(24,235)
– Income tax effect	172	3,845
	3,696	(20,390)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of overseas subsidiaries	589	3,683
Reclassification adjustment for foreign operation deregistered during the period	144	–
	733	3,683
Other comprehensive income/(expense) for the period	4,429	(16,707)
Total comprehensive expense for the period	(22,046)	(15,110)
Total comprehensive expense attributable to:		
Owners of the Company	(21,807)	(14,748)
Non-controlling interests	(239)	(362)
Total comprehensive expense for the period	(22,046)	(15,110)

Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	31 December 2021 Unaudited HK\$'000	30 June 2021 Audited HK\$'000
Non-current assets			
Investment properties		82,269	82,574
Properties and equipment	10	347,921	350,468
Intangible assets		2,489	2,489
Goodwill		1,149	1,149
Interests in associates		19,035	17,439
Loans to and amounts due from associates		14,590	14,257
Loan receivables	12	–	7,619
Other assets		5,033	5,033
Financial assets at fair value through profit or loss	11	67,560	74,640
Deferred tax assets		1,515	2,946
		541,561	558,614
Current assets			
Financial assets at fair value through profit or loss	11	228,421	246,528
Accounts, loans and other receivables	12	307,907	332,533
Contract assets		–	300
Bank balances and cash – trust accounts	13	568,313	668,244
Cash and cash equivalents		199,346	168,610
		1,303,987	1,416,215
Current liabilities			
Financial liabilities at fair value through profit or loss	14	10,599	13,107
Net assets attributable to holders of non-controlling interests in consolidated investment fund	15	14,648	11,931
Accruals, accounts and other payables	16	748,189	768,891
Lease liabilities		1,324	2,116
Contracts liabilities		9,180	17,882
Bank loan and overdraft	17	63,729	130,000
Current tax liabilities		2,959	3,199
		850,628	947,126
Net current assets		453,359	469,089
Total assets less current liabilities		994,920	1,027,703
Non-current liabilities			
Deferred tax liabilities		27,657	27,431
Lease liabilities		2,941	3,315
		30,598	30,746
NET ASSETS		964,322	996,957
CAPITAL AND RESERVES			
Share capital		71,945	71,945
Reserves		891,141	923,740
Equity attributable to owners of the Company		963,086	995,685
Non-controlling interests		1,236	1,272
TOTAL EQUITY		964,322	996,957

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Capital reserve on consolidation HK\$'000	Exchange reserve HK\$'000	Properties revaluation reserve HK\$'000	Retained profit HK\$'000			Total HK\$'000
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
At 1 July 2020 (audited)	71,276	363,714	39,800	63,392	(3,168)	199,769	246,656	981,439	(203)	981,236
Profit/(loss) for the period	-	-	-	-	-	-	1,959	1,959	(362)	1,597
Exchange differences arising on translation of financial statements of overseas subsidiaries	-	-	-	-	3,683	-	-	3,683	-	3,683
Deficit on revaluation of land and buildings held for own use	-	-	-	-	-	(20,390)	-	(20,390)	-	(20,390)
Total comprehensive income/(expense) for the period	-	-	-	-	3,683	(20,390)	1,959	(14,748)	(362)	(15,110)
2020 final dividend payable	-	-	-	-	-	-	(7,128)	(7,128)	-	(7,128)
Capital contribution from minority shareholder	-	-	-	-	-	-	-	-	2,276	2,276
At 31 December 2020 (unaudited)	71,276	363,714*	39,800*	63,392*	515*	179,379*	241,487*	959,563	1,711	961,274

* Those reserve accounts comprise the consolidated reserves of HK\$891,141,000 (31 December 2020: HK\$888,287,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

	Six months ended 31 December	
	2021	2020
	Unaudited HK\$'000	Unaudited HK\$'000
Operating activities		
Operating cash flows before changes in working capital	(13,271)	11,925
Decrease/(increase) in financial assets at fair value through profit or loss	25,187	(19,806)
Decrease in accounts, loans and other receivables	19,138	11,194
Decrease in bank balances and cash – trust accounts	99,931	72,448
Decrease in accruals, accounts and other payables	(32,419)	(152,203)
(Decrease)/increase in contracts liabilities	(8,702)	1,340
(Decrease)/increase in financial liabilities at fair value through profit or loss	(2,508)	1,088
Other operating cash flows	300	(2,266)
Cash generated from/(used in) operations	87,656	(76,280)
Interest received	7,338	10,500
Dividend received	2,326	1,491
Interest paid	(575)	(1,825)
Interest portion of lease payments	(47)	(48)
Profits tax paid	(377)	(2,928)
Net cash generated from/(used in) operating activities	96,321	(69,090)
Investing activities		
Payment for purchase of properties and equipment	–	(131)
Net cash used in investing activities	–	(131)
Financing activities		
Proceeds from bank loans	105,000	3,111,973
Repayment of bank loans	(175,000)	(3,061,973)
Injection from holders of non-controlling interests in consolidated investment fund	1,336	–
Principal portion of lease payments	(1,166)	(782)
Contribution of capital from minority shareholder	203	2,276
Net cash (used in)/generated from financing activities	(69,627)	51,494
Net increase/(decrease) in cash and cash equivalents	26,694	(17,727)
Cash and cash equivalents at 1 July 2021/2020	168,610	136,266
Effect of foreign exchange rate changes, net	313	689
Cash and cash equivalents at 31 December 2021/2020	195,617	119,228
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	199,346	119,228
Bank overdraft	(3,729)	–
	195,617	119,228

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 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2021.

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 2021 for the preparing of the Group’s unaudited interim condensed consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 July 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had interest-bearing bank borrowing denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate as at 31 December 2021. If the interest rate of this borrowing is replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of this borrowing when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to this change.

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has adopted the amendment on 1 July 2021 and applied the practical expedient during the period ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$72,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 31 December 2021. There was no impact on the opening balance of equity as at 1 July 2021.

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	
	2021 HK\$'000	2020 HK\$'000
Revenue from contracts with customers		
<i>Commission and fee income</i>		
– securities, options, funds, futures and commodities brokerage	10,802	14,595
– underwriting and placements in equity capital markets	–	1,469
– corporate finance	14,020	9,327
– asset management	23	15
– miscellaneous fee income	2,694	2,648
	27,539	28,054
Revenue from other sources		
<i>Interest income arising from financial assets at amortised cost</i>		
– bank deposits	297	602
– margin and cash clients	666	3,329
– loans	5,633	6,478
– others	21	29
	6,617	10,438
<i>Interest income arising from debt securities</i>	628	869
<i>Dividend income</i>	1,763	881
<i>Rental income</i>	1,465	1,488
	10,473	13,676
	38,012	41,730

Notes to Condensed Consolidated Financial Statements

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 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
The People's Republic of China (the "PRC")	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

Notes to Condensed Consolidated Financial Statements

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

For six months ended 31 December 2020

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

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

	Six months ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Listed equity securities	263	20,407
Listed debt securities	(5,707)	445
Listed derivatives	3,699	(3,213)
Bond funds	(1,060)	535
Unlisted investment loan	–	5,282
Unlisted investment funds	(4,343)	3,430
Overseas unlisted equity securities	4,726	283
	(2,422)	27,169

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 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)

Notes to Condensed Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

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

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

	31 December 2021	30 June 2021
	HK\$'000	HK\$'000
Proprietary investment	379,473	369,948
Property investment	98,279	98,132
Brokerage and financing	1,004,741	1,132,802
Corporate finance and capital markets	25,795	34,690
Asset management	12,790	10,240
Others	324,470	329,017
Total assets	1,845,548	1,974,829

Notes to Condensed Consolidated Financial Statements

6 (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Staff costs	(25,472)	(28,262)
Lease payments not included in the measurement of lease liabilities	(316)	(748)
Depreciation	(6,150)	(6,419)
Interest expenses on		
– unsecured bank loans wholly repayable within one month and overdrafts	(17)	(6)
– secured bank loans wholly repayable within one year	(420)	(1,820)
– others	(115)	(5)
– lease liabilities	(47)	(48)
Exchange gain (net)	646	3,325

7 INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Current tax		
– Hong Kong	134	983
– PRC	3	437
	137	1,420
Over provision in prior years	–	(20)
Deferred tax	1,829	548
	1,966	1,948

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\$17.2 million (31 December 2020: HK\$13.8 million) are wholly set off by tax losses brought forward. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25%.

Notes to Condensed Consolidated Financial Statements

8 DIVIDENDS

Dividends recognised as distributions during the period:

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, declared and payable of 1.5 HK cents per share (2020: paid of 1 HK cent per share)	10,792	7,128

Subsequent to the end of the interim reporting period, at a meeting held on 24 February 2022, the directors declared an interim dividend of 1 HK cent per share (31 December 2020: 1.5 HK cents per share) for an aggregate amount of HK\$7,304,000 (31 December 2020: HK\$10,792,000) based on the number of shares in issue at 24 February 2022.

9 (LOSS)/EARNINGS PER SHARE

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

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
(Loss)/earnings		
(Loss)/profit for the purposes of basic and diluted (loss)/earnings per share		
(Loss)/profit attributable to owners of the Company for the period	(26,252)	1,959
Number of shares		
Number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	719,452,868	712,761,496

Notes to Condensed Consolidated Financial Statements

10 PROPERTIES AND EQUIPMENT

As at 31 December 2021, the revaluation surplus, net of the related deferred tax, of approximately HK\$3,696,000 (31 December 2020: deficit of HK\$20,390,000) was credit (31 December 2020: debit) to the properties revaluation reserve. The fair value of the Group's land and buildings as at 31 December 2021 and 30 June 2021 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.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	31 December 2021 HK\$'000	30 June 2021 HK\$'000
Listed equity securities, at quoted price			
– in Hong Kong		147,374	148,612
– outside Hong Kong		1,669	2,116
Listed debt securities, at quoted price			
– in Hong Kong	<i>(a)</i>	3,170	19,988
– outside Hong Kong	<i>(a)</i>	11,296	14,232
Bond funds, at quoted price		13,529	9,909
Overseas unlisted equity securities	<i>(b)</i>	51,142	46,416
Unlisted debt security		330	330
Unlisted investment funds	<i>(c)</i>	67,471	79,565
		295,981	321,168
Represented by:			
Non-current		67,560	74,640
Current		228,421	246,528
		295,981	321,168

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes:

- (a) The Group held listed debt securities with fair value of HK\$13,935,000 as at 31 December 2021 (30 June 2021: HK\$32,899,000) which will be due in 2022 to 2027 (30 June 2021: 2021 to 2027). The Group also held listed perpetual debts with fair value of HK\$531,000 as at 31 December 2021 (30 June 2021: HK\$1,321,000).

- (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 23 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

12 ACCOUNTS, LOANS AND OTHER RECEIVABLES

	<i>Notes</i>	31 December 2021 HK\$'000	30 June 2021 HK\$'000
Accounts and loan receivables			
Amounts due from brokers and clearing houses	<i>(a)</i>	146,421	76,213
Amounts due from margin clients	<i>(b)</i>	26,157	28,738
Amounts due from cash clients	<i>(c)</i>	46,383	125,636
Loan receivables	<i>(d)</i>	125,611	135,225
Other accounts receivable	<i>(e)</i>	3,905	2,460
		348,477	368,272
Less: Impairment allowances		(55,760)	(41,812)
		292,717	326,460
Less: Non-current portion		–	(7,619)
		292,717	318,841
Prepayments, deposits and other receivables			
Less: Impairment allowances		–	(1,931)
		15,190	13,692
		307,907	332,533

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\$12,719,000 (30 June 2021: HK\$15,728,000) 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 2021, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK\$30 million (30 June 2021: HK\$79 million). As at 31 December 2021 and 30 June 2021, the market value of collateral held by a substantial number of our margin clients was larger than their outstanding balance. The Group provided additional impairment against several margin clients with value of collateral held which was below the outstanding balance of their margin loans. As a result, the Group provided accumulated impairment losses of HK\$19 million (30 June 2021: HK\$18 million) as at 31 December 2021. Management monitors the market value of collateral during the reviews of the adequacy of the impairment allowance. The fair value of collateral can be objectively ascertained to cover the outstanding amount of the loan balances based on quoted prices of collateral.
- (c) There are no credit terms granted to cash clients of the brokerage division except for financing of IPO subscriptions. They are required to settle their securities trading balances on the settlement day determined under the relevant market practices or exchange rules.

Notes to Condensed Consolidated Financial Statements

12 ACCOUNTS, LOANS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (d) Loan receivables comprised fixed-rate loan receivables of HK\$56 million (30 June 2021: HK\$68 million) and factoring receivables of HK\$70 million (30 June 2021: HK\$67 million), and accumulated impairment allowances of HK\$34 million (30 June 2021: HK\$23 million) as at 31 December 2021. The Group provided additional impairment loss of HK\$12 million against its fixed-rate loan and factoring receivables clients which were failed to repay upon maturity. 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 2021 HK\$'000	30 June 2021 HK\$'000
Current and within one month	263,549	300,421
More than one month and within three months	212	–
More than three months	28,956	26,039
	292,717	326,460

Included in the above table, loan receivables of approximately HK\$64,874,000 and HK\$26,393,000 (30 June 2021: HK\$87,715,000 and HK\$24,838,000) were aged within one month and more than three months respectively.

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

	Amounts due from brokers and clearing houses HK\$'000	Amounts due from margin clients HK\$'000	Amounts due from cash clients HK\$'000	Loan receivables HK\$'000	Other accounts receivable HK\$'000	Total HK\$'000
At 1 July 2020	6	9,353	40	14,334	534	24,267
Impairment losses recognised	–	8,512	6	8,338	962	17,818
Amounts written off as uncollectible	–	–	–	–	(273)	(273)
At 30 June 2021 and 1 July 2021	6	17,865	46	22,672	1,223	41,812
Impairment losses recognised	–	1,283	81	11,672	912	13,948
Amounts written off as uncollectible	–	–	–	–	–	–
At 31 December 2021	6	19,148	127	34,344	2,135	55,760

Notes to Condensed Consolidated Financial Statements

13 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.

14 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021 HK\$'000	30 June 2021 HK\$'000
Financial liabilities at fair value through profit or loss arising from short selling activities	10,599	13,107

Balance represented the fair value of listed equity securities from short selling activities as at 31 December 2021 and 30 June 2021.

15 NET ASSETS ATTRIBUTABLE TO HOLDERS OF NON-CONTROLLING INTERESTS IN CONSOLIDATED INVESTMENT FUND

Net assets attributable to holders of non-controlling interests in the consolidated investment fund, namely MEC Asian Fund, 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 fund cannot be predicted with accuracy since these represent the interest of non-controlling shareholders in consolidated investment fund that are subject to the actions of the non-controlling investors.

16 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	31 December 2021 HK\$'000	30 June 2021 HK\$'000
Accounts payable (on demand or within one month)		
Amounts due to brokers and clearing houses	18,474	8,151
Clients' accounts payable	691,919	713,599
Others	11,532	10,151
	721,925	731,901
Other creditors, accruals and other provisions	26,264	36,990
	748,189	768,891

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.

Notes to Condensed Consolidated Financial Statements

17 BANK LOAN AND OVERDRAFT

	31 December	30 June
	2021	2021
	HK\$'000	HK\$'000
Bank overdraft, unsecured	3,729	–
Secured bank loans (<i>Note</i>)	60,000	130,000
	63,729	130,000

Note: The bank loans are repayable within one year (30 June 2021: one year). The loan are secured by the Group's land and buildings held for own use with fair value of approximately HK\$330 million (30 June 2021: HK\$330 million) and bear interest at 1.4% above Hong Kong Interbank Offered Rate ("HIBOR") (30 June 2021: 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 2021 and 30 June 2021, none of the covenants relating to the facilities drawn had been breached.

18 COMMITMENTS**(A) COMMITMENTS UNDER OPERATING LEASES AS LESSOR**

As at 31 December 2021 and 30 June 2021, 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	30 June
	2021	2021
	HK\$'000	HK\$'000
Within one year	2,609	2,057
Between one and two years	1,200	–
	3,809	2,057

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

18 COMMITMENTS (Continued)**(B) Other commitments**

	31 December 2021 HK\$'000	30 June 2021 HK\$'000
Underwriting commitments for right issues	7,560	–
Capital commitments for equity investment in an unlisted company (Note)	45,000	–
	52,560	–

Note: The Group and its partners established a company to acquire the entire equity interest of a target company from an independent vendor. The maximum capital commitment of the Group was HK\$45 million.

19 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 balance sheet 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.

20 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 providing additional information to the CSRC currently.

21 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	
	2021	2020
	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	
	2021	2020
	HK\$’000	HK\$’000
Brokerage commission earned on securities, options, futures and commodities dealing		
– Group’s directors, their close family members and their companies	138	113
Consultancy and management fees earned		
– a company controlled by a Group’s director	380	620
Clients’ accounts payable		
– Group’s directors, their close family members and their companies	19,499	31,663

Notes to Condensed Consolidated Financial Statements**21 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 2021, a loan with the principal amount of HK\$6,089,000 (30 June 2021: HK\$6,089,000) is unsecured, interest bearing at 5% per annum and repayable in January 2023. The other loan with the principal amount, net of imputed interest, of HK\$7,436,000 (30 June 2021: HK\$7,255,000) is unsecured, interest free and repayable in October 2024.

22 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 2021.

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

23 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).

Notes to Condensed Consolidated Financial Statements

23 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	
	31 December 2021	30 June 2021			
	HK\$'000	HK\$'000			
<u>Financial assets</u>					
Listed equity securities	149,043	150,728	Level 1	Quoted price in an active market	
Listed debt securities	14,466	34,220	Level 2	Quoted price in a market	
Bond funds	13,529	9,909	Level 2	Quoted price in a market	
Unlisted investment funds	67,471	79,565	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	
Unlisted debt security	330	330	Level 2	Quoted price in an inactive market	
Overseas unlisted equity security	41,780	34,173	Level 2	Recent transaction price in an inactive market	
<u>Financial liabilities</u>					
Listed equity securities	10,599	13,107	Level 1	Quoted price in an active market	
Net assets attributable to holders of non-controlling interests in consolidated investment fund	14,648	11,931	Level 2	Net asset value of underlying investments determined with reference to active market price	
	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31 December 2021	30 June 2021			
	HK\$'000	HK\$'000			
<u>Financial assets</u>					
Overseas unlisted equity securities	9,362	12,243	Level 3	Net asset value (30 June 2021: Market approach)	N/A (30 June 2021: Enterprise value to earnings before interest, taxes, depreciation and amortization ratio ("EV/EBITDA") of 6.9x Discount for lack of marketability of 25%)
				Income approach	Cost of capital of 20.09% (30 June 2021: 23.86%) Discount for lack of control of 11.2% (30 June 2021: 11.2%) Discount for lack of marketability of 20.6% (30 June 2021: 21.9%)

Notes to Condensed Consolidated Financial Statements

23 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

For overseas unlisted equity security, 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\$85,000 or an increase of HK\$106,000. A 10% increase in discount for lack of control and discount for lack of marketability used in isolation would result in a decrease in the fair value measurement of the overseas unlisted equity security of HK\$10,000 and HK\$22,000 respectively, and vice versa.

Reconciliation of Level 3 fair value measurements

	Financial assets at fair value through profit or loss	
	31 December 2021 HK\$'000	30 June 2021 HK\$'000
Opening balance	12,243	17,764
Fair value change charged to profit or loss	(2,881)	9,459
Disposal	–	(14,980)
	9,362	12,243

For the six-month period ended 31 December 2021, of the total gains or losses for the period included in profit or loss, HK\$2,881,000 (31 December 2020: HK\$5,565,000) 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

The management is responsible in 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, the Group has engaged the valuer to establish appropriate valuation technique. The management reviews the valuations bi-annually.

24 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 2021.

25 SUBSEQUENT EVENT

Subsequent to period end, China New Economy Fund Limited, the investee which the Group holds approximately 19% equity interest, appointed our Chief Executive Officer as a Non-executive Director on 8 February 2022. Since then, the investment in China New Economy Fund Limited will be accounted for as an investment in associate using equity method as the Group is expected to exercise significant influence over the investee.

Management Discussion and Analysis

THE MARKET

The performance of Hong Kong stock market in 2021 lagged other major markets. Global stock markets benefiting from the pandemic easy-money policies and optimism over economic reopening, and reached record highs in 2021. However, the Chinese property debt repayment concerns and weak retail spending have adversely affected the Hong Kong stock market. The Chinese government attempted to implement policies in new economy sectors to achieve more “common prosperity” also increased the uncertainty of the market. The Hang Seng Index (“HSI”) was down approximately 14% in 2021, the biggest annual loss in a decade. The HSI closed at 23,398 at the end of December 2021, compared with 28,828 at the end of June 2021 and 27,231 at the end of December 2020. The average monthly aggregate turnover on the Main Board and GEM Board during the six months ended 31 December 2021 (“the first half year of FY2022”) increased by 4% to HK\$3,069 billion, as compared with HK\$2,962 billion for the six months ended 31 December 2020 (“the first half year of FY2021”). However, the Hong Kong IPO market shrank as China’s regulatory crackdown on several industries cooled the market and hurt fundraising activity in the second half of 2021. The funds raised from IPOs on the Main Board decreased by 61% to HK\$118 billion during the first half year of FY2022, as compared with HK\$306 billion for the first half year of FY2021.

FINANCIAL HIGHLIGHTS

The Group recorded a loss after tax of HK\$26 million for the first half year of FY2022, as compared to a profit after tax of HK\$2 million for the first half year of FY2021. After taking into account the other comprehensive income for the period, the Group recorded a total comprehensive expense of HK\$22 million for the first half year of FY2022, as compared to a total comprehensive expense of HK\$15 million for the first half year of FY2021. Following the social tensions and COVID-19 outbreak over the past two years, Hong Kong’s commercial property market has become relatively stable in the first half year of FY2022, supported by moderate economic growth. The Group recognised a revaluation surplus, net of tax, of HK\$4 million for the first half year of FY2022, as compared with a deficit of HK\$20 million for the first half year of FY2021. Commission and fee income from our financial intermediary business was HK\$28 million for the first half year of FY2022, the same as the first half year of FY2021. Interest income was HK\$7 million for the first half year of FY2022, as compared with HK\$11 million for the first half year of FY2021. Dividend and rental income was HK\$3 million for the first half year of FY2022, as compared with HK\$2 million for the first half year of FY2021. The Hang Seng Index decreased by 19% during the first half year of FY2022, compared to an increase of 11% during the first half year of FY2021. As a result, the Group recorded a net loss of HK\$2 million on financial assets and liabilities at fair value through profit or loss for the first half year of FY2022, as compared with a gain of HK\$27 million for the first half year of FY2021. General and administrative expenses decreased by HK\$7 million, from HK\$51 million for the first half year of FY2021 to HK\$44 million for the first half year of FY2022, which was mainly caused by the decrease in staff bonus provision and referral fee paid for corporate finance project.

BROKERAGE AND FINANCING

Total revenue of the division was HK\$20 million for the first half year of FY2022, as compared with HK\$28 million for the first half year of FY2021. The brokerage commission income decreased by HK\$4 million to HK\$11 million for the first half year of FY2022, as compared with HK\$15 million for the first half year of FY2021, mainly due to the decrease in trading turnover of our institutional clients. The poor performance of newly listed companies cooled the Hong Kong IPO fundraising activities and some clients reduced their margin positions, resulting in a decrease in interest income from brokerage clients by HK\$2 million to HK\$1 million for the first half year of FY2022.

The gross margin loans, fixed-rate loans and factoring receivables amounted HK\$152 million as at 31 December 2021, as compared with HK\$164 million as at 30 June 2021. The accumulated provision for expected credit loss for the loan portfolio as at 31 December 2021 was HK\$53 million, an increase of HK\$13 million when compared with HK\$40 million as at 30 June 2021. The Group provided an impairment loss of HK\$12 million for a margin client, two fixed-rate loan clients and three factoring receivable clients for the first half year of FY2022. A debtor of our factoring customer failed to settle its outstanding bills payable. The debtor is a PRC company listed on the Shenzhen Stock Exchange. A restructuring plan was approved by its creditors during the year. The debtor will issue new shares to the creditors at a premium to fulfill the obligation of the bills payable. The Group estimated an expected loss of HK\$7 million on the principal amount of HK\$16 million for this factoring customer. The Group will continue to handle the loan portfolio with prudent risk management strategy.

The Group entered into a non-legally binding strategic cooperation memorandum of understanding with two business partners during the year. By forming strategic alliances with the business partners, the Group will have the opportunity to participate in the development of cross-border integrated financial services.

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 received document request lists from the CSRC through the joint venture company and is now providing additional and updated information.

CORPORATE FINANCE AND CAPITAL MARKETS

Total revenue of the division was HK\$14 million for the first half year of FY2022, as compared with HK\$11 million for the first half year of FY2021. The division completed a transfer of listing from the GEM to Main Board during the period. The progress of the due diligence of other IPO projects was affected by the quarantine measures caused by the pandemic, hence, the division focused on the advisory services provided for listed companies during the period.

Capital market remained lackluster in our target client segment and the division did not recognised any underwriting and placement fee in the first half year of FY2022, as compared with HK\$1 million for the first half year of FY2021.

Management Discussion and Analysis**ASSET MANAGEMENT**

Total revenue of the division was immaterial for the first half year of FY2022 and FY2021. The division is now approaching several private equity funds and high net worth clients to provide assets management services to generate more revenue. The Group is also exploring marketing Vietnam focused investment funds and setting up a new boutique investment fund in Hong Kong.

PROPRIETARY INVESTMENT

Total revenue of the division was HK\$2 million for the first half year of FY2022 and FY2021. After including net gain or loss on disposal of financial assets and liabilities at fair value through profit or loss, the division recognised a minimal loss for the first half year of FY2022, as compared to an income of HK\$29 million for the first half year of FY2021. The pricing of PRC property bonds fell sharply after China Evergrande Group defaulted on its debt. As a result, the division recognised an unrealized loss of HK\$5 million for the PRC property bond portfolio. The market value of the PRC property bond portfolio was HK\$7 million as at 31 December 2021. The division will shift its focus from listed debt securities to bond funds which have higher degree of diversification. The division partially redeemed an investment fund of HK\$12 million during the period to realise trading gain and rebalance the investment ratios among investment funds. For the investment in the unlisted smart mobility company, the division recognised an unrealized gain of HK\$8 million for the first half year of FY2022 and recorded a realized and unrealized trading gain of HK\$41 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.

As at 31 December 2021, the carrying value of the unlisted investments, listed securities and listed debt securities and bond funds portfolio was HK\$119 million, HK\$149 million and HK\$28 million respectively (30 June 2021: HK\$126 million, HK\$151 million and HK\$44 million). The largest investment of the financial assets at fair value through profit or loss was an unlisted equity security which accounted for approximately 2.3% of the Group's consolidated total assets as at 31 December 2021. The directors considered that investments with a fair value of more than 5% of the Group's consolidated total assets as a significant investment.

The Group acquired an approximately 11% equity interest in China New Economy Fund Limited ("China New Economy") at a consideration of HK\$16 million during the period. After the acquisition, the Group held approximately 19% equity interest in China New Economy at the end of December 2021. The Group further subscribed for the rights shares of China New Economy at a consideration of HK\$15 million in February 2022. Additionally, our Chief Executive Officer was appointed as a Non-executive Director of China New Economy. China New Economy was established for the purpose of acting as a closed-ended investment company. The principal investment objective is to achieve long term capital appreciation through investing globally in both private and public enterprise that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of PRC. The Group considers it is a long term strategic investment that enable the Group to cooperate with China New Economy in private equity investment and portfolio investment.

PROPERTY INVESTMENTS

Total revenue of the division was HK\$2 million for the first half year of FY2022 and FY2021. The rental income received from these properties provided stable cash inflow for the division. Facing the increased supply of retail shops in Kwun Tong in 2021, our investment property in Hong Kong recorded a revaluation deficit of HK\$2 million for the first half year of FY2022. The loss was partially offset by the recovery of Beijing commercial real estate market and the appreciation of the RMB which benefited our investment property in Beijing and generated a revaluation surplus of HK\$1.7 million. In aggregate, the division recognised a revaluation deficit of HK\$0.3 million for the first half year of FY2022.

Management Discussion and Analysis

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

In December 2021, the Group and its business partners entered into the Cooperation Framework Agreement to establish a project company to acquire a company which holds two parcels of land located in Hong Kong. The Group holds 30% equity interest in the project company and the expected maximum capital commitment will be HK\$45 million. It is the Group's long term business direction to source for investment opportunities in the real estate market and related projects in Hong Kong. By establishment of the project company, the Group could benefit from the cooperation with the partners which allow the pooling of funds for such large-scale development projects with a relatively low capital commitment. The Group could also leverage on the expertise of the partners in investing in the property development and investment business to create a greater return for our shareholders. The Group is now performing the legal and financial due diligence of the target company.

OUTLOOK

The markets are facing multiple risks in 2022. The expected tightening of monetary policies in the US is going to affect global market liquidity. The geopolitical tension at Ukraine is bringing uncertainty to the global economy and commodity markets. The PRC property companies are still struggling to handle their upcoming debt repayments and interest servicing. The explosion in COVID-19 cases in Hong Kong since early February is putting pressure on the local medical system. All these risks and uncertainties lead to a prudent business mode. Management is going to focus on liquidity management and preservation of capital until there are signs that the markets return to expansion mode again.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at the end of December 2021 were HK\$1,846 million, of which approximately 71% were current in nature. Net current assets were HK\$453 million, accounting for approximately 47% of the net assets of the Group as at end of December 2021. The Group had net cash and cash equivalents of HK\$196 million as at end of December 2021, which was mainly denominated in Hong Kong dollars.

The Group generally finances its daily operations from internal resources. Total secured borrowings of HK\$60 million as at the end of December 2021 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 7% as at the end of December 2021. As at 31 December 2021, the office property with carrying value of HK\$330 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 2021. The Company provided corporate guarantees of HK\$210 million for banking facilities granted to its subsidiaries.

Foreign Exchange Exposure

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

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 2021, the number of full time employees of the Group was 89 (30 June 2021: 95). Remuneration and bonus are based on performance and are reviewed annually in conjunction with the annual employee performance appraisal. It also takes into consideration the results of the division to which the employee belongs and the Group as a whole. The Group provides a full induction program and in-house training courses to all staff – particularly professionals registered with relevant regulatory bodies who must meet their mandatory continued professional training requirements. A share option scheme is available to directors, employees and consultants of the Group.

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

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 2021 (six months ended 31 December 2020: 1.5 HK cents). The dividend will be payable on Thursday, 31 March 2022 to shareholders whose names appear on the Register of Members at the close of business on Wednesday, 16 March 2022.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 14 March 2022 to Wednesday, 16 March 2022, both days inclusive, during which period no transfers of shares will be registered. To determine entitlement to the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited (at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:30p.m. on Friday, 11 March 2022.

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 2021, 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	30.02%
Dr Jonathan Koon Shum Choi	Personal	186,648,139	25.94%
Mr Michael Koon Ming Choi	Personal	35,981,684	5.00%
Mr Michael Koon Ming Choi	Corporate	10,095,355	1.40%

* 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 2021, 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 2021, 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	186,648,139	215,987,808	55.96%	(a)
(2)	World Developments Limited	British Virgin Islands	185,701,741	–	25.81%	(a)
(3)	Sunwah International Limited ("SIL")	Bermuda	–	185,701,741	25.81%	(a)
(4)	Sun Wah Capital Limited	British Virgin Islands	30,286,067	185,701,741	30.02%	(a)
(5)	Mr Michael Koon Ming Choi	N/A	35,981,684	10,095,355	6.40%	

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 SIL and 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 2021.

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 2021, 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:

Mr Michael Koon Ming Choi

Mr Choi was appointed as non-executive director of China New Economy Fund Limited with effect from 8 February 2022.

Mr Robert Tsai To Sze

Mr Sze resigned as independent non-executive director of Hop Hing Group Holdings Limited with effect from 15 February 2022.

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 2021. 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 2022

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 2021 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 2022

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

SUNWAH KINGSWAY
新華滙富

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

7th Floor, Tower One, Lippo Centre,
89 Queensway, Hong Kong
Tel : (852) 2283 7000 Fax : (852) 2877 2665
Email: pr@sunwahkingsway.com

www.sunwahkingsway.com