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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 JUNE 2022**

The Board of Directors of Sunwah Kingsway Capital Holdings Limited (the “Company”) hereby submit the consolidated financial results of the Company and its subsidiaries (the “Group”) for the year ended 30 June 2022.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue			
Commission and fee income		44,626	60,982
Interest income arising from financial assets at amortised cost		15,948	21,081
Interest income arising from debt securities		1,552	1,552
Dividend income		3,796	3,487
Rental income		3,004	2,915
		<hr/>	<hr/>
	3	68,926	90,017
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	4	(22,611)	87,274
Other income and gain or losses	5	(416)	1,694
		<hr/>	<hr/>
		45,899	178,985
Commission expenses		(5,099)	(8,526)
General and administrative expenses		(79,251)	(106,303)
Finance costs		(1,478)	(2,851)
Net impairment losses on financial instruments		(30,711)	(18,521)
Fair value changes on investment properties		(3,521)	(5,508)
Changes on non-controlling interests in consolidated investment fund	5	(550)	(2,341)
Share of loss of a joint venture	5	(184)	–
Share of losses of associates	5	(736)	(1,015)
		<hr/>	<hr/>
(Loss)/profit before tax	6	(75,631)	33,920
Income tax expenses	7	(3,065)	(2,962)
		<hr/>	<hr/>
(Loss)/profit for the year		(78,696)	30,958
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		(78,069)	31,758
Non-controlling interests		(627)	(800)
		<hr/>	<hr/>
(Loss)/profit for the year		(78,696)	30,958
		<hr/> <hr/>	<hr/> <hr/>
Basic and diluted (loss)/earnings per share	9	(10.78) HK cents	4.44 HK cents
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit for the year	<u>(78,696)</u>	<u>30,958</u>
Other comprehensive income/(expense):		
<i>Item that will not be reclassified to profit or loss:</i>		
Land and buildings held for own use		
– Surplus/(deficit) on revaluation	7,531	(9,661)
– Income tax effect	214	2,668
	<u>7,745</u>	<u>(6,993)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of overseas subsidiaries	(1,527)	4,704
Reclassification adjustment for foreign operation deregistered during the year	144	–
	<u>(1,383)</u>	<u>4,704</u>
Other comprehensive income/(expense) for the year	<u>6,362</u>	<u>(2,289)</u>
Total comprehensive (expense)/income for the year	<u><u>(72,334)</u></u>	<u><u>28,669</u></u>
Total comprehensive (expense)/income attributable to:		
Owners of the Company	(71,687)	29,469
Non-controlling interests	(647)	(800)
Total comprehensive (expense)/income for the year	<u><u>(72,334)</u></u>	<u><u>28,669</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Investment properties		79,053	82,574
Properties and equipment		347,087	350,468
Intangible assets		2,489	2,489
Goodwill		1,121	1,149
Interest in a joint venture		22,316	–
Interests in associates		66,045	17,439
Loans to and amounts due from associates		13,518	14,257
Loan receivables	<i>10</i>	–	7,619
Other assets		4,609	5,033
Financial assets at fair value through profit or loss		51,035	74,640
Deferred tax assets		264	2,946
		587,537	558,614
Current assets			
Financial assets at fair value through profit or loss		223,864	246,528
Accounts, loans and other receivables	<i>10</i>	160,127	332,533
Contract assets		–	300
Bank balances and cash – trust accounts		531,645	668,244
Cash and cash equivalents		162,529	168,610
		1,078,165	1,416,215
Current liabilities			
Financial liabilities at fair value through profit or loss		8,409	13,107
Net assets attributable to holders of non-controlling interests in consolidated investment fund		13,818	11,931
Accruals, accounts and other payables	<i>11</i>	591,509	768,891
Lease liabilities		981	2,116
Contract liabilities		1,847	17,882
Bank loans		105,000	130,000
Current tax liabilities		2,990	3,199
		724,554	947,126
Net current assets		353,611	469,089
Total assets less current liabilities		941,148	1,027,703
Non-current liabilities			
Deferred tax liabilities		27,433	27,431
Lease liabilities		2,883	3,315
		30,316	30,746
NET ASSETS		910,832	996,957
CAPITAL AND RESERVES			
Share capital	<i>12</i>	73,039	71,945
Reserves		836,966	923,740
Equity attributable to owners of the Company		910,005	995,685
Non-controlling interests		827	1,272
TOTAL EQUITY		910,832	996,957

NOTES:

1 APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time which are relevant to the Group:

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 16

Covid-19-Related Rent Concessions beyond 30 June 2021

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform

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 30 June 2022. 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.

Amendments to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

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 30 June 2022 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\$302,000 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 30 June 2022. There was no impact on the opening balance of equity as at 1 July 2021.

New and Revised HKFRSs in Issue But Not Yet Effective

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

Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of liabilities as current or non-current ^{2,4}
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS16, and HKAS 41 ²

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ No mandatory effective date yet determined but available for adoption.

⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion.

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

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 HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 July 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 July 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 July 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

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 consolidated 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 consolidated financial statements.

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.

2 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers		
<i>Commission and fee income</i>		
– securities, options, funds, futures and commodities brokerage	15,870	28,323
– underwriting and placements in equity capital markets	321	4,542
– corporate finance	23,150	23,274
– asset management	121	33
– miscellaneous fee income	5,164	4,810
	<u>44,626</u>	<u>60,982</u>
Revenue from other sources		
<i>Interest income arising from financial assets at amortised cost</i>		
– bank deposits	752	896
– margin and cash clients	5,994	5,664
– loans	9,144	14,461
– others	58	60
	<u>15,948</u>	<u>21,081</u>
<i>Interest income arising from debt securities</i>	1,552	1,552
<i>Dividend income</i>	3,796	3,487
<i>Rental income</i>	3,004	2,915
	<u>24,300</u>	<u>29,035</u>
	<u>68,926</u>	<u>90,017</u>

BROKING SERVICES

The Group provides broking services to customers on securities, options, funds, futures and commodities trading. Commission income from broking services is determined at a certain percentage of the transaction value of the trades executed and is recognised as income on the date the trades are executed. Normal settlement terms are one or two days after trade date, unless specifically agreed with counterparties.

CAPITAL MARKET SERVICES

The Group provides underwriting and placing services to customers, the revenue is recognised at a point in time. The service fee is charged when the relevant underwriting, sub-underwriting or financial products arrangement activities are completed.

CORPORATE FINANCE SERVICES

The Group provides sponsor, financial and compliance advisory services to customers. During the year, the revenue for sponsor and financial advisory services are recognised over time or at a point in time, while for compliance advisory services is recognised over time.

For sponsor services, the Group considers that all the services promised in a particular contract of being a sponsor are interdependent and interrelated and should be therefore accounted for as a single performance obligation. For the contracts that provide the Group an enforceable right to payment for performance completed to date, the sponsor fees are recognised over time by measuring the progress using the output method and estimating the percentage of completion by key tasks performed to date. For other sponsor contracts, as it is unlikely that a customer can obtain benefit before the Group completes all its services up to listing or the completion of the underlying transaction and since the contracts do not provide the Group an enforceable right to payment for performance completed up to date, the sponsor fees are recognised at a point in time upon listing or when the underlying transactions are completed. Payments are received by installments in accordance to the completion of milestones as specified in the mandate.

For certain advisory services, as the Group provides services and the customers simultaneously receives and consumes the benefit provided by the Group, the fee is recognised over time. For other advisory services of which the performance obligations are fulfilled when all the relevant duties of the Group as stated in the contract are completed, the fee is recognised at a point in time.

ASSET MANAGEMENT SERVICES

Asset management services to customers are recognised over time as the Group provides asset management services and the customers simultaneously receives and consumes the benefit provided by the Group. The asset management income is charged at a fixed percentage per annum of the asset value of the accounts under management of the Group.

MISCELLANEOUS FEE INCOME

The Group provides services in securities, futures and options trading and customer's account handling. Miscellaneous fee including handling and other services fee income, which are recognised when the transaction are executed and services are completed.

TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATION FOR CONTRACTS WITH CUSTOMERS

The Group applied the practical expedient for contracts either with original expected duration less than one year and did not disclose the aggregate amount of transaction price allocated to performance obligations of the broking, capital market, corporate finance and asset management services that are unsatisfied (or partly unsatisfied). The performance fee arising from asset management services which are constrained as at 30 June 2022 has been excluded from the transaction price and hence not disclosed. For the year ended 30 June 2022, there was no revenue recognised (2021: Nil) from performance obligations satisfied (or partially satisfied) in previous periods.

DISAGGREGATION OF REVENUE

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

For the year ended 30 June 2022

Segments	Brokerage and financing <i>HK\$'000</i>	Corporate finance and capital markets <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of services					
Brokerage service	15,870	–	–	–	15,870
Capital market service	–	321	–	–	321
Corporate finance service	–	23,150	–	–	23,150
Asset management service	–	–	121	–	121
Other services	3,844	560	–	760	5,164
Total revenue from contracts with customers	<u>19,714</u>	<u>24,031</u>	<u>121</u>	<u>760</u>	<u>44,626</u>
Geographical markets					
Hong Kong	18,646	24,031	121	760	43,558
Mainland China	6	–	–	–	6
Other countries	1,062	–	–	–	1,062
Total revenue from contracts with customers	<u>19,714</u>	<u>24,031</u>	<u>121</u>	<u>760</u>	<u>44,626</u>
Timing of revenue recognition					
Services transferred at a point in time	19,714	18,461	–	–	38,175
Services transferred over time	–	5,570	121	760	6,451
Total revenue from contracts with customers	<u>19,714</u>	<u>24,031</u>	<u>121</u>	<u>760</u>	<u>44,626</u>

For the year ended 30 June 2021

Segments	Brokerage and financing <i>HK\$'000</i>	Corporate finance and capital markets <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of services					
Brokerage service	28,323	–	–	–	28,323
Capital market service	–	4,542	–	–	4,542
Corporate finance service	–	23,274	–	–	23,274
Asset management service	–	–	33	–	33
Other services	3,556	–	–	1,254	4,810
	<u>31,879</u>	<u>27,816</u>	<u>33</u>	<u>1,254</u>	<u>60,982</u>
Total revenue from contracts with customers	<u>31,879</u>	<u>27,816</u>	<u>33</u>	<u>1,254</u>	<u>60,982</u>
Geographical markets					
Hong Kong	29,049	27,816	33	1,254	58,152
Mainland China	3	–	–	–	3
Other countries	2,827	–	–	–	2,827
	<u>31,879</u>	<u>27,816</u>	<u>33</u>	<u>1,254</u>	<u>60,982</u>
Total revenue from contracts with customers	<u>31,879</u>	<u>27,816</u>	<u>33</u>	<u>1,254</u>	<u>60,982</u>
Timing of revenue recognition					
Services transferred at a point in time	31,879	14,507	–	–	46,386
Services transferred over time	–	13,309	33	1,254	14,596
	<u>31,879</u>	<u>27,816</u>	<u>33</u>	<u>1,254</u>	<u>60,982</u>
Total revenue from contracts with customers	<u>31,879</u>	<u>27,816</u>	<u>33</u>	<u>1,254</u>	<u>60,982</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Listed equity securities	(11,717)	46,912
Listed debt securities	(11,828)	(383)
Listed derivatives	6,236	(3,501)
Bond funds	(3,703)	461
Unlisted debt security	–	186
Unlisted investment loan	–	5,823
Unlisted investment funds	(5,887)	721
Overseas unlisted equity securities	4,288	37,055
	<u>(22,611)</u>	<u>87,274</u>

5 SEGMENT REPORTING

Information reported to senior management of the Company for the purposes of resource allocation and assessment of segment performance, focuses on the types of services provided. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Proprietary investment	:	Investment in securities for treasury and liquidity management, and structured deals including listed and unlisted equities, debt securities and investment funds
Property investment	:	Investment in properties for receiving rental income and capital appreciation
Brokerage and financing	:	Provision of securities, options, funds, futures and commodities brokerage services, margin and other financing, factoring and other related services
Corporate finance and capital markets	:	Provision of financial advisory services to corporate clients in connection with the Listing Rules and acting as underwriting and placing agent in the equity capital market
Asset management	:	Provision of asset management and related advisory services to private equity funds and private clients
Others	:	Provision of management, administrative and corporate secretarial services, inter-group loan financing and inter-group office service

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that share of profits/(losses) of associates and a joint venture and changes on non-controlling interests in consolidated investment fund are excluded from such measurement, and the segment assets are measured consistently with the Group's total assets except that inter-company balances are excluded from such measurement. Inter-segment revenues are charged among segments at an agreed rate with reference to the rate normally charged to third party customers, the nature of services or the costs incurred. Segment liabilities are not presented as they are not regularly reviewed by senior management.

	Proprietary investment HK\$'000	Property investment HK\$'000	Brokerage and financing HK\$'000	Corporate finance and capital markets HK\$'000	Asset management HK\$'000	Others HK\$'000	Consolidated HK\$'000
Segmental income statement							
Commission and fee income	-	-	19,714	24,031	121	760	44,626
Interest income arising from financial assets at amortised cost	1,052	666	14,222	4	4	-	15,948
Interest income arising from debt securities	1,552	-	-	-	-	-	1,552
Other income	3,796	3,004	-	-	-	-	6,800
Inter-segment revenue	-	-	1,654	-	3,806	18,886	24,346
Segment revenue	6,400	3,670	35,590	24,035	3,931	19,646	93,272
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(22,672)	-	61	-	-	-	(22,611)
Other income and gain or losses	272	(1,406)	(879)	1,684	603	(690)	(416)
Eliminations	-	-	(1,654)	-	(3,806)	(18,886)	(24,346)
	<u>(16,000)</u>	<u>2,264</u>	<u>33,118</u>	<u>25,719</u>	<u>728</u>	<u>70</u>	<u>45,899</u>
Segment results	<u>(37,106)</u>	<u>(3,066)</u>	<u>(31,458)</u>	<u>7,326</u>	<u>(969)</u>	<u>(8,888)</u>	<u>(74,161)</u>
Share of loss of a joint venture	-	(184)	-	-	-	-	(184)
Share of (loss)/profit of associates	(1,611)	56	819	-	-	-	(736)
Changes on non-controlling interests in consolidated investment fund	(550)	-	-	-	-	-	(550)
Loss before tax							<u>(75,631)</u>
Segment assets							
Segment assets	376,272	114,593	827,212	16,606	8,844	328,655	1,672,182
Eliminations							(6,480)
Total assets							<u>1,665,702</u>
Other segmental information							
Depreciation	<u>6</u>	<u>-</u>	<u>50</u>	<u>44</u>	<u>1,038</u>	<u>10,855</u>	<u>11,993</u>
Addition to non-current assets*	<u>14,852</u>	<u>22,500</u>	<u>26</u>	<u>-</u>	<u>-</u>	<u>1,162</u>	<u>38,540</u>
Net impairment losses on financial instruments	<u>(69)</u>	<u>-</u>	<u>29,956</u>	<u>822</u>	<u>-</u>	<u>2</u>	<u>30,711</u>
Commission expenses	<u>1,176</u>	<u>-</u>	<u>3,843</u>	<u>80</u>	<u>-</u>	<u>-</u>	<u>5,099</u>
Finance costs	<u>236</u>	<u>-</u>	<u>55</u>	<u>-</u>	<u>55</u>	<u>1,132</u>	<u>1,478</u>

* Addition to non-current assets consists of additions to property and equipment, interest in a joint venture and interests in associates.

	2021						
	Proprietary investment HK\$'000	Property investment HK\$'000	Brokerage and financing HK\$'000	Corporate finance and capital markets HK\$'000	Asset management HK\$'000	Others HK\$'000	Consolidated HK\$'000
Segmental income statement							
Commission and fee income	–	–	31,879	27,816	33	1,254	60,982
Interest income arising from financial assets at amortised cost	48	650	20,366	16	1	–	21,081
Interest income arising from debt securities	1,552	–	–	–	–	–	1,552
Other income	3,487	2,915	–	–	–	–	6,402
Inter-segment revenue	–	–	1,700	–	982	28,086	30,768
Segment revenue	5,087	3,565	53,945	27,832	1,016	29,340	120,785
Net gain on financial assets and liabilities at fair value through profit or loss	87,059	–	29	–	–	186	87,274
Other income and gain or losses	102	–	(2,306)	13	–	3,885	1,694
Eliminations	–	–	(1,700)	–	(982)	(28,086)	(30,768)
	<u>92,248</u>	<u>3,565</u>	<u>49,968</u>	<u>27,845</u>	<u>34</u>	<u>5,325</u>	<u>178,985</u>
Segment results	<u>67,813</u>	<u>(4,660)</u>	<u>(14,056)</u>	<u>(3,118)</u>	<u>(7,442)</u>	<u>(1,261)</u>	<u>37,276</u>
Share of losses of associates	–	(938)	(77)	–	–	–	(1,015)
Changes on non-controlling interests in consolidated investment fund	(2,341)	–	–	–	–	–	(2,341)
Profit before tax							<u>33,920</u>
Segment assets							
Segment assets	375,469	98,132	1,132,802	34,690	10,240	329,017	1,980,350
Eliminations							(5,521)
Total assets							<u>1,974,829</u>
Other segmental information							
Depreciation	<u>6</u>	<u>709</u>	<u>59</u>	<u>44</u>	<u>494</u>	<u>11,090</u>	<u>12,402</u>
Addition to non-current assets*	<u>–</u>	<u>–</u>	<u>10</u>	<u>–</u>	<u>4,449</u>	<u>210</u>	<u>4,669</u>
Net impairment losses on financial instruments	<u>–</u>	<u>–</u>	<u>17,501</u>	<u>1,020</u>	<u>–</u>	<u>–</u>	<u>18,521</u>
Commission expenses	<u>1,178</u>	<u>–</u>	<u>6,932</u>	<u>416</u>	<u>–</u>	<u>–</u>	<u>8,526</u>
Finance costs	<u>184</u>	<u>–</u>	<u>1,679</u>	<u>–</u>	<u>25</u>	<u>963</u>	<u>2,851</u>

* Addition to non-current assets consists of additions to property and equipment.

Geographical information

The following illustrates the geographical analysis of the Group's revenue from external customers, based on the location from which the transactions are executed, and information about its non-current assets (excluding loans to and amount due from associates, loan receivables, other assets, financial assets at FVTPL and deferred tax assets), based on the location of assets.

	Revenue		Non-current assets	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Hong Kong	61,522	77,974	473,921	407,273
Mainland China	5,675	8,566	43,044	45,756
Others	1,729	3,477	1,146	1,090
	<u>68,926</u>	<u>90,017</u>	<u>518,111</u>	<u>454,119</u>

6 (LOSS)/PROFIT BEFORE TAX

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

	2022 HK\$'000	2021 HK\$'000
(a) Finance costs:		
Interest on:		
– unsecured bank loans wholly repayable within one month and overdrafts	39	9
– secured bank loans wholly repayable within one year	1,153	2,546
– others	208	189
– lease liabilities	78	107
	<u>1,478</u>	<u>2,851</u>
(b) Net impairment losses on financial instruments:		
Accounts, loans and other receivables	30,711	18,026
Other assets subject to ECL	–	495
	<u>30,711</u>	<u>18,521</u>
(c) Staff costs, including directors' remuneration:		
Salaries and other allowances	44,179	59,424
Less: Government grants*	(1,040)	(3,562)
	<u>43,139</u>	<u>55,862</u>
Pension costs – defined contribution plan	1,239	1,340
	<u>44,378</u>	<u>57,202</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(d) Other items:		
Depreciation	11,993	12,402
Lease payments not included in the measurement of lease liabilities	615	620
Auditors' remuneration	3,110	3,257
Impairment loss on goodwill	–	4,293
Impairment loss on intangible assets	–	731
	<u> </u>	<u> </u>

* Government grant was received for the Employment Support Scheme to provide time-limited financial support to employers to retain employees who may otherwise be made redundant. The government grant received was deducted from the salaries and other allowances to which they relate. The Group is required to undertake and warrant that they will not implement redundancies during the subsidy period and spend all the wages subsidies on paying salaries to their employees.

7 INCOME TAX EXPENSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
– Hong Kong	177	2,460
– Mainland China	3	496
	<u> </u>	<u> </u>
	180	2,956
Overprovision in prior years	(13)	(44)
Deferred tax	2,898	50
	<u> </u>	<u> </u>
	<u>3,065</u>	<u>2,962</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the current and prior years. Subsidiaries in mainland China are subject to PRC Enterprise Income Tax at 25%.

8 DIVIDENDS

Dividends paid and payable to owners of the Company attributable to the year

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim dividend paid of 1 HK cent per share (2021: 1.5 HK cents per share)	7,304	10,792
Final dividend proposed after the end of the reporting period of 1 HK cent per share (2021: 1.5 HK cents per share)	7,304	10,792
	<u> </u>	<u> </u>
	<u>14,608</u>	<u>21,584</u>

9 (LOSS)/EARNINGS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/earnings		
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share		
(Loss)/earnings for the year attributable to owners of the Company	<u><u>(78,069)</u></u>	<u><u>31,758</u></u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	<u><u>724,338,555</u></u>	<u><u>715,749,698</u></u>

10 ACCOUNTS, LOANS AND OTHER RECEIVABLES

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accounts and loan receivables			
Amounts due from brokers and clearing houses	<i>(a)</i>	77,029	76,213
Amounts due from margin clients	<i>(b)</i>	24,841	28,738
Amounts due from cash clients	<i>(c)</i>	14,668	125,636
Loan receivables	<i>(d)</i>	102,447	135,225
Other accounts receivable	<i>(e)</i>	<u>2,007</u>	<u>2,460</u>
		220,992	368,272
Less: Impairment allowances		<u>(67,863)</u>	<u>(41,812)</u>
		153,129	326,460
Less: Non-current portion		<u>–</u>	<u>(7,619)</u>
		153,129	318,841
Prepayments, deposits and other receivables		11,205	15,623
Less: Impairment allowances		<u>(4,207)</u>	<u>(1,931)</u>
		6,998	13,692
		<u><u>160,127</u></u>	<u><u>332,533</u></u>

Notes:

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

The amount due from a broker of HK\$10,091,000 (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 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 on the value of securities accepted by the Group. The amounts due from margin clients are repayable on demand and bear interest at commercial rates. As at 30 June 2022, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK\$23 million (2021: HK\$79 million). As at 30 June 2022 and 2021, the market value of collateral held by a substantial number of our margin clients was larger than their outstanding loan 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\$21 million (2021: HK\$18 million) as at 30 June 2022. Management monitors the market value of collateral during the reviews of the adequacy of the impairment allowances. The fair value of collateral can be objectively ascertained to cover the outstanding amount of the loan balances based on quoted prices of the 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 date determined under the relevant market practices or exchange rules.
- (d) Loan receivables comprise fixed-rate loan receivables of HK\$54 million (2021: HK\$68 million) and factoring receivables of HK\$48 million (2021: HK\$67 million), and accumulated impairment allowances of HK\$45 million (2021: HK\$23 million) as at 30 June 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 relationship and stable repayment pattern, where the terms are extended to a longer period.

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

	2022	2021
	HK\$'000	HK\$'000
Current and within one month	143,979	300,421
More than one month and within three months	658	–
More than three months	8,492	26,039
	153,129	326,460

Included in the above table, loan receivables of approximately HK\$48,370,000, HK\$654,000 and HK\$8,352,000 (2021: HK\$87,715,000, Nil and HK\$24,838,000) 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 and loan receivables of the Group were as follows:

	Amounts due from brokers and clearing houses <i>HK\$'000</i>	Amounts due from margin clients <i>HK\$'000</i>	Amounts due from cash clients <i>HK\$'000</i>	Loan receivables <i>HK\$'000</i>	Other accounts receivable <i>HK\$'000</i>	Total <i>HK\$'000</i>
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/(reversed)	(6)	2,735	322	27,509	824	31,384
Amounts written off as uncollectible	–	–	–	(5,110)	(223)	(5,333)
At 30 June 2022	–	20,600	368	45,071	1,824	67,863

11 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accounts payable (on demand or within one month)		
Amounts due to brokers and clearing houses	4,412	8,151
Clients' accounts payable	571,492	713,599
Others	3,709	10,151
	579,613	731,901
Other creditors, accruals and other provisions	11,896	36,990
	591,509	768,891

The settlement terms of payable to brokers, clearing houses and securities trading clients arising 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.

12 SHARE CAPITAL AND SHARE PREMIUM

The movements in the Company's issued share capital are as follow:

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 July 2020	7,127,614,962	71,276	363,714	434,990
Share consolidation	(6,414,853,466)	–	–	–
Scrip dividend issued	6,691,372	669	2,028	2,697
	719,452,868	71,945	365,742	437,687
At 30 June 2021 and 1 July 2021	10,940,341	1,094	3,009	4,103
	730,393,209	73,039	368,751	441,790
At 30 June 2022				

During the years ended 30 June 2021 and 2022, the movements in share capital were as follows:

On 26 November 2020, the Company completed the share consolidation on the basis that every ten (10) issued and unissued existing shares are consolidated into one (1) consolidated share. The authorised share capital of the Company was HK\$1,000,000,000 divided into 100,000,000,000 existing shares with a par value of HK\$0.01 each before the share consolidation. After the share consolidation, the authorised share capital of the Company became HK\$1,000,000,000 divided into 10,000,000,000 consolidated shares with a par value of HK\$0.1 each. There was no changes on the amount of issued share capital.

On 19 January 2021, the Company issued 6,691,372 new shares at HK\$0.403 on each consolidated issued share for the distribution of the scrip dividend declared for 2020 final dividend.

On 19 January 2022, the Company issued 10,940,341 new shares at HK\$0.375 on each consolidated issued share for the distribution of the scrip dividend declared for 2021 final dividend.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

MANAGEMENT DISCUSSION AND ANALYSIS

THE MARKET

In the second calendar half of 2021, the credit squeeze for Chinese property developers, the continuing tension between China and the United States and the uncertainty of the US Federal Reserve monetary policies have adversely affected the Hong Kong stock market. The Hang Seng Index (“HSI”) dropped approximately 19% during that period. The fifth wave of the COVID-19 started in January 2022 and the tough social-distancing measures implemented by the government hit the Hong Kong economy seriously. The GDP in Hong Kong contracted by 4% in the first calendar quarter of 2022, reversing the growth trend in the previous four quarters. The military conflict between Russia and Ukraine from February 2022 has roiled global energy markets. Oil and natural gas prices reached their highest levels in nearly a decade. The US Federal Reserve raised interest rate by 0.25% in its March 2022 meeting. This was the first rate hike since 2018. Subsequently it further raised interest rates by 0.5% in May and 0.75% in June. The implementation of aggressive money-tightening measures affected liquidity in global markets. The HSI fell a further 7% in the first half of 2022 when compared to the end of December 2021. The HSI closed at 21,860 at the end of June 2022, compared with 28,828 at the end of June 2021 and 23,398 at the end of December 2021. The average monthly aggregate turnover on the Main Board and GEM Board during the year ended 30 June 2022 (“FY2022”) decreased by 14% to HK\$2,917 billion, as compared with HK\$3,378 billion for the year ended 30 June 2021 (“FY2021”). A combination of factors including weakened stock market, poor post-IPO performance and rising interest rates have weakened the Hong Kong IPO market in FY2022, resulting in a dramatic decline in both IPO proceeds and deal numbers. The funds raised from IPOs on the Main Board decreased by 73% and amounted to HK\$139 billion in FY2022, as compared with HK\$518 billion in FY2021. The number of newly listed companies dropped by 40% to 77 companies during FY2022, as compared with 128 companies during FY2021.

FINANCIAL HIGHLIGHTS

The Group recorded a loss after tax of HK\$79 million for FY2022, as compared to a profit after tax of HK\$31 million for FY2021. After taking into account the other comprehensive income for the year, the Group recorded a total comprehensive expense of HK\$72 million for FY2022, as compared to a total comprehensive income of HK\$29 million for FY2021. Following the social unrest and COVID-19 pandemic over the past two years, Hong Kong’s commercial property market has stabilised in FY2022, supported by moderate economic growth. The Group recognised a revaluation surplus, net of tax, of HK\$8 million for FY2022, as compared with a deficit of HK\$7 million for FY2021.

Commission and fee income from our financial intermediary business was HK\$45 million for FY2022, as compared with HK\$61 million for FY2021. Interest income was HK\$18 million for FY2022, as compared with HK\$23 million for FY2021. Dividend and rental income was HK\$7 million for FY2022, as compared with HK\$6 million for FY2021. The Hang Seng Index dropped by 24% in FY2022, compared to a surge of 18% during FY2021. As a result, the Group recorded a net loss of HK\$23 million on financial assets and liabilities at fair value through profit or loss for FY2022, as compared with a net gain of HK\$87 million for FY2021. General and administrative expenses decreased significantly by HK\$27 million, from HK\$106 million for FY2021 to HK\$79 million for FY2022, mainly due to the decrease in staff variable compensation and referral fee paid for corporate finance project in line with the drop in revenue. In addition, there was no impairment loss on goodwill and intangible assets in FY2022, while the Group provided a loss of HK\$5 million in FY2021. Net impairment losses on financial instruments was HK\$31 million for FY2022, increased by HK\$12 million from HK\$19 million for FY2021, mainly related to the provision for the loan portfolio.

BROKERAGE AND FINANCING

Total revenue of the division was HK\$36 million for FY2022, as compared with HK\$54 million for FY2021. The brokerage commission income decreased by HK\$12 million to HK\$16 million for FY2022, as compared with HK\$28 million for FY2021. The stock market remained volatile. The average daily turnover for FY2022 was HK\$141 billion, a decrease of 14% from HK\$165 billion for FY2021. Poor performance of newly listed companies and rising interest rate decelerated the Hong Kong IPO market. These factors significantly affected our commission and interest income.

The gross margin loans, fixed-rate loans and factoring receivables amounted HK\$127 million as at 30 June 2022, as compared with HK\$164 million as at 30 June 2021. The accumulated provision for expected credit loss for the loan portfolio as at 30 June 2022 was HK\$66 million, an increase of HK\$25 million when compared with HK\$41 million as at 30 June 2021. The Group provided an impairment loss of HK\$27 million for two fixed-rate loan clients and five factoring receivable clients for FY2022. A fixed rate loan client defaulted on its outstanding debt and interest payable. The fair value of the property pledged deteriorated, hence, the Group provided an expected loss of HK\$12 million for the outstanding loan and interest receivable. A factoring receivable client, which is a PRC company listed on the Shenzhen Stock Exchange, failed to settle its outstanding bills payable. A restructuring plan was approved by its creditors during the year. The company issued new shares to the creditors at a premium to fulfill the obligation of the bills payable. The Group received a portion of the shares and is negotiating the settlement procedure for the remaining portion with the administrator of the company. The Group provided an expected loss of HK\$6 million on the principal amount of HK\$16 million for this factoring customer. The Group wrote off loans of HK\$5 million as these loans were classified as uncollectible. Amid the uncertain economic outlook, the Group has further tightened the loan approval procedures and conducted a prudent assessment of the collateral. The loan portfolio dropped as a result. Legal proceedings against the default debtors are in process.

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 was 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\$24 million for FY2022, as compared with HK\$28 million for FY2021. The division assisted a client to transfer its listing from GEM to Main Board during the year. The progress of the due diligence of other IPO projects was affected by the quarantine measures between Hong Kong and mainland China, hence, the division focused on the advisory services provided for listed companies during the year.

Capital market remained lackluster in our target client segment and the division recognised minimal underwriting and placement fees for FY2022, as compared with HK\$5 million for FY2021.

ASSET MANAGEMENT

Total revenue of the division was HK\$4 million for FY2022, as compared with HK\$1 million for FY2021. A Hong Kong boutique investment fund was launched in September 2022. The Group expected the performance of the division will be improved in the coming years. The division is now approaching several private equity funds and high net worth clients to provide assets management services to generate more revenue.

PROPRIETARY INVESTMENT

Total revenue of the division was HK\$6 million for FY2022, as compared with HK\$5 million for FY2021. After including net gain or loss on financial assets and liabilities at fair value through profit or loss, total loss for the division was HK\$16 million for FY2022, as compared to an income of HK\$92 million for FY2021. Defaults by Chinese property developers have been one of the biggest problems in the Hong Kong bond market over the past year. The pricing of mainland China property bonds dropped sharply after more and more companies failed to meet their obligations. The US Federal Reserve tightened monetary measures and raised interest rates to combat high inflation which further hit the bond market. The Group recognised a net loss of HK\$16 million for its debt securities and bond funds portfolio. The Group will focus on high-grade and short duration bonds during this tightening cycle. The division partially redeemed an investment fund of HK\$12 million during the year to rebalance the investment mix. For the investment in the unlisted smart mobility company, the division recognised an unrealised gain of HK\$8 million for 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 30 June 2022, the carrying value of the unlisted investments, listed securities and listed debt securities and bond funds portfolio was HK\$111 million, HK\$135 million and HK\$29 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 2.5% of the Group's consolidated total assets as at 30 June 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.

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 as at 30 June 2022. 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. 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.

PROPERTY INVESTMENTS

Total revenue of the division was HK\$4 million for both FY2022 and FY2021. The rental income received from these properties provided stable cash inflow for the division. Amid increased supply of retail shops in Kwun Tong and tightened social distancing measures during the fifth wave of pandemic leading to weak business sentiment, the fair value of our shop in Kwun Tong further decreased by 7% and the Group recognised a revaluation deficit of HK\$4 million for FY2022, compared with a deficit of HK\$5 million for FY2021. The Japanese yen has depreciated at an unprecedented pace in FY2022. The yen plunged to a 24-year low in June 2022. As a result, the Group recognised an exchange loss of HK\$1 million for the loan to an associate.

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 adjacent parcels of land located in Hong Kong. The Group holds a 20% equity interest in the project company and the expected maximum capital commitment will be HK\$30 million. The acquisition of the project company was completed in May 2022. The development plan was approved by the Buildings Department recently. 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 larger 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.

To date, the division holds a shop and a carpark in Hong Kong and an office property in mainland China. 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

COVID 19 has been with us for over two years now. With higher vaccination rate, many countries are reversing some if not all of the restrictive quarantine measures. However, mainland China is still adopting a more cautious approach and Hong Kong needs to find a suitable path to move forward, in order not to lose its international city status. The military conflict between Russia and Ukraine has led to many losses of life and a diplomatic peaceful solution is highly desirable but unlikely to be found soon. The resultant surges in energy and food prices are affecting the world, with many developing countries being hit hard. The financial markets are monitoring carefully whether this will lead to another emerging markets crisis. Inflation began in early last year following global monetary easing to address the COVID pandemic accelerated after the military conflict broke out. Central banks led by the US Federal Reserve adopted a hawkish approach in raising interest rates to combat inflation. The capital markets turned more bearish with all these uncertainties. We are going to focus on asset management in our intermediary businesses. We will also adopt a more defensive approach in our proprietary business until there are clear signs that the sentiments and underlying fundamentals are improving again.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at the end of June 2022 were HK\$1,666 million, of which approximately 65% were current in nature. Net current assets were HK\$354 million, accounting for approximately 39% of the net assets of the Group as at end of June 2022. The Group had net cash and cash equivalents of HK\$163 million as at end of June 2022, which was mainly denominated in Hong Kong dollars.

The Group generally finances its daily operations from internal resources. Total secured borrowings of HK\$105 million as at the end of June 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 12% as at the end of June 2022. As at 30 June 2022, 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 June 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 mainland China 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 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.

EMPLOYMENT, TRAINING AND DEVELOPMENT POLICIES

As at 30 June 2022, the number of full time employees of the Group was 79 (2021: 95). Remunerations 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 inhouse 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.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited in force for and throughout the year ended 30 June 2022.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 year under review and they have all confirmed that they have complied with the required standard set out in the Model Code.

FINAL DIVIDEND

The Board of Directors has proposed, subject to the approval of shareholders at the forthcoming Annual General Meeting on Friday, 25 November 2022, the payment of a final dividend of 1 HK cent per ordinary share for the year ended 30 June 2022 to shareholders whose names appear on the Register of Members of the Company on Monday, 5 December 2022, if approved, the final dividend will be paid on Thursday, 19 January 2023.

Shareholders will be given the option to receive the proposed 2022 final dividend of 1 HK cent per share in new shares in lieu of cash (the “Scrip Dividend Arrangement”). The Scrip Dividend Arrangement is subject to: (1) the approval of proposed 2022 final dividend at the 2022 Annual General Meeting; and (2) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Arrangement will be despatched to the Shareholders together with the form of election for scrip dividend in December 2022. Dividend warrants and share certificates in respect of the proposed 2022 final dividend are expected to be despatched to the Shareholders on 19 January 2023.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The Register of Members of the Company will be closed from Tuesday, 22 November 2022 to Friday, 25 November 2022, both days inclusive, during which period no transfer of shares will be effected for the purpose of determining the identity of the shareholders entitled to attend and vote at the 2022 Annual General Meeting. In order to qualify to attend and vote at the meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar, 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 Monday, 21 November 2022.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The Register of Members of the Company will be closed from Thursday, 1 December 2022 to Monday, 5 December 2022 (both days inclusive) during which period no transfer of shares will be effected for the purpose of determining the entitlement to the final dividend. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited (at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for registration of share transfer not later than 4:30 p.m. on Wednesday, 30 November 2022.

AUDIT COMMITTEE REVIEW

The Group's audited consolidated financial results for the year ended 30 June 2022 have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 30 June 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Ernst & Young on the preliminary announcement.

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

During the year ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Michael Koon Ming Choi
Chief Executive Officer

Hong Kong, 22 September 2022

As at the date of this announcement, the directors of the Company are Jonathan Koon Shum Choi as Chairman, Michael Koon Ming Choi as Chief Executive Officer & Executive Director, Janice Wing Kum Kwan and Lee G. Lam as Non-Executive Directors, Robert Tsai To Sze, Elizabeth Law and Huanfei Guan as Independent Non-Executive Directors.