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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022**

The Board of Directors of Sunwah Kingsway Capital Holdings Limited (the “Company”) hereby submit the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2022.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 31 December	
		2022	2021
		Unaudited	Unaudited
		HK\$'000	HK\$'000
Revenue			
Commission and fee income		8,145	27,539
Interest income arising from financial assets at amortised cost		6,790	6,617
Interest income arising from debt securities		426	628
Dividend income		1,868	1,763
Rental income		1,626	1,465
		<hr/>	<hr/>
	3	18,855	38,012
Net loss on financial assets and liabilities at fair value through profit or loss	4	(18,996)	(2,422)
Other income and gains or losses	5	596	310
		<hr/>	<hr/>
		455	35,900
Commission expenses		(1,126)	(3,350)
General and administrative expenses		(38,493)	(43,687)
Finance costs		(2,407)	(599)
Net impairment losses on financial instruments		(730)	(12,683)
Fair value changes on investment properties		(2,927)	(305)
Changes on non-controlling interests in consolidated investment funds	5	(1,075)	(1,381)
Gain on disposal of an associate	5	4,630	–
Share of (losses)/profits of associates	5	(4,677)	1,596
		<hr/>	<hr/>
Loss before tax	6	(46,350)	(24,509)
Income tax credit/(expense)	7	30	(1,966)
		<hr/>	<hr/>
Loss for the period		(46,320)	(26,475)
		<hr/>	<hr/>
Attributable to:			
Owners of the Company		(46,009)	(26,252)
Non-controlling interests		(311)	(223)
		<hr/>	<hr/>
Loss for the period		(46,320)	(26,475)
		<hr/> <hr/>	<hr/> <hr/>
Basic and diluted loss per share	9	(6.30) HK cents	(3.65) HK cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 December	
	2022	2021
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Loss for the period	<u>(46,320)</u>	<u>(26,475)</u>
Other comprehensive (expense)/income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Land and buildings held for own use		
– (Deficit)/surplus on revaluation	(20,918)	3,524
– Income tax effect	<u>4,237</u>	<u>172</u>
	<u>(16,681)</u>	<u>3,696</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of overseas subsidiaries	(4,030)	589
Reclassification adjustment for foreign operation deregistered during the period	<u>–</u>	<u>144</u>
	<u>(4,030)</u>	<u>733</u>
Other comprehensive (expense)/income for the period	<u>(20,711)</u>	<u>4,429</u>
Total comprehensive expense for the period	<u>(67,031)</u>	<u>(22,046)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(66,687)	(21,807)
Non-controlling interests	<u>(344)</u>	<u>(239)</u>
Total comprehensive expense for the period	<u>(67,031)</u>	<u>(22,046)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	31 December 2022 Unaudited HK\$'000	30 June 2022 Audited HK\$'000
Non-current assets			
Investment properties		76,126	79,053
Properties and equipment		320,823	347,087
Intangible assets		2,489	2,489
Goodwill		–	1,121
Interest in a joint venture		23,816	22,316
Interests in associates		18,497	66,045
Loans to and amounts due from associates		14,003	13,518
Other assets		4,433	4,609
Financial assets at fair value through profit or loss		52,320	51,035
Deferred tax assets		495	264
		513,002	587,537
Current assets			
Financial assets at fair value through profit or loss		222,102	223,864
Accounts, loans and other receivables	10	154,543	160,127
Bank balances and cash – trust accounts		423,760	531,645
Cash and cash equivalents		177,254	162,529
		977,659	1,078,165
Current liabilities			
Financial liabilities at fair value through profit or loss		12,146	8,409
Net assets attributable to holders of non-controlling interests in consolidated investment funds		66,516	13,818
Accruals, accounts and other payables	11	478,111	591,509
Lease liabilities		972	981
Contracts liabilities		3,060	1,847
Bank loans and overdraft		66,259	105,000
Current tax liabilities		1,812	2,990
		628,876	724,554
Net current assets		348,783	353,611
Total assets less current liabilities		861,785	941,148
Non-current liabilities			
Deferred tax liabilities		23,029	27,433
Lease liabilities		2,292	2,883
		25,321	30,316
NET ASSETS		836,464	910,832
CAPITAL AND RESERVES			
Share capital		73,039	73,039
Reserves		762,942	836,966
Equity attributable to owners of the Company		835,981	910,005
Non-controlling interests		483	827
TOTAL EQUITY		836,464	910,832

NOTES

1 BASIS OF PREPARATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

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

Application of the amendments to HKFRSs

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

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

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

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

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

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.

3 REVENUE

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

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

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

For six months ended 31 December 2022

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

For six months ended 31 December 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	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	<u>13,149</u>	<u>14,020</u>	<u>23</u>	<u>347</u>	<u>27,539</u>
Geographical markets					
Hong Kong	12,513	14,020	23	347	26,903
Mainland China	3	–	–	–	3
Other countries	633	–	–	–	633
Total revenue from contracts with customers	<u>13,149</u>	<u>14,020</u>	<u>23</u>	<u>347</u>	<u>27,539</u>
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	<u>13,149</u>	<u>14,020</u>	<u>23</u>	<u>347</u>	<u>27,539</u>

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

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

5 SEGMENT INFORMATION

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

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

Six months ended 31 December 2021

	Proprietary investment <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	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>	Consolidated <i>HK\$'000</i>
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)
	<u>51</u>	<u>1,798</u>	<u>18,767</u>	<u>14,023</u>	<u>316</u>	<u>945</u>	<u>35,900</u>
Segment results	<u>(11,395)</u>	<u>887</u>	<u>(11,981)</u>	<u>3,256</u>	<u>1,272</u>	<u>(6,763)</u>	<u>(24,724)</u>
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							<u>(24,509)</u>

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

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

6 LOSS BEFORE TAX

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

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

7 INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

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

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

8 DIVIDENDS

Dividends recognised as distributions during the period:

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

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

9 LOSS PER SHARE

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

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

10 ACCOUNTS, LOANS AND OTHER RECEIVABLES

	<i>Notes</i>	31 December 2022 HK\$'000	30 June 2022 HK\$'000
Accounts and loan receivables			
Amounts due from brokers and clearing houses	<i>(a)</i>	81,716	77,029
Amounts due from margin clients	<i>(b)</i>	23,621	24,841
Amounts due from cash clients	<i>(c)</i>	6,946	14,668
Loan receivables	<i>(d)</i>	84,625	102,447
Other accounts receivable	<i>(e)</i>	7,553	2,007
		204,461	220,992
Less: Impairment allowances		(56,004)	(67,863)
		148,457	153,129
Prepayments, deposits and other receivables			
		8,536	11,205
Less: Impairment allowances		(2,450)	(4,207)
		6,086	6,998
		154,543	160,127

Notes:

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

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

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

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

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

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

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

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

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

11 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

THE MARKET

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

FINANCIAL HIGHLIGHTS

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

BROKERAGE AND FINANCING

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

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

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

CORPORATE FINANCE AND CAPITAL MARKETS

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

ASSET MANAGEMENT

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

PROPRIETARY INVESTMENT

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

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

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

PROPERTY INVESTMENTS

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

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

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

OUTLOOK

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

CORPORATE GOVERNANCE CODE

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The Group’s external auditor has carried out a review of the unaudited interim condensed consolidated financial statements 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 Hong Kong Institute of Certified Public Accountants. Ernst & Young’s independent review report is included in the interim report to be sent to shareholders.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2022 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement of interim results for the six months ended 31 December 2022 is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.sunwahkingsway.com>. The interim report for the six months ended 31 December 2022 of the Company containing all information as required by the Listing Rules will be dispatched to Shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 24 February 2023

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.