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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 2023**

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 2023.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue			
Commission and fee income		15,328	44,626
Interest income arising from financial assets at amortised cost		16,831	15,948
Interest income arising from debt securities at fair value through profit or loss		1,133	1,552
Dividend income		4,177	3,796
Rental income		3,273	3,004
		<hr/>	<hr/>
	3	40,742	68,926
Net loss on financial assets and liabilities at fair value through profit or loss	4	(28,022)	(22,611)
Other income and gain or losses	5	(265)	(416)
		<hr/>	<hr/>
		12,455	45,899
Commission expenses		(2,107)	(5,099)
General and administrative expenses		(72,438)	(79,251)
Finance costs		(5,520)	(1,478)
Net impairment losses on financial instruments		(10,126)	(30,711)
Fair value changes on investment properties		(2,886)	(3,521)
Changes on non-controlling interests in consolidated investment funds	5	1,056	(550)
Gain on disposal of an associate	5	4,630	–
Share of loss of a joint venture	5	(8)	(184)
Share of losses of associates	5	(4,237)	(736)
		<hr/>	<hr/>
Loss before tax	6	(79,181)	(75,631)
Income tax credit/(expenses)	7	241	(3,065)
		<hr/>	<hr/>
Loss for the year		(78,940)	(78,696)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		(78,497)	(78,069)
Non-controlling interests		(443)	(627)
		<hr/>	<hr/>
Loss for the year		(78,940)	(78,696)
		<hr/> <hr/>	<hr/> <hr/>
Basic and diluted loss per share	9	(10.69) HK cents	(10.78) HK cents
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year	<u>(78,940)</u>	<u>(78,696)</u>
Other comprehensive (expense)/income:		
<i>Item that will not be reclassified to profit or loss:</i>		
Land and buildings held for own use		
– (Deficit)/surplus on revaluation	(11,934)	7,531
– Income tax effect	<u>3,539</u>	<u>214</u>
	<u>(8,395)</u>	<u>7,745</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(6,484)	(1,527)
Reclassification adjustment for a foreign operation deregistered during the year	<u>(170)</u>	<u>144</u>
	<u>(6,654)</u>	<u>(1,383)</u>
Other comprehensive (expense)/income for the year	<u>(15,049)</u>	<u>6,362</u>
Total comprehensive expense for the year	<u>(93,989)</u>	<u>(72,334)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(93,505)	(71,687)
Non-controlling interests	<u>(484)</u>	<u>(647)</u>
Total comprehensive expense for the year	<u>(93,989)</u>	<u>(72,334)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Investment properties		76,167	79,053
Properties and equipment		322,418	347,087
Intangible assets		2,190	2,489
Goodwill		–	1,121
Interest in a joint venture		23,808	22,316
Interests in associates		18,868	66,045
Loans to and amounts due from associates		13,787	13,518
Other assets		4,467	4,609
Financial assets at fair value through profit or loss		51,102	51,035
Deferred tax assets		495	264
		<u>513,302</u>	<u>587,537</u>
Current assets			
Financial assets at fair value through profit or loss		216,271	223,864
Accounts, loans and other receivables	<i>10</i>	158,673	160,127
Bank balances and cash – trust accounts		385,976	531,645
Cash and cash equivalents		159,782	162,529
		<u>920,702</u>	<u>1,078,165</u>
Assets of a disposal group classified as held for sale	<i>13</i>	3,927	–
		<u>924,629</u>	<u>1,078,165</u>
Current liabilities			
Financial liabilities at fair value through profit or loss		7,225	8,409
Net assets attributable to holders of non-controlling interests in consolidated investment funds		65,416	13,818
Accruals, accounts and other payables	<i>11</i>	451,333	591,509
Lease liabilities		128	981
Contract liabilities		3,000	1,847
Bank loans and overdrafts		75,672	105,000
Current tax liabilities		1,433	2,990
		<u>604,207</u>	<u>724,554</u>
Liabilities of a disposal group classified as held for sale	<i>13</i>	4,502	–
		<u>608,709</u>	<u>724,554</u>
Net current assets		<u>315,920</u>	<u>353,611</u>
Total assets less current liabilities		<u>829,222</u>	<u>941,148</u>
Non-current liabilities			
Deferred tax liabilities		23,895	27,433
Lease liabilities		375	2,883
		<u>24,270</u>	<u>30,316</u>
NET ASSETS		<u>804,952</u>	<u>910,832</u>
CAPITAL AND RESERVES			
Share capital	<i>12</i>	73,957	73,039
Reserves		730,652	836,966
Equity attributable to owners of the Company		<u>804,609</u>	<u>910,005</u>
Non-controlling interests		343	827
TOTAL EQUITY		<u>804,952</u>	<u>910,832</u>

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 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 HKAS 12	International Tax Reform – Pillar Two Model Rules

Amendments to HKFRS 3 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 (the “Conceptual Framework”) 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 has applied the amendments prospectively to business combinations that occurred on or after 1 July 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position or performance of the Group.

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 as determined by HKAS 2 Inventories, in profit or loss. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 July 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

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 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. The Group has applied the amendment prospectively from 1 July 2022. As there was no modification or exchange of the Group’s financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 12 introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact on the financial position or performance of the Group.

New and Revised HKFRSs in Issue But Not Yet Effective

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

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 HKFRS 16	Lease liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of liabilities as current or non-current (the "2020 Amendments") ^{2,4}
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments") ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after 1 January 2024.

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

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 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 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. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's 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 January 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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

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 January 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 financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 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 (provided that sufficient taxable profit is available) 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 January 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 financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements 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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers		
<i>Commission and fee income</i>		
– securities, options, funds, futures and commodities brokerage	6,851	15,870
– underwriting and placements in equity capital markets	868	321
– corporate finance	4,626	23,150
– asset management	86	121
– miscellaneous fee income	2,897	5,164
	<u>15,328</u>	<u>44,626</u>
Revenue from other sources		
<i>Interest income arising from financial assets at amortised cost</i>		
– bank deposits	11,516	752
– margin and cash clients	408	5,994
– loans	4,120	9,144
– others	787	58
	<u>16,831</u>	<u>15,948</u>
<i>Interest income arising from debt securities at fair value through profit or loss</i>	1,133	1,552
<i>Dividend income</i>	4,177	3,796
<i>Rental income</i>	3,273	3,004
	<u>25,414</u>	<u>24,300</u>
	<u><u>40,742</u></u>	<u><u>68,926</u></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 2023 has been excluded from the transaction price and hence not disclosed. For the year ended 30 June 2023, there was no revenue recognised (2022: 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 2023

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	6,851	–	–	–	6,851
Capital market service	–	868	–	–	868
Corporate finance service	–	4,626	–	–	4,626
Asset management service	–	–	86	–	86
Other services	2,131	–	–	766	2,897
	<u>8,982</u>	<u>5,494</u>	<u>86</u>	<u>766</u>	<u>15,328</u>
Total revenue from contracts with customers	<u>8,982</u>	<u>5,494</u>	<u>86</u>	<u>766</u>	<u>15,328</u>
Geographical markets					
Hong Kong	8,340	5,494	86	766	14,686
Other countries	642	–	–	–	642
	<u>8,982</u>	<u>5,494</u>	<u>86</u>	<u>766</u>	<u>15,328</u>
Total revenue from contracts with customers	<u>8,982</u>	<u>5,494</u>	<u>86</u>	<u>766</u>	<u>15,328</u>
Timing of revenue recognition					
Services transferred at a point in time	8,982	1,807	–	–	10,789
Services transferred over time	–	3,687	86	766	4,539
	<u>8,982</u>	<u>5,494</u>	<u>86</u>	<u>766</u>	<u>15,328</u>
Total revenue from contracts with customers	<u>8,982</u>	<u>5,494</u>	<u>86</u>	<u>766</u>	<u>15,328</u>

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
Other countries	1,068	–	–	–	1,068
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>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Listed equity securities	(27,608)	(11,717)
Listed debt securities	(835)	(11,828)
Listed derivatives	1,565	6,236
Bond funds	(473)	(3,703)
Unlisted investment funds	(3,293)	(5,887)
Overseas unlisted equity securities	2,622	4,288
	<u>(28,022)</u>	<u>(22,611)</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, bond funds 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 funds 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.

2023

	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	-	-	8,982	5,494	86	766	15,328
Interest income arising from financial assets at amortised cost	719	249	15,447	24	5	387	16,831
Interest income arising from debt securities at fair value through profit or loss	1,133	-	-	-	-	-	1,133
Other income	4,177	3,273	-	-	-	-	7,450
Inter-segment revenue	520	-	1,219	-	3,420	13,823	18,982
Segment revenue	6,549	3,522	25,648	5,518	3,511	14,976	59,724
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(28,024)	-	2	-	-	-	(28,022)
Other income and gain or losses	(20)	(377)	(708)	2	895	(57)	(265)
Eliminations	(520)	-	(1,219)	-	(3,420)	(13,823)	(18,982)
	<u>(22,015)</u>	<u>3,145</u>	<u>23,723</u>	<u>5,520</u>	<u>986</u>	<u>1,096</u>	<u>12,455</u>
Segment results	<u>(40,100)</u>	<u>(1,423)</u>	<u>(14,991)</u>	<u>(8,495)</u>	<u>(2,576)</u>	<u>(13,037)</u>	<u>(80,622)</u>
Gain on disposal of an associate	4,630	-	-	-	-	-	4,630
Share of loss of a joint venture	-	(8)	-	-	-	-	(8)
Share of (loss)/profit of associates	(4,858)	485	136	-	-	-	(4,237)
Changes on non-controlling interests in consolidated investment funds	1,056	-	-	-	-	-	1,056
Loss before tax							<u>(79,181)</u>
Segment assets							
Segment assets	377,275	115,599	650,393	6,570	4,811	328,502	1,483,150
Eliminations							<u>(45,219)</u>
Total assets							<u>1,437,931</u>
Other segmental information							
Depreciation	<u>6</u>	<u>-</u>	<u>37</u>	<u>38</u>	<u>953</u>	<u>9,580</u>	<u>10,614</u>
Addition to non-current assets*	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331</u>	<u>1,831</u>
Net impairment losses on financial instruments	<u>-</u>	<u>-</u>	<u>9,892</u>	<u>234</u>	<u>-</u>	<u>-</u>	<u>10,126</u>
Commission expenses	<u>759</u>	<u>-</u>	<u>1,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,107</u>
Finance costs	<u>247</u>	<u>-</u>	<u>2,197</u>	<u>-</u>	<u>39</u>	<u>3,037</u>	<u>5,520</u>

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

	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 at fair value through profit or loss	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							<u>(6,480)</u>
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 interest in associates.

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 amounts due from associates, other assets, financial assets at FVTPL and deferred tax assets), based on the location of assets.

	Revenue		Non-current assets	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	35,585	61,522	406,786	473,921
Mainland China	4,210	5,675	35,101	43,044
Others	947	1,729	1,564	1,146
	<u>40,742</u>	<u>68,926</u>	<u>443,451</u>	<u>518,111</u>

6 LOSS BEFORE TAX

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

	2023	2022
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on:		
– unsecured bank loans wholly repayable within one month and overdrafts	8	39
– secured bank loans wholly repayable within one year	3,550	1,153
– others	1,914	208
– lease liabilities	48	78
	<u>5,520</u>	<u>1,478</u>
(b) Net impairment losses on financial instruments:		
Accounts, loans and other receivables	<u>10,126</u>	<u>30,711</u>
	<u>10,126</u>	<u>30,711</u>
(c) Staff costs, including directors' remuneration:		
Salaries and other allowances	38,749	44,179
Less: Government grants*	(520)	(1,040)
	<u>38,229</u>	<u>43,139</u>
Pension costs – defined contribution plan	<u>1,051</u>	<u>1,239</u>
	<u>39,280</u>	<u>44,378</u>

	2023	2022
	HK\$'000	HK\$'000
(d) Other items:		
Depreciation	10,614	11,993
Lease payments not included in the measurement of lease liabilities	229	615
Auditors' remuneration	3,353	3,110
Impairment loss on goodwill	1,073	–
Impairment loss on intangible assets	30	–
	<u>30</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 (CREDIT)/EXPENSES

	2023	2022
	HK\$'000	HK\$'000
Current tax		
– Hong Kong	–	177
– Mainland China	–	3
	<u>–</u>	<u>180</u>
Overprovision in prior years	(11)	(13)
Deferred tax	(230)	2,898
	<u>(241)</u>	<u>3,065</u>
(Credit)/charge	<u>(241)</u>	<u>3,065</u>

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

8 DIVIDENDS

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

	2023	2022
	HK\$'000	HK\$'000
Interim dividend paid of 1 HK cent per share (2022: 1 HK cent per share)	7,396	7,304
Final dividend proposed after the end of the reporting period of 1 HK cent per share (2022: 1 HK cent per share)	7,396	7,304
	<u>7,396</u>	<u>7,304</u>
	<u>14,792</u>	<u>14,608</u>

9 LOSS PER SHARE

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

	2023 HK\$'000	2022 HK\$'000
Loss		
Loss for the purposes of basic and diluted loss per share		
Loss for the year attributable to owners of the Company	<u>(78,497)</u>	<u>(78,069)</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>734,491,959</u>	<u>724,338,555</u>

10 ACCOUNTS, LOANS AND OTHER RECEIVABLES

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Accounts and loan receivables			
Amounts due from brokers and clearing houses	<i>(a)</i>	100,865	77,029
Amounts due from margin clients	<i>(b)</i>	23,724	24,841
Amounts due from cash clients	<i>(c)</i>	9,789	14,668
Loan receivables	<i>(d)</i>	77,301	102,447
Other accounts receivable	<i>(e)</i>	351	2,007
		<u>212,030</u>	220,992
Less: Impairment allowances		<u>(58,554)</u>	<u>(67,863)</u>
		<u>153,476</u>	153,129
Prepayments, deposits and other receivables		6,427	11,205
Less: Impairment allowances		<u>(1,230)</u>	<u>(4,207)</u>
		<u>5,197</u>	6,998
		<u>158,673</u>	<u>160,127</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\$8,670,000 (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 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 2023, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK\$6 million (2022: HK\$23 million). As at 30 June 2023 and 2022, 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 allowances of HK\$23 million (2022: HK\$21 million) as at 30 June 2023. 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\$33 million (2022: HK\$54 million) and factoring receivables of HK\$44 million (2022: HK\$48 million), and accumulated impairment allowances of HK\$35 million (2022: HK\$45 million) as at 30 June 2023. 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, properties 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:

	2023	2022
	HK\$'000	HK\$'000
Current and within one month	139,192	143,979
More than one month and within three months	67	658
More than three months	14,217	8,492
	153,476	153,129

Included in the above table, loan receivables of approximately HK\$28,103,000 and HK\$14,093,000 were aged within one month, and more than three months respectively (2022: 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 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 2021	6	17,865	46	22,672	1,223	41,812
Impairment losses recognised/(reversed)	(6)	298	322	27,509	824	28,947
Impairment of new financial assets recognised	–	2,437	–	–	–	2,437
Amounts written off as uncollectible	–	–	–	(5,110)	(223)	(5,333)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2022 and 1 July 2022	–	20,600	368	45,071	1,824	67,863
Impairment losses recognised/(reversed)	–	(88)	(11)	9,991	234	10,126
Impairment of new financial assets recognised	–	2,346	–	–	–	2,346
Amounts written off as uncollectible	–	–	–	(19,957)	(1,824)	(21,781)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2023	–	22,858	357	35,105	234	58,554
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

11 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accounts payable (on demand or within one month)		
Amounts due to brokers and clearing houses	2,149	4,412
Clients' accounts payable	433,619	571,492
Others	7,199	3,709
	<hr/>	<hr/>
	442,967	579,613
Other creditors, accruals and other provisions	8,366	11,896
	<hr/>	<hr/>
	451,333	591,509
	<hr/> <hr/>	<hr/> <hr/>

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 2021	719,452,868	71,945	365,742	437,687
Scrip dividend issued	10,940,341	1,094	3,009	4,103
At 30 June 2022 and 1 July 2022	730,393,209	73,039	368,751	441,790
Scrip dividend issued	9,178,182	918	1,891	2,809
At 30 June 2023	739,571,391	73,957	370,642	444,599

During the years ended 30 June 2022 and 2023, the movements in share capital were as follows:

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

On 19 January 2023, the Company issued 9,178,182 new shares at HK\$0.306 on each issued share for the distribution of the scrip dividend declared for 2022 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.

13 A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During the year ended 30 June 2023, the senior management of the Group decided to dispose of the entire equity interest in Dragon Tycoon (HK) Holdings Limited and Dragon Sphere (HK) Holdings Limited and its subsidiaries including 65% interest of 廣東國富滙基金管理有限公司 (the "Dragon Group"). An active program to locate a buyer and complete the plan has been initiated. Management expected it is highly probable that the assets and liabilities attributable to the business would be sold within the next twelve months and classified them as a disposal group held for sale and presented them separately in the consolidated statement of financial position.

The major classes of assets and liabilities in the Dragon Group classified as held for sale are as follows:

	2023 HK\$'000
Properties and equipment	2,214
Intangible assets	269
Accounts, loans & other receivables	1,157
Cash and cash equivalents	287
Total assets classified as held for sale	3,927
Accruals, accounts and other payables	2,312
Lease liabilities	2,190
Total liabilities classified as held for sale	4,502

MANAGEMENT DISCUSSION AND ANALYSIS

THE MARKET

Affected by the fifth wave of the COVID 19 epidemic, coupled with weak local demand due to uncertain global economic conditions, the Hong Kong economy weakened significantly in 2022 after a year of recovery in 2021. The Hong Kong real Gross Domestic Product contracted by 3.5% in 2022. The Hong Kong Interbank Offered Rates continued to rise following the interest rate hikes by US Federal Reserve. The one-month lending rate at the end of June 2023 was as high as 4.93%, about five times the level at the end of June 2022. The major banks in Hong Kong raised prime rate by 12.5 basis points in September 2022, the first rate hike since September 2018. At the end of June 2023, the cumulative increase was 75 basis points. Amid the economic contraction in Hong Kong, rising interest rates, the slowing global economy and the prolonged geopolitical 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 relieved some of its COVID-19 restrictions in November 2022 and reached a temporary high at 22,701 in January 2023. However, the fears of a global recession weakened market sentiment and the HSI dropped and closed at 18,916 at the end of June 2023, compared with 19,781 at the end of December 2022 and 21,860 at the end of June 2022. The average monthly aggregate turnover on the Main Board and GEM Board during the year ended 30 June 2023 (“FY2023”) dropped by 20% to HK\$2,333 billion, as compared with HK\$2,917 billion for the year ended 30 June 2022 (“FY2022”). The global banking issues, ongoing interest rate hikes and low valuations, adversely affected the IPO market, fund raising approximately amounted to HK\$103 billion during FY2023, a 26% decline from HK\$139 billion for FY2022.

FINANCIAL HIGHLIGHTS

The Group recorded a loss after tax of HK\$79 million for FY2023, as compared to a loss after tax of HK\$79 million for FY2022. After taking into account the other comprehensive income for the year, the Group recorded a total comprehensive expense of HK\$94 million for FY2023, as compared to a total comprehensive expense of HK\$72 million for FY2022. Amid tightened liquidity and weakened market confidence, the Hong Kong property market experienced a correction in 2022. The reopening of the border between Hong Kong and mainland China in 2023 has not significantly boosted the office leasing activities on Hong Kong Island. The high vacancy rate continues to adversely impact the Hong Kong office market. The Group recognised a revaluation deficit, net of tax, of HK\$8 million for FY2023, as compared with a surplus of HK\$8 million for FY2022.

Commission and fee income from our financial intermediary business was HK\$15 million for FY2023, as compared with HK\$45 million for FY2022. Interest income was HK\$18 million for both FY2023 and FY2022. Interest income from bank deposits increased by HK\$11 million in 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\$7 million for both FY2023 and FY2022. Hong Kong stock market continued to underperform, with the HSI falling another 14% in FY2023 after a drop of 24% in FY2022. As a result, the Group recorded a net loss of HK\$28 million on financial assets and liabilities at fair value through profit or loss for FY2023, as compared with a net loss of HK\$23 million for FY2022. General and administrative expenses decreased by HK\$7 million, from HK\$79 million for FY2022 to HK\$72 million for FY2023, mainly due to the decrease in staff cost, a result of lower headcount and variable compensation linked to revenue. Net impairment losses on financial instruments was HK\$10 million for FY2023, decreased by HK\$21 million from HK\$31 million for FY2022, mainly related to the provision for the loan portfolio and reduced as a result of contraction in our loan business.

BROKERAGE AND FINANCING

Total revenue of the division was HK\$26 million for FY2023, as compared with HK\$36 million for FY2022. The brokerage commission income decreased by HK\$9 million to HK\$7 million for FY2023, as compared with HK\$16 million for FY2022. The stock market sentiment was poor and remained volatile and investors adopted a wait-and-see attitude. High financing costs and poor performance of newly listed companies decelerated the Hong Kong IPO market. As a result, our brokerage commission income and margin financing income dropped in FY2023.

The margin loans, fixed-rate loans and factoring receivables, after expected credit loss, amounted to HK\$43 million as at 30 June 2023, as compared with HK\$62 million as at 30 June 2022. The economic slowdown in Hong Kong and mainland China has adversely impacted the business environment. In addition, continued interest rate hikes led to higher borrowing costs and lower market liquidity. Some of our loan clients were unable to repay their loans on time. As a result, the Group provided an impairment loss of HK\$10 million in FY2023 for its loan portfolio, compared with HK\$28 million in FY2022. In view of the economic instability, the Group had further tightened the loan approval procedures and conducted prudent assessment of the collateral. 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 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\$6 million for FY2023, as compared with HK\$24 million for FY2022. The downturn of the Hong Kong capital market has seriously affected the corporate finance business. The project on hand progressed slowly. Our team visited potential clients after the reopening of the mainland China’s border to strengthen the client relationships.

Capital market remained lackluster in our target client segment and the division recognised underwriting and placement fees of HK\$1 million for FY2023, as compared with a minimal amount for FY2022.

ASSET MANAGEMENT

Total revenue of the division was HK\$4 million for both FY2023 and 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 in our financial statements as the Group acted as the investment manager and also as an investor. The division recognised an intercompany fee income of HK\$2 million for the fund in 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\$7 million for FY2023, as compared with HK\$6 million for FY2022. 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\$21 million for FY2023, as compared to a loss of HK\$16 million for FY2022. The Group recognised a net loss of HK\$28 million from its investment portfolios for FY2023, compared with a net loss of HK\$22 million for FY2022. The loss mainly arose from its strategic listed equity investments which incurred a net loss of HK\$28 million, resulted from the poor performance of the stock market for FY2023, as compared with a net loss of HK\$12 million for FY2022. Defaults on mainland China property bonds and tightened monetary measures imposed by the US Federal Reserve hit the bond market severely in FY2022. The market sentiment remained negative in FY2023. The Group recognised a net loss of HK\$1 million for the debt securities and bond funds portfolio for FY2023, as compared with a net loss of HK\$16 million for FY2022. For the investment in the unlisted smart mobility company, the division recognised an unrealised gain of HK\$3 million for 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 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. Considering the change in shareholding, the Group no longer has significant influence on China New Economy and accordingly the investment was reclassified as financial asset at fair value through profit or loss. The Group also redeemed two investment funds with proceeds of HK\$8 million during the year. These transactions improved the Group’s liquidity and allowed it to better structure its asset portfolio.

As at 30 June 2023, the carrying value of the unlisted investments, listed securities and listed debt securities and bond funds portfolio was HK\$102 million, HK\$137 million and HK\$28 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 3.1% of the Group's consolidated total assets as at 30 June 2023. 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\$4 million for both FY2023 and FY2022. The rental income received from these properties provided stable cash inflow for the division. The anti-epidemic measures and cross-border travel restrictions in 2022 have adversely affected the non-residential property market. The market sentiment slightly improved in early 2023. Our retail shop in Kwun Tong recorded a revaluation deficit of HK\$1 million for FY2023. The depreciation of the RMB resulted in a revaluation deficit of HK\$2 million for our investment property in Beijing. In aggregate, the division recognised a revaluation deficit of HK\$3 million for FY2023, compared with a deficit of HK\$4 million for FY2022. The joint venture property project company established in December 2021 completed the ground inspection and obtained the approval of the building and foundation plans. The preliminary development costs are financed by its internal resources. The joint venture shareholders will cautiously reconsider the development plan to achieve the profitability of the project in view of the softening of the residential property market in Hong Kong.

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

OUTLOOK

China was the last major economy to remove the main COVID related restrictions. However, the initial bullish sentiments subsided quickly as the focus turned to the higher potential of a global recession due to the interest rate staying at an elevated level for a longer period. The prolonged conflict between Russia and Ukraine also added significant uncertainty to the inflation prospects and food supply stability. The investment community is also more concerned that the recent stimulus policies in China may not be able to kick start the growth again. After the resuming of cross-border traveling, our Corporate Finance team is working hard to speed up the progress of the projects on hand. Our Wealth Management team is also concentrating on securing more new clients to our assets under management. The Proprietary Investment group is concerned with the re-balancing of our investment portfolio to focus more on income generating investments, which are likely to have better performance in the current high interest rate environment.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at the end of June 2023 were HK\$1,438 million, of which approximately 64% were current in nature. Net current assets were HK\$316 million, accounting for approximately 39% of the net assets of the Group as at end of June 2023. The Group had cash and cash equivalents of HK\$160 million as at end of June 2023, which was mainly denominated in Hong Kong dollars.

The Group generally finances its daily operations from internal resources. Total bank borrowings of HK\$76 million as at the end of June 2023 were used to finance its investment portfolio. The bank borrowings were denominated in Hong Kong dollars and charged at floating interest rate. The Group's gearing ratio was approximately 9% as at the end of June 2023. As at 30 June 2023, the office property with carrying value of HK\$310 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 2023. The Company provided corporate guarantees of HK\$210 million for banking facilities granted to its subsidiaries.

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYMENT, TRAINING AND DEVELOPMENT POLICIES

As at 30 June 2023, the number of full time employees of the Group was 70 (2022: 79). 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 (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 throughout the financial year ended 30 June 2023 except for the deviation which is summarized below:

Pursuant to the code provision C.5.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the year among the four regular meetings, notices of two meetings were delivered to directors less than 14 days prior to the meetings, however the notice of board meetings convened for reviewing and approving the annual results and interim results were given more than one month prior to the meetings. Since all regular board meetings within the financial year were pre-scheduled and the Directors were notified of the dates, Directors considered that the aforementioned notices did not affect their attendance. The Company will use reasonable endeavour to meet the requirement of code provision C.5.3 of the CG Code in future.

Pursuant to the code provision of C.1.6 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. One non-executive director was unable to attend the annual general meeting of the Company held on 25 November 2022 due to telecommunication difficulties.

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 Tuesday, 28 November 2023, the payment of a final dividend of 1 HK cent per ordinary share for the year ended 30 June 2023 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 6 December 2023, if approved, the final dividend will be paid on Thursday, 25 January 2024.

Shareholders will be given the option to receive the proposed 2023 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 2023 final dividend at the 2023 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 2023. Dividend warrants and share certificates in respect of the proposed 2023 final dividend are expected to be despatched to the Shareholders on 25 January 2024.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The Register of Members of the Company will be closed from Thursday, 23 November 2023 to Tuesday, 28 November 2023, 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 2023 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 Wednesday, 22 November 2023.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The Register of Members of the Company will be closed from Monday, 4 December 2023 to Wednesday, 6 December 2023 (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) not later than 4:30 p.m. on Friday, 1 December 2023.

AUDIT COMMITTEE REVIEW

The Group's audited consolidated financial results for the year ended 30 June 2023 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 2023 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 2023, 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, 28 September 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.