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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 2023**

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 2023.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 31 December	
		2023	2022
		Unaudited	Unaudited
		HK\$'000	HK\$'000
Revenue			
Commission and fee income		6,833	8,145
Interest income arising from financial assets at amortised cost		11,012	6,790
Interest income arising from debt securities at fair value through profit or loss		810	426
Dividend income		2,895	1,868
Rental income		1,467	1,626
		<hr/>	<hr/>
	3	23,017	18,855
Net loss on financial assets and liabilities at fair value through profit or loss	4	(21,420)	(18,996)
Other income and gains or losses	5	439	596
		<hr/>	<hr/>
		2,036	455
Commission expenses		(742)	(1,126)
General and administrative expenses		(33,634)	(38,493)
Finance costs		(3,541)	(2,407)
Net impairment losses on financial instruments		(3,571)	(730)
Fair value changes on investment properties		(1,914)	(2,927)
Changes on non-controlling interests in consolidated investment funds	5	7,642	(1,075)
Gain on disposal of subsidiaries	5,6	4,030	-
Gain on disposal of an associate	5	-	4,630
Share of loss of a joint venture	5	(4)	-
Share of losses of associates	5	(604)	(4,677)
		<hr/>	<hr/>
Loss before tax	7	(30,302)	(46,350)
Income tax credit	8	168	30
		<hr/>	<hr/>
Loss for the period		(30,134)	(46,320)
Attributable to:			
Owners of the Company		(29,948)	(46,009)
Non-controlling interests		(186)	(311)
		<hr/>	<hr/>
Loss for the period		(30,134)	(46,320)
		<hr/> <hr/>	<hr/> <hr/>
Basic and diluted loss per share	10	(4.05) HK cents	(6.30) HK cents
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 December	
	2023	2022
	Unaudited HK\$'000	Unaudited HK\$'000
Loss for the period	<u>(30,134)</u>	<u>(46,320)</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 on revaluation	(5,339)	(20,918)
– Income tax effect	<u>1,546</u>	<u>4,237</u>
	<u>(3,793)</u>	<u>(16,681)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of foreign operations	1,277	(4,063)
Reclassification adjustment for foreign operations disposed of during the period	<u>667</u>	<u>–</u>
	<u>1,944</u>	<u>(4,063)</u>
Other comprehensive expense for the period	<u>(1,849)</u>	<u>(20,744)</u>
Total comprehensive expense for the period	<u><u>(31,983)</u></u>	<u><u>(67,064)</u></u>
Total comprehensive expense attributable to:		
Owners of the Company	(31,797)	(66,720)
Non-controlling interests	<u>(186)</u>	<u>(344)</u>
Total comprehensive expense for the period	<u><u>(31,983)</u></u>	<u><u>(67,064)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	31 December 2023 Unaudited HK\$'000	30 June 2023 Audited HK\$'000
Non-current assets			
Investment properties		74,253	76,167
Properties and equipment		312,713	322,418
Intangible assets		2,190	2,190
Interest in a joint venture		23,804	23,808
Interests in associates		18,295	18,868
Loans to and amounts due from associates		14,221	13,787
Other assets		5,479	4,467
Financial assets at fair value through profit or loss		50,689	51,102
Deferred tax assets		495	495
		502,139	513,302
Current assets			
Financial assets at fair value through profit or loss		178,739	216,271
Accounts, loans and other receivables	11	162,623	158,673
Bank balances and cash – trust accounts		346,219	385,976
Cash and cash equivalents		155,872	159,782
		843,453	920,702
Assets of a disposal group classified as held for sale		–	3,927
		843,453	924,629
Current liabilities			
Financial liabilities at fair value through profit or loss		5,556	7,225
Net assets attributable to holders of non-controlling interests in consolidated investment funds		55,887	65,416
Accruals, accounts and other payables	12	431,374	451,333
Lease liabilities		130	128
Contract liabilities		3,000	3,000
Bank loans and overdraft		60,442	75,672
Current tax liabilities		1,296	1,433
		557,685	604,207
Liabilities of a disposal group classified as held for sale		–	4,502
		557,685	608,709
Net current assets		285,768	315,920
Total assets less current liabilities		787,907	829,222
Non-current liabilities			
Deferred tax liabilities		22,181	23,895
Lease liabilities		310	375
		22,491	24,270
NET ASSETS		765,416	804,952
CAPITAL AND RESERVES			
Share capital		73,957	73,957
Reserves		691,459	730,652
Equity attributable to owners of the Company		765,416	804,609
Non-controlling interests		–	343
TOTAL EQUITY		765,416	804,952

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 MATERIAL 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 2023 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2023.

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 2023 for the preparing of the Group’s unaudited interim condensed consolidated financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International tax reform – Pillar Two model rules

Amendments to HKAS 1 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. The Group has applied the amendments since 1 July 2023. The amendments did not have any impact on the Group’s interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

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 Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 July 2023. Since the Group’s policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

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 Group has applied the amendments on temporary differences related to leases as at 1 July 2022. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 July 2023, if any. The amendments did not have any significant impact on the Group’s financial statements.

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 to the Group.

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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers		
<i>Commission and fee income</i>		
– securities, options, funds and futures brokerage	3,620	3,649
– underwriting and placements in equity capital markets	603	–
– corporate finance	648	2,485
– asset management	38	51
– miscellaneous fee income	1,924	1,960
	6,833	8,145
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Revenue from other sources		
<i>Interest income arising from financial assets at amortised cost</i>		
– bank deposits	8,686	3,981
– margin and cash clients	212	230
– loans	1,643	2,307
– others	471	272
	11,012	6,790
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<i>Interest income arising from debt securities at fair value through profit or loss</i>	810	426
<i>Dividend income</i>	2,895	1,868
<i>Rental income</i>	1,467	1,626
	16,184	10,710
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	23,017	18,855
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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 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	3,620	–	–	–	3,620
Capital market service	–	603	–	–	603
Corporate finance service	–	648	–	–	648
Asset management service	–	–	38	–	38
Other services	1,597	–	27	300	1,924
Total revenue from contracts with customers	<u>5,217</u>	<u>1,251</u>	<u>65</u>	<u>300</u>	<u>6,833</u>
Geographical markets					
Hong Kong	4,953	1,251	65	300	6,569
Other countries	264	–	–	–	264
Total revenue from contracts with customers	<u>5,217</u>	<u>1,251</u>	<u>65</u>	<u>300</u>	<u>6,833</u>
Timing of revenue recognition					
Services transferred at a point in time	5,217	916	65	300	6,498
Services transferred over time	–	335	–	–	335
Total revenue from contracts with customers	<u>5,217</u>	<u>1,251</u>	<u>65</u>	<u>300</u>	<u>6,833</u>

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
	<u>5,247</u>	<u>2,485</u>	<u>51</u>	<u>362</u>	<u>8,145</u>
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
Other countries	338	–	–	–	338
	<u>5,247</u>	<u>2,485</u>	<u>51</u>	<u>362</u>	<u>8,145</u>
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
	<u>5,247</u>	<u>2,485</u>	<u>51</u>	<u>362</u>	<u>8,145</u>
Total revenue from contracts with customers	<u>5,247</u>	<u>2,485</u>	<u>51</u>	<u>362</u>	<u>8,145</u>

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

	Six months ended 31 December	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Listed equity securities	(21,221)	(22,128)
Listed debt securities	(1,487)	1,073
Listed derivatives	1,820	1,899
Bond funds	5	(107)
Unlisted investment funds	(124)	(2,126)
Overseas unlisted equity securities	(413)	2,393
	<u>(21,420)</u>	<u>(18,996)</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 2023						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	-	-	5,217	1,251	65	300	6,833
Interest income arising from financial assets at amortised cost	183	116	10,493	13	3	204	11,012
Interest income arising from debt securities at fair value through profit or loss	810	-	-	-	-	-	810
Other income	2,895	1,467	-	-	-	-	4,362
Inter-segment revenue	425	-	619	-	1,412	6,143	8,599
Segment revenue	4,313	1,583	16,329	1,264	1,480	6,647	31,616
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(21,423)	-	3	-	-	-	(21,420)
Other income and gains or losses	(58)	120	266	-	9	102	439
Eliminations	(425)	-	(619)	-	(1,412)	(6,143)	(8,599)
	<u>(17,593)</u>	<u>1,703</u>	<u>15,979</u>	<u>1,264</u>	<u>77</u>	<u>606</u>	<u>2,036</u>
Segment results	<u>(26,721)</u>	<u>(1,438)</u>	<u>(2,408)</u>	<u>(3,917)</u>	<u>(1,080)</u>	<u>(5,802)</u>	<u>(41,366)</u>
Gain on disposal of subsidiaries	-	-	-	-	4,030	-	4,030
Share of loss of a joint venture	-	(4)	-	-	-	-	(4)
Share of profits/(losses) of associates	-	74	(678)	-	-	-	(604)
Changes on non-controlling interests in consolidated investment funds	7,642	-	-	-	-	-	7,642
Loss before tax							<u>(30,302)</u>

Six months ended 31 December 2022

	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	–	–	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 at fair value through profit or loss	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>

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

	31 December 2023 <i>HK\$'000</i>	30 June 2023 <i>HK\$'000</i>
Proprietary investment	280,734	332,056
Property investment	114,094	115,599
Brokerage and financing	626,003	650,393
Corporate finance and capital markets	7,334	6,570
Asset management	654	4,811
Others	316,773	328,502
Total assets	<u>1,345,592</u>	<u>1,437,931</u>

6 DISPOSAL OF SUBSIDIARIES

On 10 October 2023, the Group entered into an agreement to dispose of the entire equity interest in subsidiaries, Dragon Tycoon (HK) Holdings Limited and Dragon Sphere (HK) Holdings Limited and its subsidiaries (collectively referred to as “Dragon Group”), to a connected person at a total consideration of HK\$3,269,000. Out of the total consideration, HK\$3,169,000 was used to settle the intercompany debts owed to the Group and HK\$100,000 represented cash received from the buyer. Dragon Group is engaged in asset management service in the mainland China. The disposal of the Dragon Group was completed on 1 November 2023. The net liabilities of Dragon Group at the date of disposal were as follows:

	<i>HK\$'000</i>
Properties and equipment	1,894
Intangible assets	269
Accounts, loans & other receivables	1,072
Cash and cash equivalents	131
Accruals, accounts and other payables	(5,905)
Lease liabilities	(1,901)
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Net liabilities disposed of	(4,440)
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Cash consideration received for disposal	100
Net liabilities disposed of	4,440
Non-controlling interests	157
Release of exchange reserve upon disposal of foreign operations	(667)
	<hr/>
Gain on disposal	4,030
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration received for disposal	100
Cash consideration received for settlement of the intercompany debts	3,169
Less: cash and cash equivalents disposed of	(131)
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	3,138
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7 LOSS BEFORE TAX

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

	Six months ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Staff costs	(19,068)	(21,241)
Lease payments not included in the measurement of lease liabilities	(97)	(131)
Depreciation	(5,105)	(5,512)
Impairment loss on goodwill	–	(1,073)
Interest expenses on		
– unsecured bank overdrafts	(4)	(1)
– secured bank loans wholly repayable within one year and overdrafts	(1,875)	(1,922)
– others	(1,648)	(458)
– lease liabilities	(14)	(26)
Exchange gain (net)	439	217
	<u>439</u>	<u>217</u>

8 INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Current tax		
– Hong Kong	–	368
– Mainland China	–	–
	<u>–</u>	<u>368</u>
Deferred tax	(168)	(398)
	<u>(168)</u>	<u>(30)</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\$0.8 million (31 December 2022: HK\$0.9 million) are wholly set off by tax losses brought forward. Subsidiaries in mainland China are subject to PRC Enterprise Income Tax at 25%.

9 DIVIDENDS

Dividends recognised as distributions during the period:

	Six months ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, declared and payable of 1 HK cent per share (2022: paid of 1 HK cent per share)	7,396	7,304
	<u>7,396</u>	<u>7,304</u>

Subsequent to the end of the interim reporting period, at a meeting held on 22 February 2024, the directors declared an interim dividend of 1 HK cent per share (31 December 2022: 1 HK cent per share) for an aggregate amount of HK\$7,445,000 (31 December 2022: HK\$7,396,000) based on the number of shares in issue at 22 February 2024.

10 LOSS PER SHARE

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

	Six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Loss		
Loss for the purposes of basic and diluted loss per share		
Loss attributable to owners of the Company for the period	<u>(29,948)</u>	<u>(46,009)</u>
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	<u>739,571,391</u>	<u>730,393,209</u>

11 ACCOUNTS, LOANS AND OTHER RECEIVABLES

	Notes	31 December	30 June
		2023 HK\$'000	2023 HK\$'000
Accounts and loan receivables			
Amounts due from brokers and clearing houses	(a)	85,081	100,865
Amounts due from margin clients	(b)	25,835	23,724
Amounts due from cash clients	(c)	31,402	9,789
Loan receivables	(d)	73,192	77,301
Other accounts receivable	(e)	136	351
		<u>215,646</u>	<u>212,030</u>
Less: Impairment allowances		<u>(61,880)</u>	<u>(58,554)</u>
		<u>153,766</u>	<u>153,476</u>
Prepayments, deposits and other receivables		8,857	6,427
Less: Impairment allowances		–	(1,230)
		<u>8,857</u>	<u>5,197</u>
		<u>162,623</u>	<u>158,673</u>

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\$5,846,000 (30 June 2023: HK\$8,670,000) 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 2023, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK\$10 million (30 June 2023: HK\$6 million). As at 31 December and 30 June 2023, the market value of collateral held by a substantial number of our margin clients was larger than their outstanding loan balance. The Group provided accumulated impairment allowances of HK\$23 million as at 31 December and 30 June 2023 for the margin clients with value of collateral held which was below the outstanding balance of their margin loans. 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 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\$30 million (30 June 2023: HK\$33 million) and factoring receivables of HK\$43 million (30 June 2023: HK\$44 million), and accumulated impairment allowances of HK\$39 million (30 June 2023: HK\$35 million) as at 31 December 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 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 2023 HK\$'000	30 June 2023 HK\$'000
Current and within one month	141,805	139,192
More than one month and within three months	105	67
More than three months	11,856	14,217
	<u>153,766</u>	<u>153,476</u>

Included in the above table, loan receivables of approximately HK\$22,790,000 (30 June 2023: HK\$28,103,000) and HK\$11,842,000 (30 June 2023: HK\$14,093,000) were aged within one month and more than three months respectively.

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

	Amounts due from 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 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)
	<u>22,858</u>	<u>357</u>	<u>35,105</u>	<u>234</u>	<u>58,554</u>
At 30 June 2023 and 1 July 2023	22,858	357	35,105	234	58,554
Impairment losses recognised	–	116	3,455	–	3,571
Amounts written off as uncollectible	–	(11)	–	(234)	(245)
	<u>–</u>	<u>(11)</u>	<u>–</u>	<u>(234)</u>	<u>(245)</u>
At 31 December 2023	<u>22,858</u>	<u>462</u>	<u>38,560</u>	<u>–</u>	<u>61,880</u>

12 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	31 December 2023 <i>HK\$'000</i>	30 June 2023 <i>HK\$'000</i>
Accounts payable (on demand or within one month)		
Amounts due to brokers and clearing houses	18,827	2,149
Clients' accounts payable	394,872	433,619
Others	1,593	7,199
	<u>415,292</u>	<u>442,967</u>
Other creditors, accruals and other provisions	16,082	8,366
	<u>431,374</u>	<u>451,333</u>

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 futures contracts are payable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

THE MARKET

The US Federal Reserve stopped raising rate after a number of steep rate increases, and signaled that the interest rate might have reached or approached its highest level. Global stock markets generally went up in 2023. The US market was very strong and the major indices all reached historical highs in early 2024, but the Hong Kong stock market declined for four consecutive years. The drop was primarily attributable to the economic slowdown and weak local consumption in Hong Kong, the continuing military conflict between Russia and Ukraine, as well as conflicts in the Middle East and the ongoing trade conflicts between the US and China. The Hang Seng Index (“HSI”) maintained the downward trend and fell 14% in 2023 to close at 17,047 at the end of December 2023, compared with 19,781 at the end of December 2022 and 18,916 at the end of June 2023. The average monthly aggregate turnover on the Main Board and GEM Board during the six months ended 31 December 2023 (“the first half year of FY2024”) continued to decrease, falling by 18% to HK\$1,942 billion, compared with HK\$2,356 billion for the six months ended 31 December 2022 (“the first half year of FY2023”). The IPO pipeline continued to be worryingly thin, making 2023 the worst year for IPOs since 2001. Fund raising only amounted to about HK\$28 billion during the first half year of FY2024, a significant drop of 67% from HK\$85 billion for the first half year of FY2023.

FINANCIAL HIGHLIGHTS

The Group reported a loss after tax of HK\$30 million for the first half year of FY2024, as compared to a loss after tax of HK\$46 million for the first half year of FY2023. After taking into account the other comprehensive expense for the period, the Group recorded a total comprehensive expense for the first half year of FY2024 of HK\$32 million, compared to a total comprehensive expense of HK\$67 million for the first half year of FY2023. During 2023, the ongoing economic uncertainty in Hong Kong and globally has led to a decrease in demand for commercial property. Grade A offices in Hong Kong had vacancy rates in double digits by the end of 2023. The high interest rates and financial difficulties among Mainland corporations continue to negatively affect the Hong Kong office market. The decrease has, however, moderated due to a lower comparison base. In the first half year of FY2024, the Group reported a revaluation deficit, net of tax, of HK\$4 million, whereas in the first half year of FY2023, a deficit of HK\$17 million was recorded.

Commission and fee income from our financial intermediary business amounted to HK\$7 million for the first half year of FY2024, compared to HK\$8 million in the first half year of FY2023. Interest income increased from HK\$7 million for the first half year of FY2023 to HK\$12 million for the first half year of FY2024. The Group experienced an increase of HK\$5 million in interest income from bank deposits in the first half year of FY2024 due to interest rate hikes. Dividend and rental income slightly increased to HK\$4 million for the first half year of FY2024, while it was HK\$3 million for the first half year of FY2023. The Hong Kong stock market continued to underperform, with the HSI falling another 10% in the first half year of FY2024 following a drop of 10% in the first half year of FY2023. Consequently, the Group recorded a net loss of HK\$21 million on financial assets and liabilities at fair value through profit or loss in the first half year of FY2024, compared to a net loss of HK\$19 million in the first half year of FY2023. General and administrative expenses decreased by HK\$4 million, from HK\$38 million in the first half year of FY2023 to HK\$34 million in the first half year of FY2024, mainly due to the decrease in staff cost. Interest expenses increased by HK\$2 million to HK\$4 million for the first half year of FY2024 due to an increase in the interest paid to brokerage clients as a result of the upward movement of interest rate.

BROKERAGE AND FINANCING

The division generated a total revenue of HK\$16 million for the first half year of FY2024, up from HK\$12 million in the same period of FY2023. The high interest rate environment led to a rise in bank interest income from HK\$4 million to HK\$9 million, which was an increase of HK\$5 million, in the first half year of FY2024 compared to the same period of FY2023. The brokerage commission income was HK\$4 million in both the first half year of FY2024 and FY2023. The average monthly total turnover on the Main Board and GEM Board in the first half year of FY2024 decreased by 18% compared to the first half year of FY2023. The stock market sentiment remained weak and volatile, leading investors to adopt a cautious approach. The Hong Kong IPO market experienced a slowdown due to high financing costs and underperformance of newly listed companies.

As of 31 December 2023, the margin loans, fixed-rate loans and factoring receivables, after expected credit loss, amounted to HK\$38 million, compared to HK\$43 million as of 30 June 2023. The business environment has worsened due to the economic slowdown of Hong Kong and the mainland China. Additionally, the high borrowing rate and credit crunch in China property developers have adversely affected the business performance and cash flow of our clients. Some loan clients could not pay back their loans on time, prompting the Group to provide an additional impairment loss of HK\$4 million in the first half year of FY2024, compared to HK\$1 million in the first half year of FY2023. In response to the economic instability, the Group has further tightened its loan approval procedures and conducted thorough assessment of the collateral. Consequently, the loan portfolio has continuously decreased. Legal proceedings against defaulting debtors are currently underway.

CORPORATE FINANCE AND CAPITAL MARKETS

The division's total revenue was HK\$1 million for the first half year of FY2024, compared to HK\$3 million in the same period of FY2023. The corporate finance business suffered from the slump in the Hong Kong capital market. Despite this challenging environment, the division completed an IPO project in January 2024, which will improve the division's result for the year. The team has visited several potential clients in mainland China and demonstrated their flexibility and expertise. If the market sentiment can improve in the coming months, it is likely that the team can secure new mandates based on our solid track record.

Capital market continued to be weak in our target client segment and the division earned underwriting and placement fees of HK\$1 million in the first half year of FY2024, compared to a negligible amount in the same period of FY2023.

ASSET MANAGEMENT

The division's total revenue was HK\$1 million and HK\$2 million for the first half year of FY2024 and FY2023 respectively. The performance of the funds managed by the division was adversely affected by the underperformance of the Hong Kong stock market. The division is now targeting wealthy clients to offer them assets management services to boost its income. The Group is also looking into promoting investment funds that focus on Vietnam.

The Group faced challenges in the mainland China market for its asset management service. The Group has suffered financial losses for several years in this business segment. Having considered the time and financial resources necessary to further invest in the business, the Group disposed of this business segment to its substantial shareholder with total consideration of HK\$3 million, with a gain on disposal of HK\$4 million, in the first half year of FY2024. The transaction reduced the level of loss and improved the profitability of the Group.

PROPRIETARY INVESTMENT

Total revenue of the division was HK\$4 million for the first half year of FY2024, compared to HK\$3 million for the first half year of FY2023. 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\$17 million for the first half year of FY2024, as compared to a loss of HK\$16 million for the first half year of FY2023. The Group recognised a net loss of HK\$21 million from its listed equity securities portfolio resulted from the poor performance of the stock market for the first half year of FY2024, as compared with a net loss of HK\$22 million for the first half year of FY2023. The Chinese bonds issued by property developers recovered slightly in the first half year of FY2023 prompted by the monetary policies announced by the Chinese government. However, the investors' confidence was shaken again by the default of Country Garden and the decline resumed. The Group recognised a net loss of HK\$1 million for the debt securities and bond funds portfolio for the first half year of FY2024, as compared with a net gain of HK\$1 million for the first half year of FY2023.

As at 31 December 2023, the carrying value of the unlisted investments, listed securities and listed debt securities and bond funds portfolio was HK\$79 million, HK\$120 million and HK\$31 million respectively (30 June 2023: HK\$102 million, HK\$137 million and HK\$28 million). The Group redeemed an investment fund with proceeds of HK\$22 million during the period to increase its liquidity. The largest investment of the financial assets at fair value through profit or loss was an unlisted equity security which accounted for approximately 3.4% of the Group's consolidated total assets as of 31 December 2023. The Directors considered investments with a fair value of more than 5% of the Group's consolidated total assets as a significant investment.

PROPERTY INVESTMENTS

The division had the same total revenue of HK\$2 million in the first half year of both FY2024 and FY2023. The properties that it rented out generated steady cash flow for the division. Hong Kong total retail sales growth was slower in the first half year of 2024 because domestic spending was weakened by more people travelling abroad than visiting from outside. Therefore, our retail shop in Kwun Tong had a revaluation loss of HK\$2 million in the first half year of FY2024, the same as the loss in the first half year of FY2023. 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 initial development costs are financed by its internal resources.

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

OUTLOOK

The developments in the US will drive the global economy in 2024. The investments in AI brought the technology sector to a new high. The timing and direction of interest rates movements are going to affect global capital flows. The US presidential election in November 2024 may also bring uncertainties to the global geo-political balance. The recovery in China after COVID is slower than expected. The capital market in Hong Kong will continue to be affected by these developments and we will manage the business on a prudent basis until a clear positive trend emerges.

LIQUIDITY AND FINANCIAL RESOURCES

As of the end of December 2023, the Group's total assets amounted to HK\$1,346 million, with approximately 63% classified as current assets. Net current assets accounted for HK\$286 million, representing approximately 37% of the net assets of the Group. The Group held net cash and cash equivalents of HK\$156 million, primarily in Hong Kong dollars.

The Group generally finances its daily operations from internal resources. Total secured borrowings of HK\$60 million as at the end of December 2023 were used to finance its investment portfolio. The bank overdrafts 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 2023. As at 31 December 2023, the office and investment properties with carrying value of HK\$348 million were 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 2023. The Company provided corporate guarantees of HK\$240 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 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 mainland China. Taking into account all relevant macroeconomic factors and the size of assets held, the Group believes that there is no need to hedge these assets denominated in RMB. Management will monitor the situation closely and introduce suitable hedging measures if there are any material adverse changes. The Group does not have other material exposure to fluctuation in exchange rates and no hedging instruments are used.

EMPLOYMENT, TRAINING AND DEVELOPMENT POLICIES

The number of full time employees of the Group decreased from 70 as of 31 December 2022 to 62 as of 31 December 2023, following the disposal of the asset management business in mainland China. 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.

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 2023 (six months ended 31 December 2022: 1 HK cent). The dividend will be payable on Thursday, 28 March 2024 to shareholders whose names appear on the Register of Members at the close of business on Friday, 15 March 2024.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 13 March 2024 to Friday, 15 March 2024, 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, 12 March 2024.

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 C1 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the six months ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 31 December 2023, 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 C3 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 2023. 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 2023 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement of interim results for the six months ended 31 December 2023 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 2023 of the Company containing all information as required by the Listing Rules will be published on the aforesaid websites in due course and dispatched to Shareholders, upon request.

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

Hong Kong, 22 February 2024

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.