

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



Continuous innovation to open the future

Interim Report

2023/24

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Sunwah Kingsway is committed to the core values of integrity, teamwork, respect, responsibility and the pursuit of excellence.

We believe that successful companies are built on these core values, the same ones that align and guide our thinking and actions in every area of our business. Our established core values have served our Group well and will continue to guide our growth into the future.

Corporate Information

GENERAL INFORMATION

CHAIRMAN

Jonathan Koon Shum Choi

EXECUTIVE DIRECTOR

Michael Koon Ming Choi (*Chief Executive Officer*)

NON-EXECUTIVE DIRECTORS

Janice Wing Kum Kwan

Lee G. Lam (*resigned on 26 February 2024*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Robert Tsai To Sze

Elizabeth Law

Huanfei Guan

LEGAL ADVISORS TO THE COMPANY

As to Hong Kong Law:

MinterEllison LLP

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213 Queen's Road East, Hong Kong

As to Bermuda Law:

Conyers Dill & Pearman

2901 One Exchange Square,

8 Connaught Place, Central, Hong Kong

AUDITOR

Ernst & Young

27/F, One Taikoo Place

979 King's Road

Quarry Bay, Hong Kong

REGISTERED OFFICE

Clarendon House,

2 Church Street,

Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor, Tower One, Lippo Centre

89 Queensway, Hong Kong

COMPANY SECRETARY

Vincent Wai Shun Lai

AUTHORISED REPRESENTATIVES

Michael Koon Ming Choi

Vincent Wai Shun Lai

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

4th Floor, North Cedar House,

41 Cedar Avenue,

Hamilton HM 12, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Room 1712-1716, 17th Floor,

Hopewell Centre, 183 Queen's Road East,

Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

Industrial and Commercial Bank of China (Asia) Limited

COMPOSITION OF BOARD COMMITTEES

AUDIT COMMITTEE

Robert Tsai To Sze (*Chairperson*)

Elizabeth Law

Huanfei Guan

NOMINATION COMMITTEE

Elizabeth Law (*Chairperson*)

Jonathan Koon Shum Choi

Robert Tsai To Sze

Huanfei Guan

COMPENSATION COMMITTEE

Elizabeth Law (*Chairperson*)

Jonathan Koon Shum Choi

Robert Tsai To Sze

Huanfei Guan

CORPORATE GOVERNANCE COMMITTEE

Elizabeth Law (*Chairperson*)

(*appointed on 26 February 2024*)

Lee G. Lam (*Chairperson*) (*resigned on 26 February 2024*)

Janice Wing Kum Kwan

Huanfei Guan

Condensed Consolidated Income Statement

	Notes	Six months ended 31 December	
		2023	2022
		Unaudited HK\$'000	Unaudited 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
	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
		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	5,7	-	4,630
Share of loss of a joint venture	5	(4)	-
Share of losses of associates	5	(604)	(4,677)
Loss before tax	8	(30,302)	(46,350)
Income tax credit	9	168	30
Loss for the period		(30,134)	(46,320)
Attributable to:			
Owners of the Company		(29,948)	(46,009)
Non-controlling interests		(186)	(311)
Loss for the period		(30,134)	(46,320)
Basic and diluted loss per share	11	(4.05) HK cents	(6.30) HK cents

Condensed Consolidated Statement of Comprehensive Income

Six months ended 31 December

	2023	2022
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Loss for the period	(30,134)	(46,320)
Other comprehensive (expense)/income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Land and buildings held for own use (note 12)		
– Deficit on revaluation	(5,339)	(20,918)
– Income tax effect	1,546	4,237
	(3,793)	(16,681)
<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	667	–
	1,944	(4,063)
Other comprehensive expense for the period	(1,849)	(20,744)
Total comprehensive expense for the period	(31,983)	(67,064)
Total comprehensive expense attributable to:		
Owners of the Company	(31,797)	(66,720)
Non-controlling interests	(186)	(344)
Total comprehensive expense for the period	(31,983)	(67,064)

Condensed Consolidated Statement of Financial Position

	Notes	31 December 2023 Unaudited HK\$'000	30 June 2023 Audited HK\$'000
Non-current assets			
Investment properties		74,253	76,167
Properties and equipment	12	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	13	50,689	51,102
Deferred tax assets		495	495
		502,139	513,302
Current assets			
Financial assets at fair value through profit or loss	13	178,739	216,271
Accounts, loans and other receivables	14	162,623	158,673
Bank balances and cash – trust accounts	15	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	16	5,556	7,225
Net assets attributable to holders of non-controlling interests in consolidated investment funds	17	55,887	65,416
Accruals, accounts and other payables	18	431,374	451,333
Lease liabilities		130	128
Contract liabilities		3,000	3,000
Bank loans and overdraft	19	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

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company							Non-controlling interests	Total	
	Share capital	Share premium	Special reserve	Capital reserve on consolidation	Exchange reserve	Properties revaluation reserve	Retained profit			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2023 (audited)	73,957	370,642	39,800	63,392	(6,440)	192,126	71,132	804,609	343	804,952
Loss for the period	-	-	-	-	-	-	(29,948)	(29,948)	(186)	(30,134)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	1,277	-	-	1,277	-	1,277
Reclassification adjustments for foreign operation disposed of during the period	-	-	-	-	667	-	-	667	-	667
Deficit on revaluation of land and buildings held for own use	-	-	-	-	-	(3,793)	-	(3,793)	-	(3,793)
Total comprehensive income/(expense) for the period	-	-	-	-	1,944	(3,793)	(29,948)	(31,797)	(186)	(31,983)
2023 final dividend payable	-	-	-	-	-	-	(7,396)	(7,396)	-	(7,396)
Disposal of interest in subsidiaries	-	-	-	-	-	-	-	-	(157)	(157)
At 31 December 2023 (unaudited)	73,957	370,642*	39,800*	63,392*	(4,496)*	188,333*	33,788*	765,416	-	765,416
At 1 July 2022 (audited)	73,039	368,751	39,800	63,392	173	200,521	164,329	910,005	827	910,832
Loss for the period	-	-	-	-	-	-	(46,009)	(46,009)	(311)	(46,320)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(4,030)	-	-	(4,030)	(33)	(4,063)
Deficit on revaluation of land and buildings held for own use	-	-	-	-	-	(16,681)	-	(16,681)	-	(16,681)
Total comprehensive income/(expense) for the period	-	-	-	-	(4,030)	(16,681)	(46,009)	(66,720)	(344)	(67,064)
2022 final dividend payable	-	-	-	-	-	-	(7,304)	(7,304)	-	(7,304)
At 31 December 2022 (unaudited)	73,039	368,751*	39,800*	63,392*	(3,857)*	183,840*	111,016*	835,981	483	836,464

* Those reserve accounts comprise the consolidated reserves of HK\$691,459,000 (31 December 2022: HK\$762,942,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

	Six months ended 31 December	
	2023 Unaudited HK\$'000	2022 Unaudited HK\$'000
Operating activities		
Operating cash flows before changes in working capital	(42,245)	(41,664)
Decrease in financial assets at fair value through profit or loss	37,945	22,053
(Increase)/decrease in accounts, loans and other receivables	(7,877)	154
Decrease in bank balances and cash – trust accounts	39,757	107,885
Decrease in accruals, accounts and other payables	(27,355)	(120,703)
Increase in contract liabilities	–	1,213
(Decrease)/increase in financial liabilities at fair value through profit or loss	(1,669)	3,737
(Increase)/decrease in other assets	(1,012)	176
Cash used in operations	(2,456)	(27,149)
Interest received	11,248	7,861
Dividend received	3,985	2,693
Interest paid	(3,537)	(2,381)
Interest portion of lease payments	(14)	(26)
Profits tax paid	(137)	(1,545)
Net cash generated from/(used in) operating activities	9,089	(20,547)
Investing activities		
Payment for purchase of properties and equipment	(435)	(316)
Additional investment in a joint venture	–	(1,500)
Net cash inflows from disposal of subsidiaries	3,138	–
Proceeds from disposal of interest in an associate	–	25,928
Net cash generated from investing activities	2,703	24,112
Financing activities		
Proceeds from bank loans	1,277,700	385,000
Repayment of bank loans	(1,277,700)	(435,000)
Injection from holders of non-controlling interests in consolidated investment funds	–	51,623
Withdrawal of holders of non-controlling interests in consolidated investment funds	(1,887)	–
Principal portion of lease payments	(54)	(460)
Net cash (used in)/generated from financing activities	(1,941)	1,163
Net increase in cash and cash equivalents	9,851	4,728
Cash and cash equivalents at 1 July 2023/2022	84,110	162,529
Effect of foreign exchange rate changes, net	1,469	(1,262)
Cash and cash equivalents at 31 December 2023/2022	95,430	165,995
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	155,872	177,254
Bank overdraft	(60,442)	(11,259)
	95,430	165,995

Notes to Condensed Consolidated Financial Statements

1 BASIS OF PREPARATION

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

2 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.

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

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.

Notes to Condensed Consolidated Financial Statements

3 REVENUE

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

	Six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000
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
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
<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
	23,017	18,855

Notes to Condensed Consolidated Financial Statements

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

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

For six months ended 31 December 2023

Segments	Brokerage and financing HK\$'000	Corporate finance and capital markets HK\$'000	Asset management HK\$'000	Others HK\$'000	Total HK\$'000
Type of services					
Brokerage service	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	5,217	1,251	65	300	6,833
Geographical markets					
Hong Kong	4,953	1,251	65	300	6,569
Other countries	264	–	–	–	264
Total revenue from contracts with customers	5,217	1,251	65	300	6,833
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	5,217	1,251	65	300	6,833

Notes to Condensed Consolidated Financial Statements

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

For six months ended 31 December 2022

Segments	Brokerage and financing HK\$'000	Corporate finance and capital markets HK\$'000	Asset management HK\$'000	Others HK\$'000	Total HK\$'000
Type of services					
Brokerage service	3,649	–	–	–	3,649
Capital market service	–	–	–	–	–
Corporate finance service	–	2,485	–	–	2,485
Asset management service	–	–	51	–	51
Other services	1,598	–	–	362	1,960
Total revenue from contracts with customers	5,247	2,485	51	362	8,145
Geographical markets					
Hong Kong	4,909	2,485	51	362	7,807
Other countries	338	–	–	–	338
Total revenue from contracts with customers	5,247	2,485	51	362	8,145
Timing of revenue recognition					
Services transferred at a point in time	5,247	385	51	362	6,045
Services transferred over time	–	2,100	–	–	2,100
Total revenue from contracts with customers	5,247	2,485	51	362	8,145

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

	Six months ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
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
	(21,420)	(18,996)

Notes to Condensed Consolidated Financial Statements

5 SEGMENT INFORMATION

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

	Six months ended 31 December 2023						
	Proprietary investment	Property investment	Brokerage and financing	Corporate finance and capital markets	Asset management	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission and fee income	-	-	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)
	(17,593)	1,703	15,979	1,264	77	606	2,036
Segment results	(26,721)	(1,438)	(2,408)	(3,917)	(1,080)	(5,802)	(41,366)
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							(30,302)

Notes to Condensed Consolidated Financial Statements

5 SEGMENT INFORMATION (Continued)

	Six months ended 31 December 2022						
	Proprietary investment	Property investment	Brokerage and financing	Corporate finance and capital markets	Asset management	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission and fee income	–	–	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)
	(16,496)	1,905	11,375	2,502	671	498	455
Segment results	(29,495)	(2,141)	(3,744)	(4,585)	(1,388)	(3,875)	(45,228)
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							(46,350)

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

	31 December 2023 HK\$'000	30 June 2023 HK\$'000
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	1,345,592	1,437,931

Notes to Condensed Consolidated Financial Statements

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:

	HK\$'000
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)
Net liabilities disposed of	(4,440)
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)
Gain on disposal	4,030
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)
	3,138

7 GAIN ON DISPOSAL OF AN ASSOCIATE

On 15 November 2022, the Group sold 129,640,000 shares, approximately 10.01%, of China New Economy Fund Limited at a consideration of HK\$25,900,000 and the shareholding of the Group in the company decreased to 9.09%. Considering the change in shareholding, the Group no longer has significant influence on the company and accordingly reclassified the investment as a financial asset at fair value through profit or loss. The Group recognised a gain on disposal of an associate of HK\$4,630,000 based on the difference between the carrying amount of the associate and the proceeds from disposal and the fair value of the retained investment.

Notes to Condensed Consolidated Financial Statements

8 LOSS BEFORE TAX

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

	Six months ended 31 December	
	2023 HK\$'000	2022 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

9 INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Current tax		
– Hong Kong	–	368
– Mainland China	–	–
	–	368
Deferred tax	(168)	(398)
	(168)	(30)

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%.

Notes to Condensed Consolidated Financial Statements

10 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

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.

11 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	2022
	HK\$'000	HK\$'000
Loss		
Loss for the purposes of basic and diluted loss per share		
Loss attributable to owners of the Company for the period	(29,948)	(46,009)
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	739,571,391	730,393,209

12 PROPERTIES AND EQUIPMENT

As at 31 December 2023, the revaluation deficit, net of the related deferred tax, of approximately HK\$3,793,000 (31 December 2022: deficit of HK\$16,681,000) was charged to the properties revaluation reserve. The fair value of the Group's land and buildings as at 31 December 2023 and 30 June 2023 has been arrived at on the basis of a valuation carried out on the respective date by RHL Appraisal Limited, an independent qualified professional valuer not connected with the Group, who has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	31 December 2023 HK\$'000	30 June 2023 HK\$'000
Listed equity securities, at quoted price			
– in Hong Kong		113,974	130,897
– outside Hong Kong		5,974	6,574
Listed debt securities, at quoted price			
– in Hong Kong	<i>(a)</i>	14,120	6,553
– outside Hong Kong	<i>(a)</i>	6,187	11,327
Bond funds, at quoted price		10,419	10,413
Overseas unlisted equity securities	<i>(b)</i>	50,359	50,772
Unlisted debt security		330	330
Unlisted investment funds	<i>(c)</i>	28,065	50,507
		229,428	267,373
Represented by:			
Non-current		50,689	51,102
Current		178,739	216,271
		229,428	267,373

Notes:

- (a) The Group held listed debt securities with fair value of HK\$18,887,000 as at 31 December 2023 (30 June 2023: HK\$16,303,000) which will be due in 2024 to 2028 (30 June 2023: 2023 to 2027). The Group also held listed perpetual debts with fair value of HK\$1,420,000 as at 31 December 2023 (30 June 2023: HK\$1,577,000).
- (b) The fair value of overseas unlisted equity securities has been arrived at on the basis of valuation carried out by independent qualified professional valuers not connected to the Group who have appropriate qualifications and recent experience in the valuation of similar securities. The fair value measurement of the overseas unlisted equity securities is described in note 25 to the condensed consolidated financial statements.
- (c) The fair value is based on the net asset value of underlying investments reported by the administrator as of the end of the reporting period.

Notes to Condensed Consolidated Financial Statements

14 ACCOUNTS, LOANS AND OTHER RECEIVABLES

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

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.

14 ACCOUNTS, LOANS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (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
	153,766	153,476

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 HK\$'000	Amounts due from cash clients HK\$'000	Loan receivables HK\$'000	Other accounts receivable HK\$'000	Total HK\$'000
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)
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)
At 31 December 2023	22,858	462	38,560	–	61,880

Notes to Condensed Consolidated Financial Statements

15 BANK BALANCES AND CASH – TRUST ACCOUNTS

The Group maintains segregated clients' accounts with licensed banks to hold clients' monies arising from normal course of business in connection with the Group's brokerage activities. The cash held on behalf of clients is restricted and governed by the Securities and Futures (Client Money) Rules (Chapter 571I) of the laws of Hong Kong under the Securities and Futures Ordinance. The Group has recognised the corresponding clients' accounts payable to respective clients.

16 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2023 HK\$'000	30 June 2023 HK\$'000
Financial liabilities at fair value through profit or loss arising from short selling activities	5,556	7,225

Balance represented the fair value of listed equity securities from short selling activities as at 31 December 2023 and 30 June 2023.

17 NET ASSETS ATTRIBUTABLE TO HOLDERS OF NON-CONTROLLING INTERESTS IN CONSOLIDATED INVESTMENT FUNDS

Net assets attributable to holders of non-controlling interests in the consolidated investment funds, namely MEC Asian Fund and SWK Dynamic OFC, are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to holders of non-controlling interests in investment funds cannot be predicted with accuracy since these represent the interest of non-controlling shareholders in consolidated investment funds that are subject to the actions of the non-controlling investors.

18 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	31 December 2023 HK\$'000	30 June 2023 HK\$'000
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
	415,292	442,967
Other creditors, accruals and other provisions	16,082	8,366
	431,374	451,333

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.

19 BANK LOANS AND OVERDRAFT

	31 December 2023 HK\$'000	30 June 2023 HK\$'000
Unsecured bank overdraft	–	9,975
Secured bank overdraft	60,442	65,697
	60,442	75,672

Note: An overdraft is secured by the Group's land and building held for own use and investment properties with fair value of approximately HK\$300 million and HK\$48 million respectively (30 June 2023: land and building held for own use with fair value of approximately HK\$310 million). For the period ended 31 December 2023, the overdraft bear interest at HKD best lending rate (30 June 2023: overdrafts bear interest at HKD best lending rate or 2% above Hong Kong Interbank Offered Rate).

One of the Group's banking facilities is subject to covenant which a certain loan-to-value ratio shall be maintained. The Group is required to repay part of the bank loans to maintain the specified ratio when necessary. The Group regularly monitors its compliance with these covenants. As at 31 December 2023 and 30 June 2023, none of the covenants relating to the facilities drawn had been breached.

20 COMMITMENTS

(A) COMMITMENTS UNDER OPERATING LEASES AS LESSOR

As at 31 December 2023 and 30 June 2023, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases in respect of office premises which fall due as follows:

	31 December 2023 HK\$'000	30 June 2023 HK\$'000
Within one year	3,149	2,058
Between one and two years	1,159	2,222
	4,308	4,280

Leases are negotiated and rentals are fixed for lease terms of 2 to 3 years. The Group does not provide an option to the lessees to purchase the leased assets at the expiry of the lease period.

Notes to Condensed Consolidated Financial Statements

20 COMMITMENTS (Continued)**(B) OTHER COMMITMENTS**

	31 December	30 June
	2023	2023
	HK\$'000	HK\$'000
Underwriting commitment	–	2,000

21 CONTINGENT LIABILITIES

During the ordinary course of business the Group is subject to threatened or actual legal proceedings brought by or on behalf of investors or other third parties, as well as legal and regulatory reviews, challenges, investigations and enforcement actions, in Hong Kong. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required at the relevant period end date. In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed properly to assess the merits of the case, and no provisions are held in relation to such matters. However, the Group does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

In the previous years, the Group placed a 130% short selling deposit, of approximately HK\$29.8 million, on a suspended security listed on the Main Board of the Stock Exchange at its Hong Kong clearing house account on behalf of its client. The Hong Kong Clearing house refunded the deposit to the Group after the delisting of the security. The Group signed a letter of indemnity to Hong Kong Securities Clearing Co. Ltd. which agree to undertake all potential claims in connection with the shortfall of the shares.

22 JOINT VENTURE AGREEMENT

On 1 December 2016, the Group entered into a joint venture agreement with several joint venture partners to establish a joint venture company in Chongqing, the PRC. Subject to the approvals of the China Securities Regulatory Commission (“CSRC”), it is contemplated that the joint venture company will become a full-licensed securities company principally engaged in the provision of regulated securities brokerage services, securities underwriting and sponsor services, proprietary trading, securities and asset management and any other business approved by the CSRC in the PRC. Pursuant to the joint venture agreement, the Group will make a capital contribution of RMB330 million into the joint venture company, representing a 22% equity interest in the joint venture company. The transaction will be fully financed by the Group’s internal resources. The joint venture agreement and the transactions were approved by the Company’s shareholders at the special general meeting held in February 2017. The Group received an acknowledged receipt for the application from the CSRC on 28 December 2018. The Group is currently waiting for the reply from the CSRC.

23 RELATED PARTY AND CONNECTED PARTY TRANSACTIONS

The following is a summary of significant related party and connected party (as defined in the Listing Rules) transactions which were carried out in the normal course of the Group’s business:

(A) KEY MANAGEMENT PERSONNEL REMUNERATION

	Six months ended 31 December	
	2023	2022
	HK\$’000	HK\$’000
Fees	1,100	1,100
Salaries, commission and other allowance	2,892	2,922
Retirement scheme contributions	117	87
	4,109	4,109

(B) OTHERS

	Six months ended 31 December	
	2023	2022
	HK\$’000	HK\$’000
Brokerage commission earned on securities, options, futures and commodities dealing		
– Group’s directors, their close family members and their companies	55	151
Consultancy and management fees earned		
– a company controlled by a Group’s director	300	380
Clients’ accounts payable		
– Group’s directors, their close family members and their companies	9,797	12,141

Notes to Condensed Consolidated Financial Statements

23 RELATED PARTY AND CONNECTED PARTY TRANSACTIONS (Continued)

(C) LOANS TO ASSOCIATES

The Group provided pro-rata shareholder loans to associates for the acquisition of investment properties in Japan. As at 31 December 2023, a loan with the principal amount of HK\$4,711,000 (30 June 2023: HK\$4,617,000) is unsecured, interest bearing at 5% per annum and repayable in January 2025. The other loan with the principal amount, net of imputed interest, of HK\$8,215,000 (30 June 2023: HK\$8,015,000) is unsecured, interest free and repayable in October 2024.

24 FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, price risk, foreign exchange risk and interest rate risk.

The unaudited interim condensed consolidated financial statements do not include all financial risk management information and disclosures related to the unaudited interim condensed consolidated financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 30 June 2023.

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

25 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

25 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31 December 2023	30 June 2023			
	HK\$'000	HK\$'000			
<i>Financial assets</i>					
Listed equity securities	119,770	137,118	Level 1	Quoted price in an active market	N/A
Listed equity securities	178	353	Level 2	Quoted market prices from dealers	N/A
Listed debt securities	20,307	17,880	Level 2	Quoted market prices from dealers	N/A
Bond funds	10,419	10,413	Level 2	Quoted market prices from dealers	N/A
Unlisted investment funds	28,065	50,507	Level 2	Dealing price of the fund derived from the net asset value of the investment with reference to observable quoted price of underlying investment portfolio in active markets	N/A
Unlisted debt security	330	330	Level 2	Quoted price in an inactive market	N/A
Overseas unlisted equity security	1,147	1,406	Level 2	Net asset value	N/A
Overseas unlisted equity security	45,232	45,232	Level 3	Recent transaction price in an inactive market	N/A
Overseas unlisted equity security	3,980	4,134	Level 3	Income approach	Cost of capital of 23.15% (30 June 2023: 23.83%) Discount for lack of control of 10% (30 June 2023: 10%) Discount for lack of marketability of 25% (30 June 2023: 25%)
<i>Financial liabilities</i>					
Listed equity securities	5,556	7,225	Level 1	Quoted price in an active market	N/A
Net assets attributable to holders of non-controlling interests in consolidated investment funds	55,887	65,416	Level 2	Net asset value of underlying investments determined with reference to active market price	N/A

Notes to Condensed Consolidated Financial Statements

25 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

For overseas unlisted equity security under level 3 of the fair value hierarchy with quantitative significant unobservable inputs developed by the Group when measuring the fair value, a 10% increase/decrease in the cost of capital used in isolation would result in a decrease in the fair value measurement of the overseas unlisted equity security of HK\$182,000 (30 June 2023: HK\$174,000) or an increase of HK\$199,000 (30 June 2023: HK\$190,000). A 10% increase/decrease in discount for lack of control and discount for lack of marketability used in isolation would result in a decrease/increase in the fair value measurement of the overseas unlisted equity security of HK\$44,000 (30 June 2023: HK\$46,000) and HK\$131,000 (30 June 2023: HK\$138,000) respectively.

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

	Financial assets at fair value through profit or loss	
	31 December 2023 HK\$'000	30 June 2023 HK\$'000
Opening balance	49,366	4,525
Transfer from level 2	–	45,232
Fair value change charged to profit or loss	(154)	(391)
	49,212	49,366

For the six-month period ended 31 December 2023, the total gains or losses for the period included in profit or loss represent unrealised loss of HK\$154,000 for the period related to financial assets measured at FVTPL under Level 3 held at the end of the reporting period (for the period ended 31 December 2022: HK\$537,000).

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the interim condensed consolidated financial statements approximate their fair value.

FAIR VALUE MEASUREMENT AND VALUATION PROCESS

Management is responsible for determining the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the financial instruments, the Group uses market-observable data to the extent it is available. In estimating the fair value of a financial asset under level 3 of the fair value hierarchy, the Group has engaged the valuer to establish appropriate valuation technique. The management reviews the valuations bi-annually.

26 KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these interim condensed consolidated financial statements, management is required to exercise significant judgments in the selection and application of accounting principles, including making estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. In preparing the unaudited interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended 30 June 2023.

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

RISK MANAGEMENT

The Group's business, financial conditions and results of operations may be affected by risks and uncertainties pertaining to the Group's business. The factors explained below could cause the Group's financial conditions or results of operations to differ materially from expected or historical results. Please refer to the note "Financial instruments" on page 24 for a more detailed discussion of specific risks. There may be other risks in addition to those mentioned in the Interim Report that are unknown to the Group, or which may not be material now but could be material in the future.

The Group's results are affected by trends in the industry in which it operates, particularly, investment, brokerage, corporate finance and capital markets. Income from these operations is dependent upon the interest rates, conditions in global investment and money markets and therefore there can be no assurance that changes in these conditions will not adversely affect the Group's financial conditions and results of operations.

The Group operates in highly competitive and rapidly changeable markets. New market entrants, the intensification of price competition by existing competitors, product innovation or technical advancement could adversely affect the Group's financial conditions and results of operations. When the price of securities (listed or unlisted) decreases, it will adversely affect the value of our investment portfolio.

The introduction of new legislation and rules by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Hong Kong Securities and Futures Commission and other regulatory bodies in Hong Kong and overseas may induce change in market conditions that may adversely affect the operating results of the Company.

RISK MANAGEMENT POLICIES AND PROCEDURES

The Group has established policies and procedures for risk management which are reviewed regularly by the management to ensure the proper monitoring and control of all major risks arising from the Group's activities. The Group's Legal and Compliance Department, together with the Finance and Accounts Department and other control committees also perform regular reviews to supplement the various internal control measures adopted by management and various divisions within the Group to ensure compliance with policies and procedures.

Management Discussion and Analysis

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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2023, the interests and/or short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV the Hong Kong Securities and Futures Ordinance ("SFO")), as recorded in the register maintained under Section 352 of the SFO or as notified to the Company were as follows:

(I) Interest in Long Positions of Ordinary Shares of the Company

Name of director	Type of interest	Number of ordinary shares in the Company	% of total issued shares
Dr Jonathan Koon Shum Choi*	Corporate	216,977,548	29.34%
Dr Jonathan Koon Shum Choi	Personal	204,746,039	27.68%
Mr Michael Koon Ming Choi	Personal	51,868,399	7.01%
Mr Michael Koon Ming Choi	Corporate	10,842,279	1.46%

* Dr Jonathan Koon Shum Choi is deemed to be interested in 216,977,548 ordinary shares by virtue of the SFO. Such interest in shares is also set out under the section "Substantial shareholders' interests and short positions in the shares and underlying shares of the Company" shown on page 34.

Save as disclosed above, none of the directors and chief executive of the Company or any of their spouses or children under 18 years of age has interests or short positions in the shares, underlying shares or debentures of the Company and associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Save as disclosed above, as at 31 December 2023, none of the directors and chief executive had any interests or short positions in the shares of the Company and its associated corporations as defined in the SFO, and none of the directors and chief executive or any of their spouses or children under 18 years of age had been granted any rights to subscribe for the shares of the Company, or had exercised any such rights during the period.

Save as disclosed above, at no time during the period was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors or chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or any other body corporate.

Management Discussion and Analysis

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2023, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests represent long positions in the shares of the Company.

	Name of shareholder	Country of incorporation	Number of ordinary shares in the Company		% of total issued shares	Note
			Direct interest	Deemed interest		
(1)	Dr Jonathan Koon Shum Choi	N/A	204,746,039	216,977,548	57.02%	(a)
(2)	World Developments Limited	British Virgin Islands	185,701,741	–	25.11%	(a)
(3)	Sunwah International Limited ("SIL")	Bermuda	–	185,701,741	25.11%	(a)
(4)	Sun Wah Capital Limited	British Virgin Islands	31,275,807	185,701,741	29.34%	(a)
(5)	Mr Michael Koon Ming Choi	N/A	51,868,399	10,842,279	8.47%	

Note:

- (a) 185,701,741 shares represent the same interest and are therefore duplicated amongst World Developments Limited, SIL, Sun Wah Capital Limited and Dr Jonathan Koon Shum Choi. World Developments Limited is a wholly owned subsidiary of SIL. Sun Wah Capital Limited beneficially owns 100% of the issued share capital of SIL and therefore is deemed (by virtue of the SFO) to be interested in these 185,701,741 shares. Dr Jonathan Koon Shum Choi, beneficially owns or has control of more than one-third of the issued share capital of Sun Wah Capital Limited and therefore is deemed (by virtue of the SFO) to be interested in these 185,701,741 shares. As Dr Jonathan Koon Shum Choi beneficially owns or has control of more than one-third of the issued share capital of Sun Wah Capital Limited, he is therefore deemed (by virtue of the SFO) to be interested in 31,275,807 shares directly owned by Sun Wah Capital Limited. Ms Janice Wing Kum Kwan, the spouse of Dr Choi, is deemed (by virtue of the SFO) to be interested in all beneficial and deemed interest of Dr Jonathan Koon Shum Choi.

Save as disclosed above, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified by any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and has complied with the code provisions of the Corporate Governance Code as set out in Appendix C1 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the six months ended 31 December 2023.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 24 November 2020. The principal terms of the Share Option Scheme are summarised in the circular of the Company dated 20 October 2020. The main purpose of the Share Option Scheme is to provide incentives or rewards to participants for their contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group.

During this period, no share option had been granted, exercised, cancelled or lapsed under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 31 December 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.

CHANGES IN DIRECTORS' INFORMATION

The changes in the Directors' information as required to be disclosed pursuant to Chapter 13.51B(1) of the Listing Rules are set out below:

Dr Lee G. Lam

Dr Lam was appointed as an independent non-executive director of MOS House Group Limited during the six months under review.

Dr Lam resigned as director of Alset International Limited and Thomson Medical Group Limited, respectively, and retired from the board of Haitong Securities Company Limited during the six months under review.

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.

On behalf of the Board

Michael Koon Ming Choi

Chief Executive Officer

Hong Kong, 22 February 2024

Independent Review Report



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

TO THE BOARD OF DIRECTORS OF SUNWAH KINGSWAY CAPITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 2 to 26, which comprises the condensed consolidated statement of financial position of Sunwah Kingsway Capital Holdings Limited (the “Company”) and its subsidiaries (the “Group”) as at 31 December 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

22 February 2024

Directory of Licensed Subsidiaries and Affiliates

LICENSED SUBSIDIARIES OF SUNWAH KINGSWAY CAPITAL HOLDINGS LIMITED

Kingsway Financial Services Group Limited

Licensed Corporation of the Hong Kong Securities and Futures Commission
Exchange Participant of The Stock Exchange of Hong Kong
Broker Participant of Hong Kong Securities Clearing Company Limited
Exchange Participant of Hong Kong Futures Exchange
Participant of HKFE Clearing Corporation Limited
Options Trading Exchange Participant of SEHK
SEOCH Direct Clearing Participant
Lead Underwriter and Securities Broker licence for B-Shares of Shenzhen and Shanghai Stock Exchanges granted by the China Securities Regulatory Commission
B-Shares Special Seat Holder of Shenzhen Stock Exchange
B-Shares Tangible Trading Seat Holder of Shanghai Stock Exchange
B-Shares Special Clearing Participant of China Securities Depository and Clearing Corporation Limited – Shenzhen Branch
B-Shares Clearing Participant of China Securities Depository and Clearing Corporation Limited – Shanghai Branch

Kingsway Capital Limited

Licensed Corporation of the Hong Kong Securities and Futures Commission
Main Board and GEM Board Sponsor of The Stock Exchange of Hong Kong

Kingsway SW Asset Management Limited

Licensed Corporation of the Hong Kong Securities and Futures Commission

Kingsway SW Finance Limited

Money Lender registered with the HKSAR Government

AFFILIATED & OVERSEAS OFFICES

China

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新華滙富

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