

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2021**

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 2021.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 31 December	
		2021 Unaudited <i>HK\$'000</i>	2020 Unaudited <i>HK\$'000</i>
Revenue			
Commission and fee income		27,539	28,054
Interest income arising from financial assets at amortised cost		6,617	10,438
Interest income arising from debt securities		628	869
Dividend income		1,763	881
Rental income		1,465	1,488
		<hr/>	<hr/>
	3	38,012	41,730
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	4	(2,422)	27,169
Other income and gains or losses	5	310	3,356
		<hr/>	<hr/>
		35,900	72,255
Commission expenses		(3,350)	(3,396)
General and administrative expenses		(43,687)	(51,166)
Finance costs		(599)	(1,879)
Net impairment losses on financial instruments		(12,683)	(11,248)
Fair value changes on investment properties		(305)	159
Changes on non-controlling interests in consolidated investment fund	5	(1,381)	(1,036)
Share of profits/(losses) of associates	5	1,596	(144)
		<hr/>	<hr/>
(Loss)/profit before tax	6	(24,509)	3,545
Income tax expenses	7	(1,966)	(1,948)
		<hr/>	<hr/>
(Loss)/profit for the period		(26,475)	1,597
Attributable to:			
Owners of the Company		(26,252)	1,959
Non-controlling interests		(223)	(362)
		<hr/>	<hr/>
(Loss)/profit for the period		(26,475)	1,597
		<hr/> <hr/>	<hr/> <hr/>
Basic and diluted (loss)/earnings per share	9	(3.65) HK cents	0.3 HK cent
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 December	
	2021	2020
	Unaudited HK\$'000	Unaudited HK\$'000
(Loss)/profit for the period	(26,475)	1,597
Other comprehensive income/(expense):		
<i>Items that will not be reclassified to profit or loss:</i>		
Land and buildings held for own use		
– Surplus/(deficit) on revaluation	3,524	(24,235)
– Income tax effect	172	3,845
	<u>3,696</u>	<u>(20,390)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of overseas subsidiaries	589	3,683
Reclassification adjustment for foreign operation deregistered during the period	144	–
	<u>733</u>	<u>3,683</u>
Other comprehensive income/(expense) for the period	<u>4,429</u>	<u>(16,707)</u>
Total comprehensive expense for the period	<u>(22,046)</u>	<u>(15,110)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(21,807)	(14,748)
Non-controlling interests	(239)	(362)
Total comprehensive expense for the period	<u>(22,046)</u>	<u>(15,110)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	31 December 2021 Unaudited HK\$'000	30 June 2021 Audited HK\$'000
Non-current assets			
Investment properties		82,269	82,574
Properties and equipment		347,921	350,468
Intangible assets		2,489	2,489
Goodwill		1,149	1,149
Interests in associates		19,035	17,439
Loans to and amounts due from associates		14,590	14,257
Loan receivables	10	–	7,619
Other assets		5,033	5,033
Financial assets at fair value through profit or loss		67,560	74,640
Deferred tax assets		1,515	2,946
		541,561	558,614
Current assets			
Financial assets at fair value through profit or loss		228,421	246,528
Accounts, loans and other receivables	10	307,907	332,533
Contract assets		–	300
Bank balances and cash – trust accounts		568,313	668,244
Cash and cash equivalents		199,346	168,610
		1,303,987	1,416,215
Current liabilities			
Financial liabilities at fair value through profit or loss		10,599	13,107
Net assets attributable to holders of non-controlling interests in consolidated investment fund		14,648	11,931
Accruals, accounts and other payables	11	748,189	768,891
Lease liabilities		1,324	2,116
Contracts liabilities		9,180	17,882
Bank loan and overdraft		63,729	130,000
Current tax liabilities		2,959	3,199
		850,628	947,126
Net current assets		453,359	469,089
Total assets less current liabilities		994,920	1,027,703
Non-current liabilities			
Deferred tax liabilities		27,657	27,431
Lease liabilities		2,941	3,315
		30,598	30,746
NET ASSETS		964,322	996,957
CAPITAL AND RESERVES			
Share capital		71,945	71,945
Reserves		891,141	923,740
Equity attributable to owners of the Company		963,086	995,685
Non-controlling interests		1,236	1,272
TOTAL EQUITY		964,322	996,957

NOTES

1 BASIS OF PREPARATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the unaudited interim condensed consolidated financial statements for the six months ended 31 December 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2021.

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 2021 for the preparing of the Group’s unaudited interim condensed consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 July 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had interest-bearing bank borrowing denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate as at 31 December 2021. If the interest rate of this borrowing is replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of this borrowing when the “economically equivalent” criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to this change.

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has adopted the amendment on 1 July 2021 and applied the practical expedient during the period ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$72,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 31 December 2021. There was no impact on the opening balance of equity as at 1 July 2021.

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	
	2021	2020
	HK\$'000	HK\$'000
Revenue from contracts with customers		
<i>Commission and fee income</i>		
– securities, options, funds, futures and commodities brokerage	10,802	14,595
– underwriting and placements in equity capital markets	–	1,469
– corporate finance	14,020	9,327
– asset management	23	15
– miscellaneous fee income	2,694	2,648
	<u>27,539</u>	<u>28,054</u>
	-----	-----
Revenue from other sources		
<i>Interest income arising from financial assets at amortised cost</i>		
– bank deposits	297	602
– margin and cash clients	666	3,329
– loans	5,633	6,478
– others	21	29
	<u>6,617</u>	<u>10,438</u>
	-----	-----
<i>Interest income arising from debt securities</i>	628	869
<i>Dividend income</i>	1,763	881
<i>Rental income</i>	1,465	1,488
	<u>10,473</u>	<u>13,676</u>
	-----	-----
	<u>38,012</u>	<u>41,730</u>
	=====	=====

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 2021

Segments	Brokerage and financing <i>HK\$'000</i>	Corporate finance and capital markets <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of services					
Brokerage service	10,802	-	-	-	10,802
Capital market service	-	-	-	-	-
Corporate finance service	-	14,020	-	-	14,020
Asset management service	-	-	23	-	23
Other services	2,347	-	-	347	2,694
Total revenue from contracts with customers	<u>13,149</u>	<u>14,020</u>	<u>23</u>	<u>347</u>	<u>27,539</u>
Geographical markets					
Hong Kong	12,513	14,020	23	347	26,903
The People's Republic of China (the "PRC")	3	-	-	-	3
Other countries	633	-	-	-	633
Total revenue from contracts with customers	<u>13,149</u>	<u>14,020</u>	<u>23</u>	<u>347</u>	<u>27,539</u>
Timing of revenue recognition					
Services transferred at a point in time	13,149	10,480	23	347	23,999
Services transferred over time	-	3,540	-	-	3,540
Total revenue from contracts with customers	<u>13,149</u>	<u>14,020</u>	<u>23</u>	<u>347</u>	<u>27,539</u>

For six months ended 31 December 2020

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	14,595	–	–	–	14,595
Capital market service	–	1,469	–	–	1,469
Corporate finance service	–	9,327	–	–	9,327
Asset management service	–	–	15	–	15
Other services	2,037	–	–	611	2,648
Total revenue from contracts with customers	<u>16,632</u>	<u>10,796</u>	<u>15</u>	<u>611</u>	<u>28,054</u>
Geographical markets					
Hong Kong	15,427	10,796	15	611	26,849
The People's Republic of China (the "PRC")	1	–	–	–	1
Other countries	1,204	–	–	–	1,204
Total revenue from contracts with customers	<u>16,632</u>	<u>10,796</u>	<u>15</u>	<u>611</u>	<u>28,054</u>
Timing of revenue recognition					
Services transferred at a point in time	16,632	1,579	–	–	18,211
Services transferred over time	–	9,217	15	611	9,843
Total revenue from contracts with customers	<u>16,632</u>	<u>10,796</u>	<u>15</u>	<u>611</u>	<u>28,054</u>

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

	Six months ended 31 December	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Listed equity securities	263	20,407
Listed debt securities	(5,707)	445
Listed derivatives	3,699	(3,213)
Bond funds	(1,060)	535
Unlisted investment loan	–	5,282
Unlisted investment funds	(4,343)	3,430
Overseas unlisted equity securities	4,726	283
	<u>(2,422)</u>	<u>27,169</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 2021						Consolidated <i>HK\$'000</i>
	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>	
Commission and fee income	-	-	13,149	14,020	23	347	27,539
Interest income arising from financial assets at amortised cost	21	333	6,262	-	1	-	6,617
Interest income arising from debt securities	628	-	-	-	-	-	628
Other income	1,763	1,465	-	-	-	-	3,228
Inter-segment revenue	-	-	1,028	-	3,153	10,125	14,306
Segment revenue	2,412	1,798	20,439	14,020	3,177	10,472	52,318
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(2,471)	-	49	-	-	-	(2,422)
Other income and gains or losses	110	-	(693)	3	292	598	310
Eliminations	-	-	(1,028)	-	(3,153)	(10,125)	(14,306)
	<u>51</u>	<u>1,798</u>	<u>18,767</u>	<u>14,023</u>	<u>316</u>	<u>945</u>	<u>35,900</u>
Segment results	<u>(11,395)</u>	<u>887</u>	<u>(11,981)</u>	<u>3,256</u>	<u>1,272</u>	<u>(6,763)</u>	<u>(24,724)</u>
Share of profits of associates	-	157	1,439	-	-	-	1,596
Changes on non-controlling interests in consolidated investment fund	(1,381)	-	-	-	-	-	(1,381)
Loss before tax							<u>(24,509)</u>

Six months ended 31 December 2020

	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	—	—	16,632	10,796	15	611	28,054
Interest income arising from financial assets at amortised cost	18	324	10,080	16	—	—	10,438
Interest income arising from debt securities	869	—	—	—	—	—	869
Other income	881	1,488	—	—	—	—	2,369
Inter-segment revenue	—	—	835	—	440	11,231	12,506
Segment revenue	1,768	1,812	27,547	10,812	455	11,842	54,236
Net gain on financial assets and liabilities at fair value through profit or loss	27,138	—	31	—	—	—	27,169
Other income and gains or losses	30	—	31	13	(3)	3,285	3,356
Eliminations	—	—	(835)	—	(440)	(11,231)	(12,506)
	<u>28,936</u>	<u>1,812</u>	<u>26,774</u>	<u>10,825</u>	<u>12</u>	<u>3,896</u>	<u>72,255</u>
Segment results	<u>18,476</u>	<u>341</u>	<u>(6,637)</u>	<u>(6,101)</u>	<u>(1,309)</u>	<u>(45)</u>	4,725
Share of (losses)/profits of associates	—	(430)	286	—	—	—	(144)
Changes on non-controlling interests in consolidated investment fund	(1,036)	—	—	—	—	—	(1,036)
Profit before tax							<u>3,545</u>

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

	31 December	30 June
	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proprietary investment	379,473	369,948
Property investment	98,279	98,132
Brokerage and financing	1,004,741	1,132,802
Corporate finance and capital markets	25,795	34,690
Asset management	12,790	10,240
Others	324,470	329,017
	<u>1,845,548</u>	<u>1,974,829</u>

6 (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs	(25,472)	(28,262)
Lease payments not included in the measurement of lease liabilities	(316)	(748)
Depreciation	(6,150)	(6,419)
Interest expenses on		
– unsecured bank loans wholly repayable within one month and overdrafts	(17)	(6)
– secured bank loans wholly repayable within one year	(420)	(1,820)
– others	(115)	(5)
– lease liabilities	(47)	(48)
Exchange gain (net)	646	3,325
	<u>646</u>	<u>3,325</u>

7 INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
– Hong Kong	134	983
– PRC	3	437
	<u>137</u>	<u>1,420</u>
Over provision in prior years	–	(20)
Deferred tax	1,829	548
	<u>1,829</u>	<u>548</u>
	<u>1,966</u>	<u>1,948</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\$17.2 million (31 December 2020: HK\$13.8 million) are wholly set off by tax losses brought forward. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25%.

8 DIVIDENDS

Dividends recognised as distributions during the period:

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, declared and payable of 1.5 HK cents per share (2020: paid of 1 HK cent per share)	10,792	7,128

Subsequent to the end of the interim reporting period, at a meeting held on 24 February 2022, the directors declared an interim dividend of 1 HK cent per share (31 December 2020: 1.5 HK cents per share) for an aggregate amount of HK\$7,304,000 (31 December 2020: HK\$10,792,000) based on the number of shares in issue at 24 February 2022.

9 (LOSS)/EARNINGS PER SHARE

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

	Six months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
(Loss)/earnings		
(Loss)/profit for the purposes of basic and diluted (loss)/earnings per share		
(Loss)/profit attributable to owners of the Company for the period	(26,252)	1,959
Number of shares		
Number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	719,452,868	712,761,496

10 ACCOUNTS, LOANS AND OTHER RECEIVABLES

	<i>Notes</i>	31 December 2021 HK\$'000	30 June 2021 HK\$'000
Accounts and loan receivables			
Amounts due from brokers and clearing houses	<i>(a)</i>	146,421	76,213
Amounts due from margin clients	<i>(b)</i>	26,157	28,738
Amounts due from cash clients	<i>(c)</i>	46,383	125,636
Loan receivables	<i>(d)</i>	125,611	135,225
Other accounts receivable	<i>(e)</i>	3,905	2,460
		348,477	368,272
Less: Impairment allowances		(55,760)	(41,812)
		292,717	326,460
Less: Non-current portion		–	(7,619)
		292,717	318,841
Prepayments, deposits and other receivables			
		15,190	15,623
Less: Impairment allowances		–	(1,931)
		15,190	13,692
		307,907	332,533

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\$12,719,000 (30 June 2021: HK\$15,728,000) was pledged as collateral for the stock borrowing transactions.

- (b) Margin clients of the brokerage division are required to pledge securities 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 2021, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK\$30 million (30 June 2021: HK\$79 million). As at 31 December 2021 and 30 June 2021, the market value of collateral held by a substantial number of our margin clients was larger than their outstanding balance. The Group provided additional impairment against several margin clients with value of collateral held which was below the outstanding balance of their margin loans. As a result, the Group provided accumulated impairment losses of HK\$19 million (30 June

2021: HK\$18 million) as at 31 December 2021. Management monitors the market value of collateral during the reviews of the adequacy of the impairment allowance. The fair value of collateral can be objectively ascertained to cover the outstanding amount of the loan balances 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\$56 million (30 June 2021: HK\$68 million) and factoring receivables of HK\$70 million (30 June 2021: HK\$67 million), and accumulated impairment allowances of HK\$34 million (30 June 2021: HK\$23 million) as at 31 December 2021. The Group provided additional impairment loss of HK\$12 million against its fixed-rate loan and factoring receivables clients which were failed to repay upon maturity. The credit terms for loans granted by the Group's brokerage and financing division are determined by management with reference to the financial background and the value and nature of collateral pledged by the borrowers. The loan receivables are mainly secured by personal/corporate guarantee and trade receivables. The contractual maturity date of the loan receivables is normally within one year.
- (e) The Group normally allows credit periods of up to 30 days to customers, except for certain creditworthy customers with long term relationships and stable repayment patterns, where the terms are extended to a longer period.

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

	31 December 2021 HK\$'000	30 June 2021 HK\$'000
Current and within one month	263,549	300,421
More than one month and within three months	212	–
More than three months	28,956	26,039
	292,717	326,460

Included in the above table, loan receivables of approximately HK\$64,874,000 and HK\$26,393,000 (30 June 2021: HK\$87,715,000 and HK\$24,838,000) 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 brokers and clearing houses	Amounts due from margin clients	Amounts due from cash clients	Loan receivables	Other accounts receivable	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 July 2020	6	9,353	40	14,334	534	24,267
Impairment losses recognised	–	8,512	6	8,338	962	17,818
Amounts written off as uncollectible	–	–	–	–	(273)	(273)
At 30 June 2021 and 1 July 2021	6	17,865	46	22,672	1,223	41,812
Impairment losses recognised	–	1,283	81	11,672	912	13,948
Amounts written off as uncollectible	–	–	–	–	–	–
At 31 December 2021	<u>6</u>	<u>19,148</u>	<u>127</u>	<u>34,344</u>	<u>2,135</u>	<u>55,760</u>

11 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	31 December 2021	30 June 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts payable (on demand or within one month)		
Amounts due to brokers and clearing houses	18,474	8,151
Clients' accounts payable	691,919	713,599
Others	11,532	10,151
	<u>721,925</u>	<u>731,901</u>
Other creditors, accruals and other provisions	26,264	36,990
	<u>748,189</u>	<u>768,891</u>

The settlement terms of payable to brokers, clearing houses and securities trading clients from the ordinary course of business of broking in securities range from one to two days after the trade date of those transactions. Deposits exceeding the margin requirement received from clients for their trading of commodities and futures contracts are payable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

THE MARKET

The performance of Hong Kong stock market in 2021 lagged other major markets. Global stock markets benefiting from the pandemic easy-money policies and optimism over economic reopening, and reached record highs in 2021. However, the Chinese property debt repayment concerns and weak retail spending have adversely affected the Hong Kong stock market. The Chinese government attempted to implement policies in new economy sectors to achieve more “common prosperity” also increased the uncertainty of the market. The Hang Seng Index (“HSI”) was down approximately 14% in 2021, the biggest annual loss in a decade. The HSI closed at 23,398 at the end of December 2021, compared with 28,828 at the end of June 2021 and 27,231 at the end of December 2020. The average monthly aggregate turnover on the Main Board and GEM Board during the six months ended 31 December 2021 (“the first half year of FY2022”) increased by 4% to HK\$3,069 billion, as compared with HK\$2,962 billion for the six months ended 31 December 2020 (“the first half year of FY2021”). However, the Hong Kong IPO market shrank as China’s regulatory crackdown on several industries cooled the market and hurt fundraising activity in the second half of 2021. The funds raised from IPOs on the Main Board decreased by 61% to HK\$118 billion during the first half year of FY2022, as compared with HK\$306 billion for the first half year of FY2021.

FINANCIAL HIGHLIGHTS

The Group recorded a loss after tax of HK\$26 million for the first half year of FY2022, as compared to a profit after tax of HK\$2 million for the first half year of FY2021. After taking into account the other comprehensive income for the period, the Group recorded a total comprehensive expense of HK\$22 million for the first half year of FY2022, as compared to a total comprehensive expense of HK\$15 million for the first half year of FY2021. Following the social tensions and COVID-19 outbreak over the past two years, Hong Kong’s commercial property market has become relatively stable in the first half year of FY2022, supported by moderate economic growth. The Group recognised a revaluation surplus, net of tax, of HK\$4 million for the first half year of FY2022, as compared with a deficit of HK\$20 million for the first half year of FY2021. Commission and fee income from our financial intermediary business was HK\$28 million for the first half year of FY2022, the same as the first half year of FY2021. Interest income was HK\$7 million for the first half year of FY2022, as compared with HK\$11 million for the first half year of FY2021. Dividend and rental income was HK\$3 million for the first half year of FY2022, as compared with HK\$2 million for the first half year of FY2021. The Hang Seng Index decreased by 19% during the first half year of FY2022, compared to an increase of 11% during the first half year of FY2021. As a result, the Group recorded a net loss of HK\$2 million on financial assets and liabilities at fair value through profit or loss for the first half year of FY2022, as compared with a gain of HK\$27 million for the first half year of FY2021. General and administrative expenses decreased by HK\$7 million, from HK\$51 million for the first half year of FY2021 to HK\$44 million for the first half year of FY2022, which was mainly caused by the decrease in staff bonus provision and referral fee paid for a corporate finance project.

BROKERAGE AND FINANCING

Total revenue of the division was HK\$20 million for the first half year of FY2022, as compared with HK\$28 million for the first half year of FY2021. The brokerage commission income decreased by HK\$4 million to HK\$11 million for the first half year of FY2022, as compared with HK\$15 million for the first half year of FY2021, mainly due to the decrease in trading turnover of our institutional clients. The poor performance of newly listed companies cooled the Hong Kong IPO fundraising activities and some clients reduced their margin positions, resulting in a decrease in interest income from brokerage clients by HK\$2 million to HK\$1 million for the first half year of FY2022.

The gross margin loans, fixed-rate loans and factoring receivables amounted HK\$152 million as at 31 December 2021, as compared with HK\$164 million as at 30 June 2021. The accumulated provision for expected credit loss for the loan portfolio as at 31 December 2021 was HK\$53 million, an increase of HK\$13 million when compared with HK\$40 million as at 30 June 2021. The Group provided an impairment loss of HK\$12 million for a margin client, two fixed-rate loan clients and three factoring receivable clients for the first half year of FY2022. A debtor of our factoring customer failed to settle its outstanding bills payable. The debtor is a PRC company listed on the Shenzhen Stock Exchange. A restructuring plan was approved by its creditors during the year. The debtor will issue new shares to the creditors at a premium to fulfill the obligation of the bills payable. The Group estimated an expected loss of HK\$7 million on the principal amount of HK\$16 million for this factoring customer. The Group will continue to handle the loan portfolio with prudent risk management strategy.

The Group entered into a non-legally binding strategic cooperation memorandum of understanding with two business partners during the year. By forming strategic alliances with the business partners, the Group will have the opportunity to participate in the development of cross-border integrated financial services.

The Group entered into a joint venture agreement with several joint venture partners to establish a joint venture company in Chongqing, the PRC, in 2016. Subject to the approvals of the China Securities Regulatory Commission (“CSRC”), it is contemplated that the joint venture company will become a full-licensed securities company. The Group received document request lists from the CSRC through the joint venture company and is now providing additional and updated information.

CORPORATE FINANCE AND CAPITAL MARKETS

Total revenue of the division was HK\$14 million for the first half year of FY2022, as compared with HK\$11 million for the first half year of FY2021. The division completed a transfer of listing from the GEM to Main Board during the period. The progress of the due diligence of other IPO projects was affected by the quarantine measures caused by the pandemic, hence, the division focused on the advisory services provided for listed companies during the period.

Capital market remained lackluster in our target client segment and the division did not recognised any underwriting and placement fee in the first half year of FY2022, as compared with HK\$1 million for the first half year of FY2021.

ASSET MANAGEMENT

Total revenue of the division was immaterial for the first half year of FY2022 and FY2021. The division is now approaching several private equity funds and high net worth clients to provide assets management services to generate more revenue. The Group is also exploring marketing Vietnam focused investment funds and setting up a new boutique investment fund in Hong Kong.

PROPRIETARY INVESTMENT

Total revenue of the division was HK\$2 million for the first half year of FY2022 and FY2021. After including net gain or loss on disposal of financial assets and liabilities at fair value through profit or loss, the division recognised a minimal loss for the first half year of FY2022, as compared to an income of HK\$29 million for the first half year of FY2021. The pricing of PRC property bonds fell sharply after China Evergrande Group defaulted on its debt. As a result, the division recognised an unrealized loss of HK\$5 million for the PRC property bond portfolio. The market value of the PRC property bond portfolio was HK\$7 million as at 31 December 2021. The division will shift its focus from listed debt securities to bond funds which have higher degree of diversification. The division partially redeemed an investment fund of HK\$12 million during the period to realise trading gain and rebalance the investment ratios among investment funds. For the investment in the unlisted smart mobility company, the division recognised an unrealized gain of HK\$8 million for the first half year of FY2022 and recorded a realized and unrealized trading gain of HK\$41 million since the date of investment. The Group will continue to look for attractive private equity investments to optimize the investment portfolio and enhance investment return for the Group.

As at 31 December 2021, the carrying value of the unlisted investments, listed securities and listed debt securities and bond funds portfolio was HK\$119 million, HK\$149 million and HK\$28 million respectively (30 June 2021: HK\$126 million, HK\$151 million and HK\$44 million). The largest investment of the financial assets at fair value through profit or loss was an unlisted equity security which accounted for approximately 2.3% of the Group's consolidated total assets as at 31 December 2021. The directors considered that investments with a fair value of more than 5% of the Group's consolidated total assets as a significant investment.

The Group acquired an approximately 11% equity interest in China New Economy Fund Limited ("China New Economy") at a consideration of HK\$16 million during the period. After the acquisition, the Group held approximately 19% equity interest in China New Economy at the end of December 2021. The Group further subscribed for the rights shares of China New Economy at a consideration of HK\$15 million in February 2022. Additionally, our Chief Executive Officer was appointed as a Non-executive Director of China New Economy. China New Economy was established for the purpose of acting as a closed-ended investment company. The principal investment objective is to achieve long term capital appreciation through investing globally in both private and public enterprise that have demonstrated the ability to manufacture a product or deliver a service that is supported by the economies of PRC. The Group considers it is a long term strategic investment that enable the Group to cooperate with China New Economy in private equity investment and portfolio investment.

PROPERTY INVESTMENTS

Total revenue of the division was HK\$2 million for the first half year of FY2022 and FY2021. The rental income received from these properties provided stable cash inflow for the division. Facing the increased supply of retail shops in Kwun Tong in 2021, our investment property in Hong Kong recorded a revaluation deficit of HK\$2 million for the first half year of FY2022. The loss was partially offset by the recovery of Beijing commercial real estate market and the appreciation of the RMB which benefited our investment property in Beijing and generated a revaluation surplus of HK\$1.7 million. In aggregate, the division recognised a revaluation deficit of HK\$0.3 million for the first half year of FY2022.

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

In December 2021, the Group and its business partners entered into the Cooperation Framework Agreement to establish a project company to acquire a company which holds two parcels of land located in Hong Kong. The Group holds 30% equity interest in the project company and the expected maximum capital commitment will be HK\$45 million. It is the Group's long term business direction to source for investment opportunities in the real estate market and related projects in Hong Kong. By establishment of the project company, the Group could benefit from the cooperation with the partners which allow the pooling of funds for such large-scale development projects with a relatively low capital commitment. The Group could also leverage on the expertise of the partners in investing in the property development and investment business to create a greater return for our shareholders. The Group is now performing the legal and financial due diligence of the target company.

OUTLOOK

The markets are facing multiple risks in 2022. The expected tightening of monetary policies in the US is going to affect global market liquidity. The geopolitical tension at Ukraine is bringing uncertainty to the global economy and commodity markets. The PRC property companies are still struggling to handle their upcoming debt repayments and interest servicing. The explosion in COVID-19 cases in Hong Kong since early February is putting pressure on the local medical system. All these risks and uncertainties lead to a prudent business mode. Management is going to focus on liquidity management and preservation of capital until there are signs that the markets return to expansion mode again.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at the end of December 2021 were HK\$1,846 million, of which approximately 71% were current in nature. Net current assets were HK\$453 million, accounting for approximately 47% of the net assets of the Group as at end of December 2021. The Group had net cash and cash equivalents of HK\$196 million as at end of December 2021, which was mainly denominated 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 2021 were used to finance its investment portfolio. The bank loans were denominated in Hong Kong dollars and charged at floating interest rate. The Group's gearing ratio was approximately 7% as at the end of December 2021. As at 31 December 2021, the office property with carrying value of HK\$330 million was pledged to a bank as security for the banking facility.

Other than the indemnity provided to the Hong Kong Securities Clearing Co. Ltd., the Group had no other material contingent liabilities as at the end of December 2021. The Company provided corporate guarantees of HK\$210 million for banking facilities granted to its subsidiaries.

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES

As at 31 December 2021, the number of full time employees of the Group was 89 (30 June 2021: 95). Remuneration and bonus are based on performance and are reviewed annually in conjunction with the annual employee performance appraisal. It also takes into consideration the results of the division to which the employee belongs and the Group as a whole. The Group provides a full induction program and in-house training courses to all staff – particularly professionals registered with relevant regulatory bodies who must meet their mandatory continued professional training requirements. A share option scheme is available to directors, employees and consultants of the Group.

As a financial services provider, our most important assets are our staff, who interact and service our client's financial needs. Their health and safety is of paramount importance to the Group. In light of the outbreak of the COVID-19 pandemic in Hong Kong and the world, the Group has implemented certain protocols to protect our staff and our clients. These measures include: (i) sourcing and providing to staff Covid-19 Rapid Antigen Test kits; (ii) flexible working hours and remote working arrangements; (iii) restrictions on access to our offices and temperature screening; (iv) meetings are held by video conference or conference call as far as possible; (v) cancellation of all non-essential travel; (vi) self-isolation with pay in cases of developing symptoms or close contact with suspected cases of COVID-19 and (vii) granting of paid vaccination leave.

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 2021 (six months ended 31 December 2020: 1.5 HK cents). The dividend will be payable on Thursday, 31 March 2022 to shareholders whose names appear on the Register of Members at the close of business on Wednesday, 16 March 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 14 March 2022 to Wednesday, 16 March 2022, 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 4:30p.m. on Friday, 11 March 2022.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the six months ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the interim report and the unaudited interim condensed consolidated financial statements for the six months ended 31 December 2021. 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 2021 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement of interim results for the six months ended 31 December 2021 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 2021 of the Company containing all information as required by the Listing Rules will be dispatched to Shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 24 February 2022

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