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Southwest Securities International Securities Limited

西證國際證券股份有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 812)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Southwest Securities International Securities Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 (the “**Review Period**”), together with the comparative figures for the six months ended 30 June 2023, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Unaudited | |
|--|--------------|---------------------------------|-----------------|
| | | Six months ended 30 June | |
| | | 2024 | 2023 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 3 | 145 | 22,913 |
| Other income and gains | 5 | 8,173 | 9,877 |
| | | <u>8,318</u> | <u>32,790</u> |
| Fee and commission expenses | | (119) | (104) |
| Finance costs | 6(a) | (6,304) | (16,576) |
| Staff costs | 6(b) | (11,527) | (14,008) |
| Depreciation of fixed assets and right-of-use assets | | (263) | (516) |
| Expected credit losses on financial assets, net | 6(c) | (9) | 1,818 |
| Other operating expenses | | <u>(6,143)</u> | <u>(8,965)</u> |
| Total expenses | | <u>(24,365)</u> | <u>(38,351)</u> |

* For identification purposes only

| | | Unaudited | |
|---|--------------|---------------------------------|-----------------|
| | | Six months ended 30 June | |
| | | 2024 | 2023 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Loss before tax | 6 | (16,047) | (5,561) |
| Income tax | 7 | — | — |
| Loss for the period attributable to equity shareholders of the Company | | <u>(16,047)</u> | <u>(5,561)</u> |
| Other comprehensive income | | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange difference on translation of foreign operation | | — | — |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | | — | — |
| Other comprehensive income for the period, net of tax | | — | — |
| Total comprehensive income for the period attributable to equity shareholders of the Company | | <u>(16,047)</u> | <u>(5,561)</u> |
| Loss per share | | | |
| — Basic (<i>HK cents</i>) | 8 | <u>(0.438)</u> | <u>(0.152)</u> |
| — Diluted (<i>HK cents</i>) | 8 | <u>(0.438)</u> | <u>(0.152)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | Unaudited At 30 June 2024 <i>HK\$'000</i> | Audited At 31 December 2023 <i>HK\$'000</i> |
|--|--------------|---|---|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Fixed assets | | 555 | 613 |
| Intangible assets | | – | – |
| Financial assets at fair value through other comprehensive income | 9 | – | – |
| Other non-current assets | | <u>300</u> | <u>300</u> |
| | | <u>855</u> | <u>913</u> |
| Current assets | | | |
| Financial assets at fair value through profit or loss | 10 | – | 99,090 |
| Accounts receivable | 11 | 398 | 678 |
| Prepayments, other receivables and other assets | | 3,388 | 5,072 |
| Cash and bank balances | 12 | <u>81,292</u> | <u>603,964</u> |
| | | <u>85,078</u> | <u>708,804</u> |
| Current liabilities | | | |
| Bonds payable | 13 | – | 722,422 |
| Other payables and accrued charges | | 3,450 | 15,163 |
| Provisions | | 7,156 | 9,209 |
| Amounts due to immediate holding company | | <u>128,451</u> | <u>–</u> |
| | | <u>139,057</u> | <u>746,794</u> |
| Net current liabilities | | <u>(53,979)</u> | <u>(37,990)</u> |
| Total assets less current liabilities | | <u><u>(53,124)</u></u> | <u><u>(37,077)</u></u> |

| | Unaudited | Audited |
|-----------------------------|------------------------|-----------------|
| | At | At |
| | 30 June | 31 December |
| | 2024 | 2023 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Capital and reserves | | |
| Share capital | 366,182 | 366,182 |
| Reserves | (999,306) | (983,259) |
| Other equity instrument | 580,000 | 580,000 |
| | <u>(53,124)</u> | <u>(37,077)</u> |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The interim condensed consolidated financial information is presented in the currency of Hong Kong dollars, which is also the Company’s functional currency.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Going concern assumption

The Group incurred a consolidated loss of approximately HK\$16,047,000 for the six months ended 30 June 2024, had net current liabilities of approximately HK\$53,979,000 and capital deficiency of approximately HK\$53,124,000 as at 30 June 2024, which was mainly attributable to amounts due to immediate holding company of approximately HK\$128,451,000 that would be due for repayment on 31 December 2024, while its cash and bank balances amounted to only approximately HK\$81,292,000 as at 30 June 2024.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

In the preparation of the Group’s interim condensed consolidated financial information, the Directors have considered the on-going cash flow situation and the continuous financial support that might have from Southwest Securities International Investment Limited (“**SSII**”), the controlling shareholder of the Company, covering a period of not less than twelve months from 30 June 2024 and have given careful consideration to the Group’s future liquidity and performance and its available sources of financing to continue as a going concern.

After taking into account the following considerations, the interim condensed consolidated financial information have been prepared by the Directors on a going concern basis:

- (i) On 9 February 2024, the bonds payable was fully settled with the proceeds from the disposal of all the Group’s financial assets at fair value through profit or loss of approximately HK\$99,042,000 and a shareholder loan from SSII of HK\$120,000,000 (“**Controlling Shareholder’s Loan**”). The Controlling Shareholder’s Loan is unsecured, unguaranteed, interest-bearing at fixed rate of 6.1475% and repayable on or before 31 December 2024.

On 28 March 2024, SSII and the Company had entered into the revolving facility agreement that the Company shall be entitled to drawdown a maximum of HK\$25,000,000 or equivalent (“**Controlling Shareholder’s Revolving Loan**”) for general working capital in supporting the daily operation of the Group. As at 30 June 2024, revolving loan of approximately HK\$5,349,000 were advanced from SSII under the Controlling Shareholder’s Revolving Loan. The Controlling Shareholder’s Revolving Loan is unsecured, unguaranteed, interest-bearing at fixed rate of 6.18774% and repayable on or before 31 December 2024;

- (ii) the repayment of the Controlling Shareholder’s Loan could be negotiated and further agreed upon in writing as stipulated in the Controlling Shareholder’s Loan agreement, if necessary; and
- (iii) as of the date on which these interim condensed consolidated financial information are being approved by the Directors, being the controlling shareholder of the Company, SSII, also provided a written letter to the Company to confirm its intention to provide adequate financial support to ensure that the Group has sufficient working capital to maintain its operations until 30 June 2025.

Notwithstanding the above, material uncertainties exist that may cast significant doubt on the Group’s ability to continue as going concern, which depends on (i) the financial ability of SSII, as being controlling shareholder of the Company, to ensure the Group is able to continue as a going concern and has sufficient working capital for the Group’s requirements till 30 June 2025; and (ii) the final settlement date of the Controlling Shareholder’s Loan as further mutually agreed upon with SSII, if necessary.

Should the Group be unable to achieve the above-mentioned measures, it might not be able to continue in business as a going concern, and adjustments would have to be made to write down the carrying value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, where applicable. The effect of these adjustments has not been reflected by the Directors in the interim condensed consolidated financial information.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The measurement basis used in the preparation of these interim condensed consolidated financial information is the historical cost basis except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are measured at fair value.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2024:

| | |
|----------------------------------|---|
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements |

The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial information.

3. REVENUE

An analysis of revenue is as follows:

| | | Unaudited | |
|---|-------------|---------------------------------|----------------------|
| | | Six months ended 30 June | |
| | | 2024 | 2023 |
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Total revenue from contracts with customers within scope of HKFRS 15 | | | |
| <i>Brokerage:</i> | | | |
| — commission income on securities dealing | | <u>48</u> | <u>49</u> |
| | | <u>48</u> | <u>49</u> |
| <i>Corporate finance:</i> | | | |
| — IPO sponsor fee income | | — | 3,700 |
| — underwriting and placing commission income | | — | 1,262 |
| — consultancy and financial advisory fee income | | — | 10 |
| | | <u>—</u> | <u>4,972</u> |
| Total revenue from contracts with customers | (i) | <u>48</u> | <u>5,021</u> |
| Revenue from other sources | | | |
| <i>Interest income calculated using the effective interest method from:</i> | | | |
| — margin financing | | <u>—</u> | <u>4</u> |
| <i>Net gains from proprietary trading</i> | | <u>97</u> | <u>17,888</u> |
| Total revenue from other sources | | <u>97</u> | <u>17,892</u> |
| Total revenue | | <u><u>145</u></u> | <u><u>22,913</u></u> |

Note:

(i) An analysis of total revenue from contracts with customers was as follows:

| | Unaudited | |
|--|---------------------------------|---------------------|
| | Six months ended 30 June | |
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| <i>Analyse by business segment:</i> | | |
| <i>Brokerage</i> | | |
| — services transferred at a point in time | <u>48</u> | <u>49</u> |
| <i>Corporate finance</i> | | |
| — services transferred at a point in time | — | 1,262 |
| — services transferred over time | <u>—</u> | <u>3,710</u> |
| | <u>—</u> | <u>4,972</u> |
| | <u>48</u> | <u>5,021</u> |
| <i>Analyse by timing of revenue recognition:</i> | | |
| — services transferred at a point in time | <u>48</u> | <u>1,311</u> |
| — services transferred over time | <u>—</u> | <u>3,710</u> |
| | <u>48</u> | <u>5,021</u> |

4. SEGMENT INFORMATION

The Directors have been identified as the chief operating decision makers (“CODM”) to evaluate the performance of operating segments based on the Group’s internal reporting in respect of these segments. Segment assets and liabilities are not disclosed as they are not considered as crucial for resources allocation and thereby not being regularly provided to the CODM.

Reportable operating segments

The CODM consider brokerage and margin financing, corporate finance, proprietary trading and asset management are the Group’s major operating segments.

| | For the six months ended 30 June 2024 (Unaudited) | | | | | |
|--|---|---|---|--|--|---------------------------------|
| | Brokerage and margin financing <i>HK\$'000</i> | Corporate finance <i>HK\$'000</i> | Proprietary trading <i>HK\$'000</i> | Asset management <i>HK\$'000</i> | Other operations <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
| Segment revenue from external customers | 48 | – | 97 | – | – | 145 |
| Other income and gains | 1,333 | 2,556 | – | 1,218 | 3,066 | 8,173 |
| Fee and commission expenses | (117) | (2) | – | – | – | (119) |
| Finance costs | (1,966) | (957) | – | (356) | – | (3,279) |
| Expected credit losses on financial assets, net | 108 | (117) | – | – | – | (9) |
| Other operating expenses | (4,393) | (3,239) | (635) | (1,955) | (2,579) | (12,801) |
| Segment results | (4,987) | (1,759) | (538) | (1,093) | 487 | (7,890) |
| Unallocated expenses, represented central administration costs | | | | | | (4,869) |
| Unallocated depreciation of fixed assets | | | | | | (263) |
| Unallocated finance costs | | | | | | (3,025) |
| Loss before tax | | | | | | (16,047) |

For the six months ended 30 June 2023 (Unaudited)

| | Brokerage and margin financing <i>HK\$'000</i> | Corporate finance <i>HK\$'000</i> | Proprietary trading <i>HK\$'000</i> | Asset management <i>HK\$'000</i> | Other operations <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|---|---|---|--|--|---------------------------------|
| Segment revenue from external customers | <u>53</u> | <u>4,972</u> | <u>17,888</u> | <u>–</u> | <u>–</u> | <u>22,913</u> |
| Other income and gains | <u>2,465</u> | <u>1</u> | <u>–</u> | <u>–</u> | <u>7,411</u> | <u>9,877</u> |
| Fee and commission expenses | <u>(102)</u> | <u>(2)</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>(104)</u> |
| Finance costs | <u>(1,382)</u> | <u>(699)</u> | <u>(5,377)</u> | <u>(278)</u> | <u>–</u> | <u>(7,736)</u> |
| Expected credit losses on financial assets, net | <u>1,687</u> | <u>131</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>1,818</u> |
| Other operating expenses | <u>(6,504)</u> | <u>(5,758)</u> | <u>(295)</u> | <u>(2,436)</u> | <u>(3,921)</u> | <u>(18,914)</u> |
| Segment results | <u>(3,783)</u> | <u>(1,355)</u> | <u>12,216</u> | <u>(2,714)</u> | <u>3,490</u> | <u>7,854</u> |
| Unallocated expenses, represented central administration costs | | | | | | (4,209) |
| Unallocated depreciation of fixed assets | | | | | | (366) |
| Unallocated finance costs | | | | | | <u>(8,840)</u> |
| Loss before tax | | | | | | <u><u>(5,561)</u></u> |

Geographical segments

The geographical location of customers is based on the location at which the services were provided. During the six months ended 30 June 2024 and 30 June 2023, the Group's revenue is mainly derived from customers in Hong Kong.

5. OTHER INCOME AND GAINS

| | Unaudited | |
|-----------------------|--------------------------|--------------|
| | Six months ended 30 June | |
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Other income | | |
| Other interest income | 4,841 | 9,831 |
| Sundry income | 3,332 | 46 |
| | <u>8,173</u> | <u>9,877</u> |

6. LOSS BEFORE TAX

| | Unaudited | |
|--|--------------------------|----------------|
| | Six months ended 30 June | |
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Loss before tax is arrived at after charging/(crediting): | | |
| (a) Finance costs | | |
| Short-term loan interest expenses | 3,102 | – |
| Bonds interest expenses | 3,051 | 15,713 |
| Imputed interest expenses on bonds payable | 151 | 861 |
| Interest on lease liabilities | – | 2 |
| | <u>6,304</u> | <u>16,576</u> |
| (b) Staff costs | | |
| Salaries, commission and allowances | 11,243 | 13,649 |
| Contributions to retirement benefit schemes | 284 | 359 |
| | <u>11,527</u> | <u>14,008</u> |
| (c) Other items | | |
| Expected credit losses on financial assets, net | 9 | (1,818) |
| Exchange loss, net | 310 | 1,415 |
| | <u>319</u> | <u>(1,403)</u> |

7. INCOME TAX

Hong Kong Profits Tax has not been provided for entities within the Group for the six months ended 30 June 2024 and 30 June 2023 as they did not derive assessable profits arising in Hong Kong during the period.

In the opinion of the Directors, the Group is not subject to taxation in any other jurisdictions.

8. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the loss for the period attributable to the equity shareholders of the Company and the weighted average number of ordinary shares in issue during the Review Period.

| | Unaudited | |
|--|---------------------------------|------------------|
| | Six months ended 30 June | |
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Loss for the period attributable to equity shareholders of the Company | <u>(16,047)</u> | <u>(5,561)</u> |
| Weighted average number of ordinary shares in issue for the purpose of basic and diluted loss per share (<i>In '000</i>) | <u>3,661,831</u> | <u>3,661,831</u> |
| Basic loss per share (<i>HK cents</i>) | <u>(0.438)</u> | <u>(0.152)</u> |
| Diluted loss per share (<i>HK cents</i>) | <u>(0.438)</u> | <u>(0.152)</u> |

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The unlisted equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. As at 30 June 2024, the Group held one (at 31 December 2023: one) investment with no fair value.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | | Unaudited | Audited |
|----------------------------|--------------|------------------|-----------------|
| | | At | At |
| | | 30 June | 31 December |
| | | 2024 | 2023 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| Debt securities | | | |
| — Listed in Hong Kong | <i>(i)</i> | – | 60,726 |
| — Listed outside Hong Kong | <i>(i)</i> | – | 38,364 |
| | | <u>–</u> | <u>99,090</u> |

Notes:

- (i) Fair values of the listed debt securities are determined with reference to quoted bid price provide by brokers/financial institutions at the end of each reporting period.
- (ii) The Group has not pledged any equity securities, debt securities and unlisted fund investments at 30 June 2024 to any bank as collateral for the banking facilities granted (at 31 December 2023: Nil).

11. ACCOUNTS RECEIVABLE

The carrying values of accounts receivable arising from the ordinary course of business of the Group are as follows:

| | | Unaudited | Audited |
|--|--------------|-------------------------|------------------|
| | | At | At |
| | | 30 June | 31 December |
| | | 2024 | 2023 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| Accounts receivable arising from the ordinary course of business of broking in securities: | | | |
| — securities margin clients | <i>(a)</i> | 533,377 | 533,509 |
| — securities cash clients | <i>(b)</i> | 216 | 209 |
| — securities brokers | <i>(b)</i> | 345 | 349 |
| Accounts receivable arising from proprietary trading | <i>(b)</i> | – | 156 |
| Accounts receivable arising from the provision of corporate finance advisory services | <i>(b)</i> | 150 | 150 |
| | | <u>534,088</u> | <u>534,373</u> |
| Less: Impairment | | <u>(533,690)</u> | <u>(533,695)</u> |
| | | <u>398</u> | <u>678</u> |

Notes:

(a) Accounts receivable analysis on securities margin clients

- (i) The carrying amount of accounts receivable from securities margin clients of the Group was as follows:

| | Unaudited | Audited |
|--|------------------|------------------|
| | At | At |
| | 30 June | 31 December |
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Accounts receivable arising from the ordinary course of business of broking in securities: | | |
| — Securities margin clients | 533,377 | 533,509 |
| Less: Impairment | | |
| — Stage 1 | — | — |
| — Stage 2 | — | — |
| — Stage 3 | (533,372) | (533,504) |
| | <u>5</u> | <u>5</u> |

Accounts receivable from securities margin clients are secured by their pledged securities, repayable on demand and bear interests at commercial rates. Credits are extended to securities margin clients subject to the marginable value of the listed securities pledged with the Group. The margin ratios are reviewed and determined periodically. At the end of the Review Period, fair value of marketable securities pledged by securities margin clients was approximately HK\$481,000 (at 31 December 2023: approximately HK\$210,000).

No ageing analysis is disclosed as in the opinion of Directors, the ageing analysis does not give additional value in view of the nature of broking business.

- (ii) The movements in the impairment allowance of accounts receivable from securities margin clients were as follows:

| | 12-month ECL (Stage 1) HK\$'000 | Lifetime ECL not credit- impaired (Stage 2) HK\$'000 | Lifetime ECL credit- impaired (Stage 3) HK\$'000 | Total HK\$'000 |
|--|--|---|---|---------------------------|
| As at 1 January 2023 | – | – | 536,014 | 536,014 |
| Amount written off | – | – | (705) | (705) |
| Credited to profit or loss | – | – | (1,793) | (1,793) |
| Exchange difference | – | – | (12) | (12) |
| As at 31 December 2023 (audited) and 1 January 2024 | – | – | 533,504 | 533,504 |
| Credited to profit or loss | – | – | (118) | (118) |
| Exchange difference | – | – | (14) | (14) |
| As at 30 June 2024 (unaudited) | – | – | 533,372 | 533,372 |

(b) Accounts receivable analysis other than securities margin clients

- (i) The carrying values of accounts receivable other than from securities margin clients of the Group are as follows:

| | <i>Notes</i> | Unaudited At 30 June 2024 HK\$'000 | Audited At 31 December 2023 HK\$'000 |
|--|--------------|---|---|
| Accounts receivable arising from the ordinary course of business of broking in securities: | | | |
| — securities cash clients | (1) | 216 | 209 |
| — securities brokers | (2) | 345 | 349 |
| Accounts receivable arising from proprietary trading | (3) | – | 156 |
| Accounts receivable arising from the provision of corporate finance advisory services | (4) | 150 | 150 |
| | | 711 | 864 |
| Less: Impairment | (5) | (318) | (191) |
| | | 393 | 673 |

- (1) Accounts receivable from cash clients arising from the business of dealing in securities are repayable on demand on settlement date. Overdue accounts receivable are repayable on demand and charged interests at commercial rates. The normal settlement terms of accounts receivable arising from the ordinary course of business of broking in securities are one to three days after trade date. No ageing analysis is disclosed as in the opinion of the Directors, the ageing analysis does not give additional value in view of the nature of broking business.
- (2) At the end of the Review Period, accounts receivable from securities brokers were not overdue.
- (3) Accounts receivable arising from proprietary trading were repayable on demand. The normal settlement terms are one to three days after trade date.
- (4) At the end of the Review Period, the ageing analysis of accounts receivable net of impairment arising from the provision of corporate finance advisory services, based on the invoice date which approximates the respective revenue recognition dates, was as follows:

| | Unaudited | Audited |
|----------------|------------------|-----------------|
| | At | At |
| | 30 June | 31 December |
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Current | – | – |
| Overdue: | | |
| Within 30 days | – | – |
| 31–90 days | – | 132 |
| Over 180 days | 15 | – |
| | <hr/> | <hr/> |
| | 15 | 132 |
| | <hr/> <hr/> | <hr/> <hr/> |

- (5) The movements in the impairment allowance of accounts receivable other than securities margin clients were as follows:

| | 12-month ECL (Stage 1) <i>HK\$'000</i> | Lifetime ECL not credit- impaired (Stage 2) <i>HK\$'000</i> | Lifetime ECL credit- impaired (Stage 3) <i>HK\$'000</i> | Lifetime ECL simplified approach <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|---|---|---|--------------------------|
| As at 1 January 2023 | – | – | 157 | 131 | 288 |
| Charged/(credited) to profit or loss | – | – | 16 | (113) | (97) |
| As at 31 December 2023 (audited) and 1 January 2024 | – | – | 173 | 18 | 191 |
| Charged/(credited) to profit or loss | – | – | 10 | 117 | 127 |
| As at 30 June 2024 (unaudited) | – | – | 183 | 135 | 318 |

12. CASH AND BANK BALANCES

The Group maintains trust accounts with banks to deal with clients' monies in the ordinary course of business. At the end of the Review Period, trust monies not otherwise dealt with in the interim condensed consolidated financial information amounted to approximately HK\$17,667,000 (at 31 December 2023: approximately HK\$114,635,000).

13. BONDS PAYABLE

| | 2021 USD Bonds <i>HK\$'000</i> |
|---|--|
| Carrying amount at 1 January 2023 | 797,500 |
| Imputed interest expenses for the year | 1,569 |
| Exchange difference | 1,851 |
| Principal repayment | <u>(78,498)</u> |
| Carrying amount at 31 December 2023 (audited) and 1 January 2024 | 722,422 |
| Imputed interest expenses for the period | 151 |
| Exchange difference | 500 |
| Principal repayment | <u>(723,073)</u> |
| Carrying amount at 30 June 2024 (unaudited) | <u><u>–</u></u> |

On 9 February 2021, the Company issued bonds with aggregate principal amount of US\$178,000,000 (the “**2021 USD Bonds**”) to independent third parties. The 2021 USD Bonds bear interest from 9 February 2021 (inclusive) at the fixed rate of 4.00% per annum and guaranteed by Southwest Securities Co. Ltd (“**SWSC**”). Interest on the 2021 USD Bonds is payable semiannually in arrears. The 2021 USD Bonds are listed on the Stock Exchange. For the years ended 31 December 2023 and 2022, the Company repurchased and cancelled US\$10,000,000 and US\$75,500,000 of 2021 USD Bonds respectively. During the Review Period, the remaining portion of US\$92,500,000 was fully settled in February 2024.

The 2021 USD Bonds were carried at amortised cost using an effective interest rate of 4.2% per annum. The fair value determined with reference to the quoted price provided by brokers/financial institutions as at 31 December 2023 was approximately HK\$717,370,000.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Review Period (six months ended 30 June 2023: HK\$ Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2024, the momentum of global economic growth weakened and the downward trend of inflation eased down. As the fiscal policies of major economies tightened, monetary policy formulation reached an inflection point. Countries, including the United States, were in the process of general elections. Despite the challenges encountered such as geopolitical conflicts, de-globalisation and technological innovations, the global macro-economy still showed strong resilience. Consumption growth in developed economies has slowed, leading to sluggish investment activity and tightening government expenditure. Nevertheless, the manufacturing sector gradually shook off its weakness, the service sector continued its sound performance, and global trade recovered slowly. The improvement in supply and the decline in demand have contributed to the overall decrease in global inflation.

The year 2024 is a critical year for the implementation of China's 14th Five-Year Plan. In the first half of 2024, China's macro-economy had a good start with solid financial support. China's economic growth is on the upswing, showing a moderate recovery. There is still uncertainty over the prospect of interest rate cuts in major developed economies, and the RMB exchange rate will remain under pressure for a period of time. In order to take into account both inflation and the exchange rate, it is expected that monetary policy will likely remain accommodative in the second half of the year, aimed at strengthening counter-cyclical and cross-cyclical adjustments and increasing support for the real economy, so as to consolidate and enhance the positive upturn in the economy.

Hong Kong's economy saw a moderate growth in the first half of the year as the Hong Kong government introduced a number of policies to stimulate economic recovery. The financial markets of Hong Kong and Mainland China have continued to deepen their linkage and improve their interconnection and intercommunication mechanisms, thus highly facilitating the two-way flow of capital. The People's Bank of China and the Hong Kong Monetary Authority (HKMA) launched a total of six measures to deepen the "Three Links and Three Facilitators" policy in January, and the China Securities Regulatory Commission (CSRC)

announced five measures in April to further expand and optimize the Shanghai-Shenzhen-Hong Kong Stock Connect mechanism, which will help Hong Kong to consolidate and enhance its position as an international financial centre, and to jointly facilitate the synergistic development of the capital markets of Hong Kong and Chinese mainland. Sentiment in the Hong Kong stock market showed signs of improvement in the first half of 2024, and market capitalisation might be revalued in 2024. The implementation of Chapter 18C of the Listing Rules, which is introduced to allow the listing of specialist technology companies, will help connect specialist technology companies with international capital and will bring new opportunities for technology companies and the Hong Kong stock market. Hong Kong is in a period of economic restructuring. With its unique advantages of being backed by the Motherland and connected to the world, coupled with merits of being highly professionalised, market-oriented and international, Hong Kong is making every effort to build itself into an international innovation and technology centre, and takes advantage of the opportunities brought about by the development of innovation-driven productivity to promote a new leap forward in the economy.

BUSINESS REVIEW

The Group is mainly engaged in businesses covering brokerage and margin financing, corporate finance, asset management and proprietary trading. During the Review Period, the Group recorded revenue and other income and gains of approximately HK\$8.3 million (six months ended 30 June 2023: approximately HK\$32.8 million) and a loss before tax of approximately HK\$16.0 million (six months ended 30 June 2023: approximately HK\$5.6 million).

Brokerage and Margin Financing

The Group's brokerage and margin financing business includes agency trading of securities and margin financing services, from which the revenue during the Review Period amounted to approximately HK\$0.1 million (six months ended 30 June 2023: approximately HK\$0.1 million).

In order to enhance cost effectiveness, the Group ceased the direct operation of futures and options business in December 2021. The Group suspended the direct operation of brokerage business on 20 May 2022 and remodeled its business by securing multiple sources of referral by entering into client referral agreements with securities brokers in Hong Kong.

Corporate Finance

The Group's corporate finance business includes financial advisory services, underwriting and placement services to corporate clients. No revenue was recorded during the Review Period (six months ended 30 June 2023: approximately HK\$5.0 million).

In response to the challenging business environment surrounding the corporate finance business, the Group strategically redeployed resources to develop the financial advisory business and held talks with a number of Main Board- and GEM-listed companies to secure corporate finance projects.

Asset Management

The Group's asset management business mainly provides services, including investment management, investment advisory and external asset management services. No revenue was recorded during the Review Period (six months ended 30 June 2023: Nil).

The Group will focus its resources on seeking new businesses and opportunities for investment advisory and investment management services.

Proprietary Trading

The Group's proprietary trading business recorded a net gain of approximately HK\$0.1 million during the Review Period (six months ended 30 June 2023: approximately HK\$17.9 million).

The Group is continuing its investment strategy since the second half of 2022, strengthening its risk control management, and focusing on high-level fixed income investments.

Other Income and Gains

During the Review Period, the Group's other income and gains amounted to approximately HK\$8.2 million (six months ended 30 June 2023: approximately HK\$9.9 million). The decrease in other income and gains was largely due to the decline in funds placed with banks during the Review Period, which led to a drop in interest income from banks.

Staff Costs

During the Review Period, the Group's staff costs amounted to approximately HK\$11.5 million (six months ended 30 June 2023: approximately HK\$14.0 million).

Staff costs decreased as a result of the adjustments to the Group's strategic development plans. The Group will make flexible adjustments to its staffing among the strategic planning, business operations and resources allocation.

Fee and Commission Expenses

The Group's fee and commission expenses during the Review Period were approximately HK\$0.1 million (six months ended 30 June 2023: approximately HK\$0.1 million), which were mainly commission expenses for brokerage business.

Finance Costs

The Group's finance costs during the Review Period amounted to approximately HK\$6.3 million (six months ended 30 June 2023: approximately HK\$16.6 million), a year-on-year decrease of approximately HK\$10.3 million or 62.0%. The finance costs were mainly interest expenses on bond payables, the interest expenses on unsecured term loans of Southwest Securities International Investment Limited ("SSII"), the controlling shareholder of the Company, and the interest expenses on unsecured revolving loans of the controlling shareholder.

The Company issued guaranteed bonds on 9 February 2021 with an aggregate principal amount of US\$178,000,000 due 9 February 2024 which bore a fixed interest rate of 4.00% per annum and were listed on the Stock Exchange (Bond Stock Code: 40594). The Company repaid the principal balance and interest payable in full on the maturity date.

On 31 January 2024, SSII provided the Company with an unsecured term loan in an amount of no more than HK\$120 million or equivalent, bearing an interest rate at 6.1475% per annum, to assist it in repaying the U.S. dollar-denominated bonds.

On 28 March 2024, SSII provided the Company with an unsecured revolving loan in an amount of no more than HK\$25 million or equivalent, which bears an interest rate at 6.18774% per annum, to assist it in maintaining its day-to-day operations.

FUTURE PROSPECTS

Under the current challenging industry environment and the macroeconomic climate, the Company maintains its view that it is not suitable to reinstate its business in relation to sponsor services to IPO applicants at the moment. Instead, it will continue to develop financial advisory service business. In terms of the underwriting and placement services, the Group's debt capital market business, which has been in operation since December 2021, is a key initiative in its broader strategy to diversify the revenue streams of its corporate finance business. The Group will actively explore new opportunities.

For the asset management business, the Group will forge business relationships with major banks to provide wealth management services to high-net-worth clients through external asset managers as professional investors, in order to diversify its sources of income.

As for the brokerage and margin financing business, as well as the proprietary trading business, the Company intends to continue operating these segments as per their existing model.

Reference is made to the joint announcement dated 21 June 2024 and the monthly update announcement dated 15 August 2024 (collectively, the “**Announcements**”) in relation to, among others, the signing of the Sale and Purchase Agreement between Mr. Wong Man Hin Max (the “**Purchaser**”) and Southwest Securities International Investment Limited (西證國際投資有限公司) (“**SSII**”), pursuant to which the Purchaser conditionally agreed to acquire 2,713,469,233 Shares (representing approximately 74.1% of the total issued shares of the Company) from SSII.

It has been the common goal of the Company and the Purchaser to improve the business and financial performance of the Group so as to comply with Rule 13.24 of the Listing Rules. Furthermore, as stated in the Announcements, the Purchaser intends to maintain the listing of the Shares on the Stock Exchange following the close of the general offer. Based on the recent negotiations between the Company and the Purchaser, upon completion of the transactions contemplated under the Sale and Purchase Agreement, the Purchaser is expected to introduce new business opportunities and engagements to the Group and revitalize the Company's businesses with a particular focus on the corporate finance and asset management segments.

The Company, together with the offeror, shall continue to update the shareholders and potential investors of the Company on the latest development of the general offer on a monthly basis.

FINANCIAL REVIEW

Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2024, the Group's total cash and bank balances were approximately HK\$81.3 million (as at 31 December 2023: approximately HK\$604.0 million) and its net current liabilities amounted to approximately HK\$54.0 million (as at 31 December 2023: net current assets approximately HK\$38.0 million), with a current ratio (ratio of current assets to current liabilities) of 0.6 times (as at 31 December 2023: 0.9 times). The gearing ratio (ratio of total bonds payable to total equity) was 0% (as at 31 December 2023: (1,948.4%)).

The Group monitored its capital structure to ensure the compliance of its licensed subsidiaries with the capital requirements under the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) and to support the development of new business. All licensed corporations within the Group complied with their respective liquidity requirements during the Review Period and up to the date of this announcement.

Banking Facilities and Charges over Assets

As at 30 June 2024, the Group had no outstanding bank loans (as at 31 December 2023: Nil) and had an aggregate banking facilities of HK\$nil (as at 31 December 2023: HK\$nil), the drawdown of which is subject to the market value of the marketable securities pledged and the margin deposits placed. The bank loans are subject to floating interest rates with reference to the cost of funds of the banks. As at 30 June 2024, the Group pledged no assets (as at 31 December 2023: Nil) for the facilities.

Material Acquisitions, Disposals and Significant Investments

During the Review Period, there were no material acquisitions and disposals of investments (six months ended 30 June 2023: Nil).

Contingencies

The Group had no material contingent liabilities as at 30 June 2024 (as at 31 December 2023: Nil).

Commitments

The Group had no material capital commitments as at 30 June 2024 (as at 31 December 2023: Nil).

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group had no material exposure to fluctuations in exchange rates as at 30 June 2024 (as at 31 December 2023: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2024, the Group had a total of 30 employees (as at 30 June 2023: 36 employees). The Group regards its employees as an important asset. We continue to improve our human resources management system. We aim to create a good working environment that attracts, identifies and nurtures talents. The Group has built up a series of internal employment policies, covering recruitment, promotion, remuneration, welfare and benefit, management of the equality and diversity. The Group has established clear policies on its employees' remuneration and a comprehensive performance appraisal system. Discretionary performance bonus is paid by making references to market, business results of the Group, departmental and individual's performance. The discretionary performance bonus aims to retain and reward those employees who have contributed to the Group. The Group offers comprehensive employee benefits covering mandatory provident fund scheme, occupational retirement scheme, medical and dental insurance, life and accident insurance and diverse paid leaves. The Group provides various kinds of on-the-job training, external and internal training programs, including regulatory rules, financial business knowledge, product and operational management guidelines, compliance, risk management, etc.. The training programs enrich the employees' professional knowledge and allow employees to have the latest information and technical skills to perform their duties, sustain and enhance their competence.

CORPORATE GOVERNANCE

It is the belief of the Board that good corporate governance plays a vital part in maintaining the success of the Company. The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value accountability. The Company has adopted and complied with the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the CG Code and align with the latest developments.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the Review Period, the Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules. The Company has made specific enquiry with each Director and, based on such enquiry, confirmed that all the Directors have complied with the required standard as set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Review Period.

REVIEW OF INTERIM FINANCIAL INFORMATION

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim condensed consolidated financial information for the six months ended 30 June 2024 and this interim results announcement.

CHANGE OF AUDITORS

Ernst & Young resigned as auditor of the Company on 7 July 2021 and SHINEWING (HK) CPA Limited (“**SHINEWING**”) was appointed as auditor of the Company at the special general meeting on 28 July 2021. Save as disclosed above, there were no other changes of auditors by the Company in the past three years as at the date of this announcement. SHINEWING is subject to reappointment as independent auditor of the Group at the annual general meeting of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company’s website at www.swsc.hk and the HKEXnews website at www.hkexnews.hk. The interim report will be published on the aforesaid websites and despatched to the shareholders of the Company in September 2024.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange, which was suspended with effect from 9:00 a.m. on 4 March 2024, remains suspended and will continue to be so until the Company fulfils the resumption guidance (as defined in the Company's announcement dated 28 March 2024) (and any supplement or modification thereto) given by the Stock Exchange. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

By order of the Board
Southwest Securities International Securities Limited
Huang Changsheng
Executive Director and Chief Executive Officer

Hong Kong, 23 August 2024

As of the date of this announcement, the executive director of the Company is Mr. Huang Changsheng (Chief Executive Officer); and the independent non-executive directors of the Company are Mr. Meng Gaoyuan, Mr. Liang Jilin and Mr. Cao Ping.