SUNWAH KINGSWAY
新華滙富

SUNWAH KINGSWAY CAPITAL HOLDINGS LIMITED
新華滙富金融控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 00188)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2013

The Board of Directors of Sunwah Kingsway Capital Holdings Limited (the "Company") hereby submit the consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 30 June 2013.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2013

	Notes	**2013**	2012
		HK$	*HK$*
Turnover	*2*		
Commission and fee income		**66,027,107**	81,997,033
Interest and dividend income		**12,266,210**	22,940,954
		78,293,317	104,937,987
Net gain/(loss) on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	*2*	**19,188,687**	(50,560,431)
Net gain on disposal of available-for-sale investments	*2*	**10,111,808**	–
Other income	*2*	**5,910,855**	1,308,253
		113,504,667	55,685,809
Operating expenses			
Commission expenses		**(10,203,899)**	(19,630,659)
General and administrative expenses		**(100,405,252)**	(125,192,454)
Finance costs		**(2,962,548)**	(1,303,428)
		(67,032)	(90,440,732)
Impairment loss for available-for-sale investments		–	(20,768,354)
Impairment loss for other receivable		**(3,680,000)**	(3,500,000)
Share of profits/(losses) of associates		**311,241**	(3,714,277)
Loss before tax	*3*	**(3,435,791)**	(118,423,363)
Income tax credit/(expense)	*4*	**1,107,018**	(762,851)
Loss for the year		**(2,328,773)**	(119,186,214)
Attributable to:			
Owners of the Company		**(2,328,773)**	(119,172,144)
Non-controlling interests		–	(14,070)
Loss for the year		**(2,328,773)**	(119,186,214)
Basic loss per share	*6*	**(0.06) cent**	(3.2) cents
Diluted loss per share	*6*	**(0.06) cent**	(3.2) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

	2013	2012
	HK$	*HK$*
Loss for the year	**(2,328,773)**	(119,186,214)
Other comprehensive income/(expenses):		
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of land and buildings held for own use (net of tax)	**49,797,812**	1,355,265
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of overseas subsidiaries	**(1,408,245)**	(450,142)
Fair value changes on available-for-sale investments	**7,284,766**	(22,549,653)
Reclassification upon impairment of available-for-sale investments	**–**	20,768,354
Reclassification upon disposal of available-for-sale investments	**(1,327,449)**	–
	4,549,072	(2,231,441)
Other comprehensive income/(expenses) for the year	**54,346,884**	(876,176)
Total comprehensive income/(expenses) for the year	**52,018,111**	(120,062,390)
Total comprehensive income/(expenses) attributable to:		
Owners of the Company	**52,018,111**	(120,048,320)
Non-controlling interests	**–**	(14,070)
Total comprehensive income/(expenses) for the year	**52,018,111**	(120,062,390)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	**2013**	2012
		HK$	*HK$*
Non-current assets			
Properties and equipment		**318,833,334**	268,781,596
Intangible assets		**2,331,141**	2,331,141
Interests in associates		**15,906,884**	15,595,643
Available-for-sale investments		**28,993,290**	28,135,951
Other receivable	*7*	**32,820,000**	36,500,000
Other financial assets		**9,259,465**	7,452,241
Loan to an associate		**1,181,870**	–
		409,325,984	358,796,572
Current assets			
Loan to an associate		–	1,210,930
Available-for-sale investment		–	10,652,793
Financial assets at fair value through profit or loss		**139,019,265**	113,803,544
Accounts, loans and other receivables	*8*	**189,052,080**	144,782,217
Cash and cash equivalents		**70,942,797**	130,106,906
		399,014,142	400,556,390
Current liabilities			
Accruals, accounts and other payables	*9*	**65,736,496**	111,990,622
Bank loans – current portion		**71,600,000**	–
Current taxation		**1,450,324**	1,670,978
		138,786,820	113,661,600
Net current assets		**260,227,322**	286,894,790
Total assets less current liabilities		**669,553,306**	645,691,362
Non-current liabilities			
Bank loan – non-current portion		**82,400,000**	103,000,000
Deferred tax liabilities		**13,293,115**	5,642,584
		95,693,115	108,642,584
NET ASSETS		**573,860,191**	537,048,778
CAPITAL AND RESERVES			
Share capital		**368,104,391**	368,104,391
Reserves		**205,755,800**	168,944,387
Equity attributable to owners of the Company		**573,860,191**	537,048,778
Non-controlling interests		**–**	–
TOTAL EQUITY		**573,860,191**	537,048,778

NOTES

1 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied a number of new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 July 2012. Except as described below, the application of the new and revised HKFRSs has had no material impact on the consolidated financial statements of the Group for the current or prior accounting periods.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has applied the amendment to HKAS 1 in the consolidated financial statements except for the introduction of new terminology for the statement of comprehensive income and income statement. The directors consider there is no material impact on the presentation of the consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transitional Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedging Accounting[2]
HK(IFRIC) – Int 21	Levies[2]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2014
[3] Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Group anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may have impact on presentation of certain financial assets and liabilities and result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

– HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

– The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The directors anticipate that the application of HKFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 13 FAIR VALUE MEASUREMENT

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of HKFRS 13 may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The directors anticipate that the application of the other new and revised standards and amendments will have no material impact on the results and the financial position of the Group.

2 SEGMENT REPORTING

Information reported to the Managing Director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Investment in securities	:	Investment in securities for treasury and liquidity management
Structured investment	:	Investment in structured deals including listed and unlisted equities, debt securities and investment properties
Brokerage	:	Provision of securities, option, futures and commodities brokerage services, margin and other financing, and other related services
Corporate finance and capital markets	:	Provision of financial advisory services to corporate clients in connection with the Listing Rules and acting as underwriting and placing agent in the equity capital market
Asset management	:	Provision of real estate services, asset management and related advisory services to private equity funds and private clients
Others	:	Provision of management, administrative and corporate secretarial services, inter-group loan financing and inter-group office leasing

Inter-segment revenues are charged among segments at an agreed rate with reference to the rate normally charged to third party customers, the nature of services or the costs incurred.

	2013						
	Investment in securities *HK$*	**Structured investment** *HK$*	**Brokerage** *HK$*	**Corporate finance and capital markets** *HK$*	**Asset management** *HK$*	**Others** *HK$*	**Consolidated** *HK$*
Segmental income statement							
Revenue from external customers	**5,572,804**	**2**	**46,138,337**	**25,457,817**	**413,670**	**710,687**	**78,293,317**
Inter-segment revenue	**386**	**–**	**462,661**	**–**	**–**	**22,189,603**	**22,652,650**
Segment revenue	**5,573,190**	**2**	**46,600,998**	**25,457,817**	**413,670**	**22,900,290**	**100,945,967**
Net gain/(loss) on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	**19,312,164**	**–**	**(123,477)**	**–**	**–**	**–**	**19,188,687**
Net gain on disposal of available-for-sale investments	**–**	**10,111,808**	**–**	**–**	**–**	**–**	**10,111,808**
Other income	**103,674**	**–**	**3,099,351**	**26,474**	**–**	**2,681,356**	**5,910,855**
Eliminations	**(386)**	**–**	**(462,661)**	**–**	**–**	**(22,189,603)**	**(22,652,650)**
Total income	**24,988,642**	**10,111,810**	**49,114,211**	**25,484,291**	**413,670**	**3,392,043**	**113,504,667**
Segment results	**20,004,244**	**8,685,416**	**(22,322,618)**	**(2,859,421)**	**(1,652,360)**	**(5,602,293)**	**(3,747,032)**
Share of (loss)/profit of associates	**–**	**(585,336)**	**896,577**	**–**	**–**	**–**	**311,241**
Loss before tax							**(3,435,791)**
Segment assets							
Segment assets	**153,134,183**	**28,993,291**	**262,922,204**	**11,235,101**	**7,897,379**	**335,468,415**	**799,650,573**
Interests in associates	**–**	**2,979,960**	**12,926,924**	**–**	**–**	**–**	**15,906,884**
							815,557,457
Eliminations							**(7,217,331)**
Total assets							**808,340,126**
Other segmental information							
Depreciation	**–**	**–**	**711,252**	**24,756**	**–**	**9,518,332**	**10,254,340**
Addition to non-current assets	**–**	**–**	**229,567**	**–**	**–**	**1,597,636**	**1,827,203**
Impairment losses for accounts receivable	**–**	**–**	**248,661**	**605,100**	**–**	**88**	**853,849**
Impairment loss for other receivable	**–**	**–**	**3,680,000**	**–**	**–**	**–**	**3,680,000**
Commission expenses	**–**	**–**	**9,482,751**	**721,148**	**–**	**–**	**10,203,899**
Interest expenses	**30,160**	**–**	**112,598**	**–**	**–**	**2,819,790**	**2,962,548**
Interest income	**3,470,059**	**2**	**6,652,090**	**13,961**	**598**	**26,755**	**10,163,465**

	2012						
	Investment in securities *HK$*	Structured investment *HK$*	Brokerage *HK$*	Corporate finance and capital markets *HK$*	Asset management *HK$*	Others *HK$*	Consolidated *HK$*
Segmental income statement							
Revenue from external customers	9,175,422	532,649	60,085,205	33,723,737	723,237	697,737	104,937,987
Inter-segment revenue	17	–	724,023	–	–	22,235,088	22,959,128
Segment revenue	9,175,439	532,649	60,809,228	33,723,737	723,237	22,932,825	127,897,115
Net loss on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	(50,449,964)	–	(110,467)	–	–	–	(50,560,431)
Other income	(79,369)	–	35,164	174,670	–	1,177,788	1,308,253
Eliminations	(17)	–	(724,023)	–	–	(22,235,088)	(22,959,128)
Total income	(41,353,911)	532,649	60,009,902	33,898,407	723,237	1,875,525	55,685,809
Segment results	(47,768,203)	(21,841,568)	(26,193,661)	(530,593)	(1,142,859)	(17,232,202)	(114,709,086)
Share of losses of associates	–	(3,181,932)	(532,111)	(234)	–	–	(3,714,277)
Loss before tax							(118,423,363)
Segment assets							
Segment assets	134,679,871	38,884,924	264,325,982	11,232,034	1,085,424	299,480,772	749,689,007
Interests in associates	–	3,565,295	12,030,348	–	–	–	15,595,643
							765,284,650
Eliminations							(5,931,688)
Total assets							759,352,962
Other segmental information							
Depreciation	–	–	890,962	54,632	–	1,836,597	2,782,191
Addition to non-current assets	–	–	519,912	11,351	–	232,487,884	233,019,147
Impairment losses for accounts receivable	–	–	608	1,000,000	–	–	1,000,608
Impairment loss for available-for-sale investments	–	20,768,354	–	–	–	–	20,768,354
Impairment loss for other receivable	–	–	3,500,000	–	–	–	3,500,000
Commission expenses	–	–	10,851,074	8,779,585	–	–	19,630,659
Interest expenses	–	–	24,357	–	–	1,279,071	1,303,428
Interest income	4,345,753	10	13,210,246	458	64	22,115	17,578,646

Geographical information

The Group's revenue from external customers and information about its non-current assets (excluding interests in associates, loan to an associate, available-for-sale investments, other receivable and other financial assets) by geographical location are detailed below:

	Turnover		Non-current assets	
	2013	2012	**2013**	2012
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**74,356,718**	101,440,302	**281,583,676**	237,239,174
The People's Republic of China (the "PRC")	**1,818,755**	1,956,801	**39,580,799**	33,873,563
Other	**2,117,844**	1,540,884	**–**	–
	78,293,317	104,937,987	**321,164,475**	271,112,737

3 LOSS BEFORE TAX

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

	2013	2012
	HK$	*HK$*
Net gain/(loss) on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value		
– equity securities	**15,644,066**	(59,881,188)
– debt securities	**1,425,403**	(139,641)
– derivatives and others	**2,119,218**	9,460,398
Dividends from listed equity securities	**2,102,745**	5,362,308
Interest income from		
– bank deposits	**1,840,172**	1,500,155
– margin and IPO financing	**3,578,065**	10,037,194
– debt securities	**3,419,074**	4,343,151
– loans	**1,299,836**	1,680,000
– others	**26,318**	18,146
Staff costs	**(60,909,907)**	(68,900,488)
Operating lease charges – land and buildings	**(2,550,161)**	(10,483,315)
Depreciation	**(10,254,340)**	(2,782,191)
Interest on		
– bank loans wholly repayable within one month and overdrafts	**(148,728)**	(43,111)
– bank mortgage loan wholly repayable within five years	**(2,772,827)**	(1,249,957)
– obligations under finance leases	**–**	(731)
– others	**(40,993)**	(9,629)
Impairment losses for accounts receivable	**(853,849)**	(1,000,608)
Exchange gain (net)	**1,821,974**	269,419

4 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. The charge for the year to Hong Kong Profits Tax has been relieved by approximately HK$4,961,464 (2012: HK$nil) as a result of tax losses brought forward from previous years of HK$30,069,479 (2012: HK$nil).

Under the law of the People's Republic of China on Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

	2013	2012
	HK$	*HK$*
Current tax – Provision for Hong Kong Profits Tax		
Over provision in prior year	**91,968**	–
Deferred tax		
Tax credit/(expense) for the year	**1,015,050**	(762,851)
Income tax credit/(expense)	**1,107,018**	(762,851)

At 30 June 2013, the Group have unused estimated tax losses of approximately HK$425 million (2012: HK$421 million). A deferred tax asset of HK$1,677,396 (2012: HK$Nil) has been recognised in respect of tax losses of approximately HK$10 million (2012: HK$Nil). The Group have not recognised deferred tax asset in respect of the remaining tax losses of approximately HK$415 million (2012: HK$421 million) due to the unpredictability of future profit streams. The tax losses will not expire under current tax regulation.

5 DIVIDENDS PAID AND PAYABLE TO OWNERS OF THE COMPANY ATTRIBUTABLE TO THE YEAR

	2013	2012
	HK$	*HK$*
Interim dividend paid of 0.2 HK cent per share (2012: 0.2 HK cent per share)	**7,362,088**	7,362,088
Final dividend proposed after the end of the reporting period of 0.3 HK cent per share (2012: 0.25 HK cent per share)	**11,043,132**	9,202,610
	18,405,220	16,564,698

6 LOSS PER SHARE

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

	2013	2012
Loss		
Loss for the purposes of basic and diluted loss per share		
Loss for the year attributable to owners of the Company	**HK$ 2,328,773**	HK$ 119,172,144
Number of shares		
Number of ordinary shares for the purposes of basic and diluted loss per share	**3,681,043,906**	3,681,043,906

Note: The computation of diluted loss per share does not assume the exercise of the Company's share options and warrants because the exercise price of those share options and warrants was higher than the average market price of shares for 2013 and 2012.

7 OTHER RECEIVABLE

During the year ended 30 June 2011, the Group deposited an amount of HK$40,000,000 (the "Escrow Funds"), into an escrow account maintained by an international law firm in Hong Kong pursuant to the terms of an escrow agreement dated 28 March 2011. As has been widely reported, a partner of the law firm with which the funds were deposited has been arrested by the Hong Kong Police and charged with theft and forgery with respect to monies held in the law firm's escrow account. In August 2013, it was reported that the partner pleaded guilty to fraud and money laundering and was jailed for 12 years.

The law firm has not returned the Escrow Funds despite a demand for payment by the Group. The Group has commenced legal proceedings against the law firm and its partners for recovery of the Escrow Funds. The Group's legal counsel has reviewed the documentary evidence in respect of the escrow agreement, has analysed the legal duties and obligations of the law firm arising from the terms of the escrow agreement and has analysed the legal and professional duties and obligations of the law firm arising from the receipt of the Escrow Funds (which were client monies and held in trust). The Group's legal counsel is of the opinion that the Group has good prospects on succeeding on its claim to recover the Escrow Funds and that it is very likely that any judgement obtained would be satisfied. However, there might be a reduction in the ultimate recovery of the Escrow Funds by the amount of the service fees paid to the Group and legal fees and expenses for the lawsuit which might not be entirely recovered.

The management of the Group currently considers that the Escrow Funds excluding the fees paid to the Group and the legal fees and expenses for the lawsuit would be recovered eventually, taking into account the nature of the escrow agreement and the opinion of Group's legal counsel as set forth above. Moreover, in the event of the Group might not recover the Escrow Funds in full, the management will take all possible courses of action in order to recover the remaining amount from the assets of the partners of the law firm if necessary.

As the timing of recovering this amount is expected to be more than twelve months, the Group has discounted the Escrow Funds by using the effective interest method. Taking into account the change of estimated time of recovery, the allowance was adjusted accordingly.

8 ACCOUNTS, LOANS AND OTHER RECEIVABLES

	Notes	2013	2012
		HK$	HK$
Accounts and loans receivables			
Amounts due from brokers and clearing houses	(a)	**39,136,528**	56,034,813
Amounts due from margin clients	(b)	**67,977,592**	65,899,581
Amounts due from cash clients	(c)	**51,273,828**	14,292,207
Fixed-rate loans receivable	(d)	**23,000,000**	–
Other accounts receivable	(e)	**7,068,759**	5,094,898
		188,456,707	141,321,499
Less: Impairment losses		**(4,636,359)**	(4,418,098)
		183,820,348	136,903,401
Prepayments, deposits and other receivables		**5,231,732**	7,878,816
		189,052,080	144,782,217

Notes:

(a) Amounts due from brokers and clearing houses are required to be settled on the settlement date determined under the relevant market practices or exchange rules.

The Group maintains clients' monies arising from the ordinary course of business of dealing in options and futures contracts in trust with The SEHK Options Clearing House Limited ("SEOCH") and HKFE Clearing Corporation Limited ("HKFECC"). At 30 June 2013, the Group held HK$5,002,050 (2012: HK$5,857,612) with SEOCH and HK$8,274,237 (2012: HK$14,866,860) with HKFECC in trust for clients which were not dealt with in these consolidated financial statements.

The amount due from a broker of HK$13,370,119 (2012: HK$7,161,310) was pledged as securities for the stock borrowing transactions.

(b) Margin clients of the brokerage division are required to pledge securities collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount on the value of securities accepted by the Group. At 30 June 2013, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$1,125 million (2012: HK$470 million). The amounts due from margin clients are repayable on demand and bear interest at commercial rates.

(c) There are no credit terms granted to cash clients of the brokerage division except for re-financing of IPO subscriptions. They are required to settle their securities trading balances on the settlement date determined under the relevant market practices or exchange rules.

(d) The credit terms for loans granted by the Group's brokerage division are set by management with reference to the financial background and the value and nature of collateral pledged by the borrowers. The fixed-rate loans receivable secured by personal/corporate guarantee and/or by marketable securities listed on the AIM Board of The London Stock Exchange.

The balance included a fixed-rate loan receivable amounting to HK$15 million which was repaid in August 2013.

(e) The balance included an amount of HK$60,000 (2012: HK$70,000) receivable from an associate arising from normal business transactions. The Group normally allows credit periods of up to 30 days to customers, except for certain creditworthy customers with long term relationship and stable repayment pattern, where the terms are extended to a longer period.

The ageing analysis of accounts and loans receivables net of allowance for doubtful debts that were past due at the end of the reporting period but not impaired is as follows:

	2013	2012
	HK$	*HK$*
Within one month past due	**1,007,693**	115,000
More than one month and within three months past due	**1,009,430**	1,323,590
More than three months past due	**1,672,342**	1,664,837
	3,689,465	3,103,427

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

	2013	2012
	HK$	*HK$*
Current and within one month	**180,130,883**	133,799,974
More than one month and within three months	**1,547,123**	1,373,591
More than three months	**2,142,342**	1,729,836
	183,820,348	136,903,401

The movements in the allowance for impairment for the Group were as follows:

	Amounts due from margin clients *HK$*	**Other accounts receivable** *HK$*	**Total** *HK$*
At 1 July 2011	3,581,990	35,500	3,617,490
Amounts written off as uncollectible	–	(200,000)	(200,000)
Impairment losses recognised on receivables	608	1,000,000	1,000,608
At 30 June 2012 and 1 July 2012	3,582,598	835,500	4,418,098
Amounts written off as uncollectible	–	(635,588)	(635,588)
Impairment losses recognised on receivables	248,661	605,188	853,849
At 30 June 2013	3,831,259	805,100	4,636,359

Impairment losses in respect of accounts, loans and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts, loans and other receivables directly.

Impairments of accounts, loans and other receivables are made in the consolidated income statement after proper review by the senior management, based on the latest status of the receivables, and the latest announced or available information about the underlying collateral held.

9 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	2013 *HK$*	2012 *HK$*
Accounts payable (current and within one month)		
Amounts due to brokers and clearing houses	**23,334,919**	6,108,793
Clients' accounts payable (net of bank and clearing house balances in segregated clients' accounts)	**23,933,957**	67,991,540
Others	**2,728,383**	15,009,704
	49,997,259	89,110,037
Other creditors, accruals and other provision	**15,739,237**	22,880,585
	65,736,496	111,990,622

MANAGEMENT DISCUSSION AND ANALYSIS

The Market

As a major financial centre, Hong Kong continued to be affected by events happening around the world, especially the two major trading partners, China and the United States. Following the change of leadership, China began to fine tune its economic policies to achieve sustainable but slower growth. At the other end, the United States was successful in lowering its relatively high unemployment, which led to concerns that the quantitative easing policy may soon end. The treasury yield reached recent highs and led to high volatility in emerging markets fund flows and exchange rate fluctuations. The Hong Kong financial markets were affected by all these events with no clear trends emerging.

The Hang Seng Index closed at 20,803 at the end of June 2013, compared with 19,441 at the end of June 2012 and 22,657 at the end of December 2012. The average monthly turnover on the Main Board and GEM Board during the year ended 30 June 2013 ("FY2013") was approximately HK$1,209 billion, as compared to HK$1,261 billion for FY2012. The Hong Kong financing market continued to slow down in FY2013 and the funds raised from IPOs on the Main Board in FY2013 decreased by 15% to HK$97 billion, as compared to HK$114 billion in FY 2012.

Financial Highlights

The Group recorded a loss of HK$2 million for FY2013, as compared to a loss of HK$119 million for FY2012. However, taking into account the other comprehensive income for the year, the Group achieved a total comprehensive income of HK$52 million, as compared to a total comprehensive expense of HK$120 million for the last fiscal year. Commission and fee income from our financial intermediary business decreased from HK$82 million for FY2012 to HK$66 million for FY2013 mainly due to the decrease in market activities. The corresponding commission expenses for capital markets also decreased by HK$8 million. The interest income decreased substantially due to the lower demand for margin loans resulting from the lower market turnover. The Group recorded a net gain on the disposal of financial assets/liabilities and the remeasurement to fair value of HK$19 million, as compared to a loss of HK$51 million for FY2012. The Group disposed of some available-for-sales investments and recognised fair value gains of HK$10 million in FY2013.

General and administrative expenses decreased by 20% to HK$100 million for FY2013. The decrease was mainly due to the drop in variable staff costs and the decrease in the recognition of equity-settled share-based payments. The rental expenses, expenses for the acquisition of office property and relocation of office decreased significantly in FY2013, however, the decrease was partially offset by the increase in depreciation charged on the self-owned property.

The finance cost increased to HK$3 million for FY2013 because of the mortgage loan for financing the acquisition of the office property in January 2012.

The Group has deposited HK$40 million into an escrow account of a law firm but the law firm failed to return the deposit to the Group. The Group's legal counsel is of the opinion that the Group has good prospects of succeeding on its claim against the law firm and that it is very likely that any judgement obtained would be satisfied. However, there might be a reduction in the ultimate recovery of the Escrow Funds by the amount of the service fees paid to the Group and legal fees and expenses for the lawsuit which might not be entirely recovered.

Brokerage

Total revenue of the division was HK$46.6 million for FY2013, compared to HK$60.8 million for FY2012. The market sentiment improved after the launching of the third round of quantitative easing in the United States in September 2012. However, the market made a substantial correction after the possible tapering was announced in the FOMC meeting in June 2013. Brokerage commission income decreased by 17% compared with FY2012. The lower trading volume affected the demand of margin finances in the Hong Kong equity market. Interest income from margin and IPO financing decreased by 64% on a year-on-year basis to HK$3.6 million and the monthly average amounts due from margin clients decreased by 51% when compared with FY2012.

Corporate Finance and Capital Markets

Total revenue of the division was HK$25.5 million for FY2013, compared with HK$33.7 million for FY2012. The division served as placing agents in several equity placement deals and IPO-related transactions. The division also explored fundraising opportunities in other foreign markets and completed a placing transaction for a company's IPO on the AIM Board of The London Stock Exchange. In the meantime, the division focused on securing more advisory work and fee income from corporate finance increased by 24% to HK$19.4 million in FY2013.

Asset Management

Total revenue of the division was HK$0.4 million for FY2013, compared with HK$0.7 million for FY2012. The division is looking for opportunities to set up small boutique funds for selected high net worth clients.

Investment in Securities

Total revenue of the division was HK$5.6 million for FY2013, compared with HK$9.2 million for FY2012. After including net gain/loss on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value, total income was HK$25 million for FY2013, compared with total negative income of HK$41.4 million for FY2012. The Hang Seng Index reached recent high of 23,945 in February 2013 from 19,033 in July 2012 and dropped to 20,803 at the end of June 2013. The division had capture the upward movement of the market and realised several investments in FY2013. As a result, the division recorded a net gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value of HK$19.3 million in FY2013.

The interest income from debt securities decreased by 21% to HK$3.4 million in FY2013 because the division changed the proportion of its debt securities portfolio and acquired more bonds with higher credit rating but lower yield.

The division recruited a new investment manager to manage a new trading portfolio to diversify the investment portfolio and stabilise the investment returns.

Structured Investment

The division did not recognise any revenue in FY2013, compared with HK$0.5 million for FY2012. The division disposed of some available-for-sales investments and recognised fair value gain of HK$10.1 million for FY2013. The increase in fair value of an investment fund was recognised in Other Comprehensive Income and no impairment loss was recognised in this year. The division is now looking for suitable investment opportunities to diversify the portfolio.

Outlook

Looking into the future, the possible tapering of bond purchases by Federal Reserve from September, and the continued reforms and fine tuning of China economic policies are going to create uncertainties in the financial markets. It is likely that the markets will move sideways until a clearer economic trend emerged. Judging from the huge penalties or settlements paid by a number of financial institutions worldwide, regulatory and compliance risks management is also key to our core financial services delivery going forward. Financially, we have moved in the right direction in this fiscal year and we will work harder to bring better returns to our shareholders in the coming year.

Liquidity and Financial Resources

Total assets as at end of June 2013 were HK$808 million, of which approximately 49% were current in nature. Net current assets were HK$260 million, accounting for approximately 45% of the net assets of the Group as at end of June 2013.

The Group generally finances its daily operations from internal resources. Total borrowing of approximately HK$154 million at the end of June 2013 comprised of the following:

– Secured bank loan of HK$103 million to partially finance the acquisition of office property;

– Unsecured short-term bank loan of HK$13 million to re-finance a customer's IPO subscription; and

– Unsecured short-term bank loans of HK$38 million to finance the daily operations and proprietary trading activities.

The Group's gearing ratio, calculated as a percentage of total borrowings over shareholder's equity, was approximately 27% at the end of June 2013. The short-term bank loan utilised for re-financing a customer's IPO subscription was repaid shortly after year end. The Group's gearing ratio decreased to 25% after excluding this IPO bank loan. The gearing ratio increased from 19% to 25% in FY2013 because of the expansion of the proprietary investments business.

The office property with carrying value of HK$265 million was pledged as security against bank loan granted to the Group.

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$. As part of our investment monitoring, financial assets denominated in foreign currencies, including equity and debt investments, are monitored on a daily basis together with the changes in market value of these investments. Hedging instruments may be used as part of the overall investment strategy if deemed necessary by the investment managers. The Group purchased properties in the PRC for its own use. Because of the steady appreciation of RMB against HK$ in the past few years, 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 adverse changes. The Group does not have other material exposure to fluctuation in exchange rates and no hedging instruments are used.

Employment, Training and Development Policies

As at 30 June 2013, the number of full time employees of the Group was 128 (2012: 135).

Remunerations and bonus are based on performance and are reviewed annually in conjunction with the annual employee performance appraisal. It also takes into consideration the results of the division to which the employee belongs and the Group as a whole.

The Group provides a full induction program and 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.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited throughout the year ended 30 June 2013 except for the deviation which is summarised below:

CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Non-Executive Directors of the Company are not all appointed for a specific term but are subject to retirement by rotation and re-election at the Annual General Meeting (AGM) of the Company. Pursuant to the Bye-laws of the Company, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Board considers that the non-executive directors appointed without a specific term will not impair the quality of corporate governance of the Group as required by the principles set out in CG Code A.4.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year under review and they have all confirmed that they have complied with the required standard set out in the Model Code.

FINAL DIVIDEND

The Board of Directors has proposed, subject to the approval of shareholders at the forthcoming Annual General Meeting on Wednesday, 20 November 2013, the payment of a final dividend of 0.3 HK cent per ordinary share for the year ended 30 June 2013 to shareholders whose names appears on the Register of Members of the Company on Tuesday, 26 November 2013 and the dividend cheque for the final dividend, if approved, will be dispatched to shareholders on or about Thursday, 12 December 2013.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The Register of Members of the Company will be closed from Friday, 15 November 2013 to Wednesday, 20 November 2013, both days inclusive, during which period no transfers of shares will be effected for the purpose of determining the identity of the shareholders entitled to attend and vote at the 2013 Annual General Meeting. In order to qualify to attend and vote at the meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited (at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:30 p.m. on Thursday, 14 November 2013.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The Register of Members of the Company will be closed on Tuesday, 26 November 2013 during which date, no transfer of shares will be registered. In order to qualify for the proposed final dividend, all 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) not later than 4:30 p.m. on Monday, 25 November 2013.

AUDIT COMMITTEE REVIEW

The Group's audited consolidated financial results for the year ended 30 June 2013 have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 30 June 2013 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

During the year ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 18 September 2013

As at the date of this announcement, the directors of the Company are Jonathan Koon Shum Choi as Chairman, Mary Yuk Sin Lam as Deputy-Chairman & Executive Director, 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, Stanley Kam Chuen Ko and Elizabeth Law as Independent Non-Executive Directors.