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 2016

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 2016.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2016

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Revenue	*2*		
Commission and fee income		**86,106**	93,356
Interest and dividend income		**19,903**	18,178
Rental income		**3,179**	–
		109,188	111,534
Net (loss)/gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	*2*	**(34,513)**	17,441
Net loss on disposal of an available-for-sale investment	*2*	**(13,656)**	–
Other income	*2*	**1,406**	1,895
		62,425	130,870
Operating expenses			
Commission expenses		**(9,994)**	(10,478)
General and administrative expenses		**(120,569)**	(107,435)
Finance costs		**(1,289)**	(2,116)
		(69,427)	10,841
Fair value changes on investment properties		**(1,459)**	1,380
Impairment loss for other receivable		**(1,579)**	(1,359)
Share of profits of associates		**605**	766
(Loss)/profit before tax	*3*	**(71,860)**	11,628
Income tax (expense)/credit	*4*	**(213)**	35
(Loss)/profit for the year		**(72,073)**	11,663
Attributable to:			
Owners of the Company		**(69,912)**	9,086
Non-controlling interests		**(386)**	212
Holders of non-controlling interests in consolidated investment fund		**(1,775)**	2,365
(Loss)/profit for the year		**(72,073)**	11,663
Basic (loss)/earnings per share	*6*	**(1.27) cent**	0.19 cent
Diluted (loss)/earnings per share	*6*	**(1.27) cent**	0.19 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2016

	2016 HK$'000	2015 HK$'000
(Loss)/profit for the year	**(72,073)**	11,663
Other comprehensive income/(expense):		
Item that will not be reclassified to profit or loss:		
Surplus on revaluation of land and buildings held for own use (net of tax)	**11,797**	24,465
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of overseas subsidiaries	**1,841**	8
Fair value changes on an available-for-sale investment	**(14,619)**	963
Reclassification upon disposal of an available-for-sale investment	**13,656**	–
	878	971
Other comprehensive income for the year	**12,675**	25,436
Total comprehensive (expense)/income for the year	**(59,398)**	37,099
Total comprehensive (expense)/income attributable to:		
Owners of the Company	**(57,237)**	34,522
Non-controlling interests	**(386)**	212
Holders of non-controlling interests in consolidated investment fund	**(1,775)**	2,365
Total comprehensive (expense)/income for the year	**(59,398)**	37,099

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Non-current assets			
Investment properties		**91,301**	64,900
Properties and equipment		**323,251**	343,545
Intangible assets		**2,051**	2,051
Interests in associates		**14,082**	16,325
Available-for-sale investments		**35,995**	39,967
Other receivable	*7*	**32,373**	32,642
Other financial assets		**9,289**	11,357
		508,342	510,787
Current assets			
Investment in an unlisted bond		**10,000**	–
Loans to associates		**2,296**	1,218
Financial assets at fair value through profit or loss		**168,875**	157,217
Accounts, loans and other receivables	*8*	**305,121**	284,791
Pledged bank balances		**3,274**	–
Cash and cash equivalents		**150,372**	369,515
		639,938	812,741
Current liabilities			
Financial liabilities at fair value through profit or loss		**13,681**	1,940
Net assets attributable to holders of non-controlling interests in consolidated investment fund		**15,671**	17,446
Accruals, accounts and other payables	*9*	**109,428**	234,555
Bank loans and overdraft		**17,100**	95,000
Current taxation		**1,459**	1,450
		157,339	350,391
Net current assets		**482,599**	462,350
Total assets less current liabilities		**990,941**	973,137
Non-current liabilities			
Deferred tax liabilities		**21,529**	19,937
NET ASSETS		**969,412**	953,200
CAPITAL AND RESERVES			
Share capital		**552,130**	523,130
Reserves		**417,164**	429,566
Equity attributable to owners of the Company		**969,294**	952,696
Non-controlling interests		**118**	504
TOTAL EQUITY		**969,412**	953,200

NOTES

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

In the current year, the Group has applied the amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new or amendments to HKFRSs that have been issued but are not yet effective, which may be relevant to the Group.

Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 7	Disclosure Initiative[3]
Amendments to HKAS 12	Recognition of Deterred Tax Assets for Unrealised Losses[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Lease [4]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 January 2019

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS16 Leases

In May 2016, HKFRS 16 was issued which provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessees and lessors. HKFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Under HKFRS 16, significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, HKFRS 16 does not include significant changes to the requirements for accounting by lessors. HKFRS 16 will supersede HKAS 17 Leases and its related interpretations including HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease when it becomes effective.

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying HKAS 7 Statement of Cash Flows. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

In addition, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Furthermore, HKFRS 16 also requires both lessor and lessee to provide enhanced disclosures in their financial statements in order to gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessor and lessee.

The Directors of the Company anticipate that the application of HKFRS 16 in the future may have a certain impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of effect of HKFRS 16 until the Group performs a detailed review.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are 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 accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' 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 fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the application of HKFRS 9 in the future may have a material impact on classification and amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The Directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

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:

Proprietary investment	:	Investment in securities for treasury and liquidity management, and structured deals including listed and unlisted equities, debt securities and investment funds
Properties investment	:	Investment in properties for receiving rental income
Brokerage	:	Provision of securities, options, funds, 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 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.

The Group has merged its business segments "Investment in securities" and "Structured investment" adopted in the 2015 annual financial statements to "Proprietary investment" and separately disclosed "Properties investment" in this annual report. The Group has managed this " Properties investment " segment as a whole. There is no impact in the recognition of the amounts included in this business segment for both the current and prior years arising from this merger of business segments. The directors consider that this change result in a more effective management of segment assets. The comparatives figures for Proprietary investment segment and Properties investment segment were restated.

Segment liabilities are not presented as they are not regularly reviewed by the chief operating decision maker.

	2016						
	Proprietary investment *HK$'000*	Properties investment *HK$'000*	Brokerage *HK$'000*	Corporate finance and capital markets *HK$'000*	Asset management *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Segmental income statement							
Revenue from external customers	8,047	3,179	45,848	51,099	–	1,015	109,188
Inter-segment revenue	3	–	1,541	2,030	697	21,735	26,006
Segment revenue	8,050	3,179	47,389	53,129	697	22,750	135,194
Net (loss)/gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	(36,088)	–	1,575	–	–	–	(34,513)
Net loss on disposal of an available-for-sale investment	(13,656)	–	–	–	–	–	(13,656)
Other income	29	–	186	58	–	1,133	1,406
Eliminations	(3)	–	(1,541)	(2,030)	(697)	(21,735)	(26,006)
Total income	(41,668)	3,179	47,609	51,157	–	2,148	62,425
Segment results	(53,869)	(472)	(12,814)	7,644	(1,882)	(11,072)	(72,465)
Share of profits of associates	13	–	592	–	–	–	605
Loss before tax							(71,860)
Segment assets							
Segment assets	264,449	97,772	423,697	11,750	5,377	384,666	1,187,711
Interests in associates	–	–	14,082	–	–	–	14,082
							1,201,793
Eliminations							(53,513)
Total assets							1,148,280
Other segmental information							
Depreciation	–	499	330	2	–	11,081	11,912
Addition to non-current assets	–	6,037	99	–	–	158	6,294
Impairment losses for accounts receivable (net)	–	–	6,643	1,363	–	–	8,006
Impairment loss for other receivable	–	–	1,579	–	–	–	1,579
Commission expenses	400	–	9,202	392	–	–	9,994
Interest expenses	34	–	46	–	–	1,209	1,289
Interest income	4,431	–	11,812	1	1	42	16,287

	2015						
	Proprietary investment (restated) *HK$'000*	Properties investment (restated) *HK$'000*	Brokerage *HK$'000*	Corporate finance and capital markets *HK$'000*	Asset management *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Segmental income statement							
Revenue from external customers	6,688	–	57,433	46,454	8	951	111,534
Inter-segment revenue	3	–	1,904	7,497	2,607	20,140	32,151
Segment revenue	6,691	–	59,337	53,951	2,615	21,091	143,685
Net gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	17,364	–	77	–	–	–	17,441
Other income	8	–	263	174	–	1,450	1,895
Eliminations	(3)	–	(1,904)	(7,497)	(2,607)	(20,140)	(32,151)
Total income	24,060	–	57,773	46,628	8	2,401	130,870
Segment results	10,031	1,052	(2,371)	11,367	49	(9,266)	10,862
Share of profits of associates	283	–	483	–	–	–	766
Profit before tax							11,628
Segment assets							
Segment assets	307,569	65,006	456,402	10,069	5,612	520,900	1,365,558
Interests in associates	3,086	–	13,239	–	–	–	16,325
							1,381,883
Eliminations							(58,355)
Total assets							1,323,528
Other segmental information							
Depreciation	–	–	532	3	–	11,030	11,565
Addition to non-current assets	–	–	346	–	–	12	358
Impairment losses for accounts receivable (net)	–	–	–	121	–	30	151
Impairment loss for other receivable	–	–	1,359	–	–	–	1,359
Commission expenses	13	–	10,465	–	–	–	10,478
Interest expenses	–	–	225	–	–	1,891	2,116
Interest income	4,005	–	11,217	1	8	264	15,495

Geographical information

The following illustrates the geographical analysis of the Group's revenue from external customers, based on the country from which the transactions are executed, and information about its non-current assets (excluding interests in associates, available-for-sale investments, other receivable and other financial assets), based on the location of assets.

	Revenue		**Non-current assets**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**98,487**	101,822	**373,619**	366,194
The People's Republic of China (the "PRC")	**4,282**	4,267	**42,984**	44,302
Other	**6,419**	5,445	**–**	–
	109,188	111,534	**416,603**	410,496

3 (LOSS)/PROFIT BEFORE TAX

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

	2016	2015
	HK$'000	*HK$'000*
Net (loss)/gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value		
– equity securities	**(45,308)**	15,648
– debt securities	**789**	(2,458)
– derivatives	**10,006**	4,251
Dividend from listed equity securities	**3,616**	2,683
Interest income from		
– bank deposits	**1,596**	1,588
– margin and cash clients	**3,419**	3,508
– debt securities	**4,352**	3,793
– loans	**5,536**	5,264
– others	**1,384**	1,342
Staff costs	**(64,331)**	(64,161)
Minimum operating lease charges – land and buildings	**(2,759)**	(2,700)
Depreciation	**(11,912)**	(11,565)
Interest on		
– bank loans wholly repayable within one month and overdrafts	**(150)**	(232)
– bank secured loans wholly repayable within five years	**(1,133)**	(750)
– bank mortgage loan wholly repayable within five years	**–**	(1,120)
– others	**(6)**	(14)
Impairment losses for accounts receivable (net)	**(8,006)**	(151)

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 HK$2,290,000 (2015: HK$2,324,000) as a result of tax losses brought forward from previous years of HK$13,879,000 (2015: HK$14,082,000).

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%.

	2016	2015
	HK$'000	*HK$'000*
Current tax – Provision for Hong Kong Profits Tax		
Tax expense for the year	**9**	–
Deferred tax		
Tax expense/(credit) for the year	**204**	(35)
Income tax expense/(credit)	**213**	(35)

As at 30 June 2016, the Group has unused estimated tax losses of approximately HK$455 million (2015: approximately HK$396 million). A deferred tax asset of HK$2,354,000 (2015: HK$1,975,000) has been recognised in respect of tax losses of approximately HK$14 million (2015: approximately HK$12 million). The Group has not recognised deferred tax asset in respect of the remaining tax losses of approximately HK$441 million (2015: approximately HK$384 million) due to the unpredictability of future profit streams. The tax losses from subsidiaries incorporated in Hong Kong will not expire under current tax regulation while tax losses from PRC subsidiaries are subject to expiry periods of five years from the years in which the tax losses arose under the current tax legislation.

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

	2016	2015
	HK$'000	*HK$'000*
Interim dividend paid of 0.2 HK cent per share (2015: 0.2 HK cent per share)	**11,043**	9,203
Final dividend proposed after the end of the reporting period of 0.25 HK cent per share (2015: 0.3 HK cent per share)	**13,803**	16,564
	24,846	25,767

6. (LOSS)/EARNINGS PER SHARE

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

	2016	2015
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share		
(Loss)/earnings for the year attributable to owners of the Company	**(69,912)**	9,086
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	**5,511,004,336**	4,684,154,197

7 OTHER RECEIVABLE

During the year ended 30 June 2011, the Group deposited an amount of $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 sentenced to jail 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	**2016**	2015
		HK$'000	*HK$'000*
Accounts and loans receivables			
Amounts due from brokers and clearing houses	*(a)*	**62,483**	50,424
Amounts due from margin clients	*(b)*	**77,566**	31,579
Amounts due from cash clients	*(c)*	**121,135**	175,806
Fixed-rate loans receivable	*(d)*	**33,065**	16,500
Other accounts receivable	*(e)*	**7,917**	2,669
		302,166	276,978
Less: Impairment losses		**(8,058)**	(1,688)
		294,108	275,290
Prepayments, deposits and other receivables		**11,013**	9,501
		305,121	284,791

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"). As at 30 June 2016, the Group held HK$6,684,000 (2015: HK$9,351,000) with SEOCH and HK$5,463,000 (2015: HK$10,776,000) with HKFECC in trust for clients which were not dealt with in these consolidated financial statements.

The amount due from a broker of HK$20,849,000 (2015: HK$2,789,000) 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. As at 30 June 2016, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$390 million (2015: HK$147 million). The amounts due from margin clients are repayable on demand and bear interest at commercial rates. A loan to a margin client of approximately HK$7 million was fully impaired, and no other impairment is considered necessary for other loans to margin clients.

(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. As at 30 June 2016, the balance included an amount due from a cash client of approximately HK$73 million for the outstanding placing proceeds of the Company's shares issued in July 2015. The cash client is a licensed financial institution. The outstanding placing proceeds was fully settled in July 2016. Additionally, a receivable of HK$18 million due from a cash client related to the net balance of a 130% short selling deposit on a suspended security listed on the Main Board of HKEX.

(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 mainly secured by personal/corporate guarantee, property located in Hong Kong, unlisted securities and/or marketable securities listed on the GEM Board of HKEX. The contractual maturity dates of the fixed-rate loan repayable is repayable within one year.

(e) The balance included an amount of HK$270,000 (2015: HK$nil) 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:

	2016	2015
	HK$'000	*HK$'000*
Within one month past due	**280**	190
More than one month and within three months past due	**2,227**	1,505
More than three months past due	**1,812**	764
	4,319	2,459

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

	2016	2015
	HK$'000	*HK$'000*
Current and within one month	**289,789**	272,831
More than one month and within three months	**1,101**	1,445
More than three months	**3,218**	1,014
	294,108	275,290

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

	Amounts due from margin clients *HK$'000*	**Amounts due from cash clients** *HK$'000*	**Fixed-rate loans receivable** *HK$'000*	**Other accounts receivable** *HK$'000*	**Total** *HK$'000*
At 1 July 2014	3,479	1,418	6,800	1,990	13,687
Impairment losses recognised	–	–	–	151	151
Amounts written off as uncollectible	(3,330)	–	(6,800)	(2,020)	(12,150)
At 30 June 2015 and 1 July 2015	149	1,418	–	121	1,688
Impairment losses recognised	6,620	24	–	1,362	8,006
Amounts written off as uncollectible	(129)	(24)	–	(1,483)	(1,636)
At 30 June 2016	6,640	1,418	–	–	8,058

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

	2016 *HK$'000*	2015 *HK$'000*
Accounts payable (current and within one month)		
Amounts due to brokers and clearing houses	**18,744**	121,682
Clients' accounts payable (net of bank and clearing house balances in segregated clients' accounts)	**62,718**	82,421
Others	**2,495**	2,666
	83,957	206,769
Other creditors, accruals and other provision	**25,471**	27,786
	109,428	234,555

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Market

The Hong Kong market reached its recent peak in April 2015 and began a long downward trend until February 2016. Most negative factors were related to the PRC economy, including over-gearing of the A share market, unexpected devaluation of the RMB, defaults of borrowers in both international and domestic bond markets and weak macroeconomic data. The first interest rate hike of the United States in December 2015 also created more uncertainty in the global markets, as the European and the Japanese central banks are still increasing their quantitative easing measures. A number of central banks are adopting negative interest rates. Recently, a few European corporates are issuing corporate bonds at negative interest rates. This unprecedented practice is creating uneasiness in the market. Amid all these macroeconomic changes, the Hong Kong market is reacting positively to the coming launch of the Shenzhen-Hong Kong Stock Connect. There are still a large number of economic and political events in the coming months, the outcome of which will determine the direction of market movements in the future.

The Hang Seng Index closed at 20,794 at the end of June 2016, compared with 26,250 at the end of June 2015 and 21,914 at the end of December 2015. The average monthly turnover on the Main Board and GEM Board during the year ended 30 June 2016 ("FY2016") was approximately HK$1,591 billion, as compared to HK$2,059 billion for FY2015. Funds raised from IPOs on the Main Board and GEM Board in FY2016 was HK$174 billion, as compared to HK$277 billion for FY2015.

Financial Highlights

The Group recorded a loss of HK$72 million for FY2016, as compared to a profit of HK$12 million for FY2015. The loss attributable to owners of the Company was HK$70 million for FY2016, as compared to a profit of HK$9 million for FY2015. After taking into account the other comprehensive income for the period, the total comprehensive expense attributable to owners of the Company was HK$57 million, as compared to a total comprehensive income of HK$35 million for FY2015. The revaluation surplus recognised for the land and building held for own use was HK$12 million for FY2016, compared with HK$24 million for FY2015.

Commission and fee income from our financial intermediary business dropped from HK$93 million for FY2015 to HK$86 million for FY2016. Brokerage commission income declined from HK$44 million for FY2015 to HK$31 million. This was partly due to the reduction in market turnover of the HK stock market and trading volume of institution clients. Interest and dividend income was HK$20 million for FY2016, slightly increased as compared to HK$18 million for FY2015. The Group received rental income of HK$3 million from the investment properties located at Hong Kong and Beijing for FY2016. The Group recorded a net loss on the disposal of financial assets/liabilities and the remeasurement to fair value of HK$35 million for FY2016, as compared to a net gain of HK$17 million for FY2015. The Group disposed of an available-for-sale investment and recognised a loss of HK$14 million in FY2016 while there was no disposal of available-for-sale investment in FY2015.

General and administrative expenses amounted to HK$121 million for FY2016, compared to HK$107 million for FY2015. The impairment loss for accounts receivable due from clients was HK$8 million for FY2016, while it was insignificant in FY2015. The Group also increased spending in promotional expenses to address the more challenging market environment. The devaluation of RMB also led to higher exchange losses.

As explained in the notes to the financial statements, 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$47 million for FY2016, compared with HK$59 million for FY2015. The division launched a mobile trading application and upgraded the internet trading platform during the period to increase our competitiveness. The division is working continuously to improve its services delivery standard by upgrading its technology, amid strong competition from banks and other service providers.

The Company placed new shares to an independent third party placee on 13 July 2015. The placee only partially paid HK$29 million to the placing agent, a subsidiary of the Group, during the year, however, the remaining balance of HK$73 million was settled in July 2016.

The margin lending book has grown to HK$71 million as at the end of June 2016. The growth was driven by an increased demand from the Group's corporate clients and high net worth clients. The average loans outstanding amount for FY2016 was similar to FY2015, hence, the interest income from margin and cash clients was almost the same in these two fiscal years. The division provided an impairment loss of HK$7 million for a margin loan client during the year. The market price of the listed company's shares pledged by the margin client dropped by about 90% within a day after the media reported that the shares held by the substantial shareholder were charged. Our credit control department promptly sold these shares at market according to the credit control policy. The division appointed solicitors to recover the outstanding loan, however, we were unable to locate the client. The division provided an impairment loss of HK$7 million for this margin loan. Our credit control department will cautiously handle the increased demand in margin loans during this volatile market.

During the year, the Group has set up a wholly owned Guangzhou based factoring company and it commenced operations in April 2016. The company was the first foreign owned factoring company established in China (Guangdong) Pilot Free Trade Zone. Looking ahead, the Group will continue to seek different opportunities to expand its loan financing business.

Corporate Finance and Capital Markets

Total revenue of the division was HK$53 million for FY2016, compared with HK$54 million for FY2015. The number of newly listed companies on the Stock Exchange of Hong Kong in FY2016 was 82, compared with 86 companies in FY2015. However, the funds raised from IPOs dropped significantly from HK$277 billion for FY2015 to HK$174 billion for FY2016. The division, acting as the sponsor, completed the listing of Wan Kei Group Holdings Limited in August 2015 and Ching Lee Engineering Limited in March 2016. The division also acted as compliance advisor of several listed companies and completed a number of financial advisory projects in FY2016. As a result, advisory fee income increased by HK$10 million to HK$30 million in FY2016, compared with HK$20 million in FY2015. The division completed more than ten placing transactions in both FY2016 and FY2015. However, the fund size of the fund raising transactions participated in by the division decreased, hence, the underwriting and placing commission income decreased from HK$26 million in FY2015 to HK$18 million in FY2016. A provision for bad debt of HK$1 million was recorded in FY2016 which related to long outstanding advisory fees receivables due from several clients. No such provision was provided in FY2015.

The Group filed a writ of summons against one of our corporate finance clients to recover advisory fees in the amount of approximately HK$1 million during the year. On 19 August 2016, the parties entered into a settlement agreement and are currently in the process of filing the consent order with the court.

Asset Management

Total revenue of the division was HK$1 million for FY2016, compared with HK$3 million for FY2015. The division faced great challenges with poor market sentiment and increasing number of market competitors in FY2016. Hang Seng Index declined 21% during FY2016, as a result, the management fee and performance fee received from the investment fund decreased by HK$2 million in FY2016 when compared with FY2015.

Proprietary Investment

The Group continued to diversify its investment portfolio and invested in listed equities and derivatives, listed debt securities, unlisted private investment fund, unlisted convertible bonds and investment properties. As market dynamics are changing rapidly, more flexibility in investment horizons and products structuring is required. Management therefore merged the investment in securities and structured investment divisions into proprietary investment division to better manage our portfolio. As the investment properties are held for long term purpose, a new segment of properties investment division was separately disclosed from proprietary investment.

Total revenue of the division was HK$8 million for FY2016, compared with HK$7 million for FY2015. After including net gain/loss on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value and disposal of an available-for-sale investment, total loss was HK$42 million for FY2016, compared with total profit of HK$24 million for FY2015. The Hang Seng Index rose to a 7-year record high of 28,433 on 28 April 2015 and closed at 26,250 on 30 June 2015. However, the Index had been heading downwards since July 2015 and reached a recent low of 18,320 on 12 February 2016. The Index rebounded to 20,794 on 30 June 2016, representing a decrease of 21% when compared to 30 June 2015. Under such volatile market conditions, our investment portfolio, investment fund and private equity fund recorded loss in FY2016. The performance of the private equity fund significantly underperformed the Hang Seng Index and we early redeemed it during the year. The Group recorded a loss of HK$14 million for this investment.

Properties Investment

Total revenue of the division was HK$3 million for FY 2016, while there was no revenue recognised for FY2015. The property located at Beijing previously recorded as "own use office" was transferred from land and buildings held for own use to investment properties in December 2015 after the entering into the rental agreement with an independent third party. The Group also leased out the investment property located at Kwun Tong during the year. The rental income received from these properties provided stable cash inflow for the division. Total Hong Kong retail sales value declined and overall prime street rents have dropped during FY2016, therefore the fair value of our retail shop located at Kwun Tong decreased by HK$1 million in FY2016 when compared with FY2015.

Outlook

The divergence of financial markets is getting more complicated. The United States, being the largest economy in the world, is in an interest rate hike and liquidity tightening cycle and there is debate in the market on the timing of the next interest rate increase. The US capital market is in a good shape with major indices breaking historical heights in recent weeks. However, the European and the Japanese central banks are still discussing about more quantitative easing measures and higher negative interest rates to jump start their economies. China, being the second largest economy, is still fine tuning its macroeconomic policies to deal with its excess production capacities, rein in the ballooning credits whilst maintaining a modest economic growth at the same time. Hong Kong is still suffering from the political confrontation from last year and most initiatives to improve the competitiveness of Hong Kong are moving slowly. With the announcement that the Shenzhen Hong Kong Stock Connect Program will be launched before the end of the year, hopefully the local financial market will become more active and vibrant. Management will continue to steer the Group with caution and aim to bring better returns to our stakeholders.

Capital Structure

In July 2015, the Company completed the placement of 270,000,000 new shares with net proceeds amounting to HK$101 million. Approximately HK$23 million was used to finance the loan financing business. Approximately HK$78 million was used to finance the brokerage business.

Liquidity and Financial Resources

Total assets as at the end of June 2016 were HK$1,148 million, of which approximately 56% were current in nature. Net current assets were HK$483 million, accounting for approximately 50% of the net assets of the Group as at end of June 2016. The Group had cash and cash equivalents of HK$150 million as at end of June 2016, which were mainly denominated in Hong Kong dollars.

The Group generally finances its daily operations from internal resources. Total borrowing of approximately HK$17 million at the end of June 2016 represented a secured bank loan of HK$10 million and an unsecured bank overdraft of HK$7 million for financing the investment portfolio of the Group. The bank loan and overdraft were fully repaid in July 2016. The bank loan and overdraft were denominated in Hong Kong dollars and charged at floating interest rate. The debt securities with fair value of HK$38 million and bank balances of HK$3 million were pledged as securities again bank loan granted to the Group. The Group's gearing ratio, calculated as a percentage of total borrowings over shareholder's equity, was approximately 2% at the end of June 2016.

A secured bank loan facility of HK$60 million matured in January 2016 and the Group fully repaid the amount in April 2016. The lending interest rate for property loan dropped at early 2016, hence, the Group negotiated a replacement banking facility with another bank which provided a lower interest rate. The new bank facility with total loan amount of HK$150 million was available in August 2016 and the office property with carrying value of HK$300 million was pledged as securities.

Foreign Exchange Exposure

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

Employment, Training and Development Policies

As at 30 June 2016, the number of full time employees of the Group was 99 (2015: 95). 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 2016 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 and, pursuant to code provision A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Non-Executive Directors of the Company are not 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 Tuesday, 22 November 2016, the payment of a final dividend of 0.25 HK cent per ordinary share for the year ended 30 June 2016 to shareholders whose names appear on the Register of Members of the Company on Monday, 28 November 2016, if approved, the final dividend will be paid on Thursday, 8 December 2016.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The Register of Members of the Company will be closed from Thursday, 17 November 2016 to Tuesday, 22 November 2016, 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 2016 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 Wednesday, 16 November 2016.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The Register of Members of the Company will be closed on Monday, 28 November 2016 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 Friday, 25 November 2016.

AUDIT COMMITTEE REVIEW

The Group's audited consolidated financial results for the year ended 30 June 2016 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 2016 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 2016, 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, 19 September 2016

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