SUNWAH KINGSWAY
新華滙富

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

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

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

The Board of Directors of Sunwah Kingsway Capital Holdings Limited (the "Company") hereby submit the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2016.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Six months ended 31 December** **2016** **Unaudited** ***HK$'000***	2015 Unaudited *HK$'000*
Revenue	*3*		
Commission and fee income		**35,160**	43,519
Interest and dividend income		**15,625**	9,362
Rental income		**1,960**	672
		52,745	53,553
Net loss on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	*3*	**(913)**	(20,940)
Other income and gains or losses	*3*	**(1,724)**	(1,275)
		50,108	31,338
Operating expenses			
Commission expenses		**(2,839)**	(5,848)
General and administrative expenses		**(58,758)**	(56,157)
Finance costs		**(317)**	(713)
		(11,806)	(31,380)
Fair value changes on investment properties		**(1,447)**	53
Impairment loss for loans to an associate		**(1,700)**	–
Impairment loss for other receivable		**(78)**	(96)
Fair value changes on non-controlling interests in consolidated investment fund	*3*	**(235)**	839
Share of (loss)/profit of associates	*3*	**(68)**	851
Loss before tax	*4*	**(15,334)**	(29,733)
Income tax expenses	*5*	**(239)**	(35)
Loss for the period		**(15,573)**	(29,768)
Attributable to:			
Owners of the Company		**(15,583)**	(29,628)
Non-controlling interests		**10**	(140)
Loss for the period		**(15,573)**	(29,768)
Basic loss per share	*7*	**(0.3) HK cent**	(0.5) HK cent
Diluted loss per share	*7*	**(0.3) HK cent**	(0.5) HK cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 December	
	2016	2015
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Loss for the period	**(15,573)**	(29,768)
Other comprehensive income/(expenses):		
Items that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of land and buildings held for own use (net of tax)	**543**	6,247
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of overseas subsidiaries	**623**	1,591
Fair value changes on available-for-sale investments	**–**	(7,554)
	623	(5,963)
Other comprehensive income for the period	**1,166**	284
Total comprehensive expenses for the period	**(14,407)**	(29,484)
Total comprehensive (expenses)/income attributable to:		
Owners of the Company	**(14,417)**	(29,344)
Non-controlling interests	**10**	(140)
Total comprehensive expenses for the period	**(14,407)**	(29,484)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2016 Unaudited** *HK$'000*	30 June 2016 Audited (restated) *HK$'000*
Non-current assets			
Investment properties		**89,854**	91,301
Properties and equipment		**317,449**	323,251
Intangible assets		**2,051**	2,051
Interests in associates		**14,014**	14,082
Available-for-sale investments		**35,995**	35,995
Financial assets at fair value through profit or loss		**19,500**	–
Other receivable	*8*	**32,295**	32,373
Other financial assets		**7,789**	9,289
		518,947	508,342
Current assets			
Investment in an unlisted bond		**–**	10,000
Loans to associates		**3,003**	2,296
Financial assets at fair value through profit or loss		**239,731**	168,875
Accounts, loans and other receivables	*9*	**253,215**	317,269
Pledged bank balances		**–**	3,274
Bank balances and cash – trust accounts		**508,771**	498,434
Cash and cash equivalents		**180,111**	150,372
		1,184,831	1,150,520
Current liabilities			
Financial liabilities at fair value through profit or loss		**8,043**	13,681
Net assets attributable to holders of non-controlling interests in consolidated investment fund		**19,785**	15,671
Accruals, accounts and other payables	*10*	**636,937**	620,010
Bank loans and overdraft		**75,000**	17,100
Current taxation		**1,461**	1,459
		741,226	667,921
Net current assets		**443,605**	482,599
Total assets less current liabilities		**962,552**	990,941
Non-current liabilities			
Deferred tax liabilities		**21,350**	21,529
NET ASSETS		**941,202**	969,412
CAPITAL AND RESERVES			
Share capital		**552,130**	552,130
Reserves		**388,944**	417,164
Equity attributable to owners of the Company		**941,074**	969,294
Non-controlling interests		**128**	118
TOTAL EQUITY		**941,202**	969,412

NOTES

1 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34, Interim Financial Reporting ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2 SIGNIFICANT ACCOUNTING POLICIES

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

Except as described in note 11, the accounting policies and methods of computation used in these unaudited condensed consolidated financial statements for the six months ended 31 December 2016 are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016.

In the current interim period, the Group has applied, for the first time, a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period. The application of the amendments to HKFRSs in the current interim period has had no material impact on the amounts reported and disclosures set out in these condensed consolidated financial statements.

3 SEGMENT INFORMATION

The Group has separately disclosed "Properties investment" from "Proprietary investment" in the 2016 annual financial statements and in this interim report. The Group has managed this "Proprietary investment" segment as a whole. Segment liabilities are not presented as they are not regularly reviewed by the chief operating decision maker. The directors consider that this change result in a more effective management of segment assets. The comparative figures for Proprietary investment segment and Properties investment segment were restated.

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

	Six months ended 31 December 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*
Revenue from external customers	**4,836**	**1,960**	**23,526**	**21,221**	**–**	**1,202**	**52,745**
Inter-segment revenue	**1**	**–**	**727**	**–**	**615**	**10,329**	**11,672**
Segment revenue	**4,837**	**1,960**	**24,253**	**21,221**	**615**	**11,531**	**64,417**
Net (loss)/gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	**(3,677)**	**–**	**2,764**	**–**	**–**	**–**	**(913)**
Other income and gains or losses	**(105)**	**–**	**(209)**	**–**	**(3)**	**(1,407)**	**(1,724)**
Eliminations	**(1)**	**–**	**(727)**	**–**	**(615)**	**(10,329)**	**(11,672)**
Total income/(loss)	**1,054**	**1,960**	**26,081**	**21,221**	**(3)**	**(205)**	**50,108**
Segment results	**(5,300)**	**(1,075)**	**(875)**	**1,381**	**(642)**	**(8,520)**	**(15,031)**
Share of (loss)/profit of associates	**–**	**–**	**(93)**	**25**	**–**	**–**	**(68)**
Fair value changes on non-controlling interests in consolidated investment fund	**(235)**	**–**	**–**	**–**	**–**	**–**	**(235)**
Loss before tax							**(15,334)**

	Six months ended 31 December 2015						
	Proprietary investment (restated)	Properties investment (restated)	Brokerage	Corporate finance and capital markets	Asset management	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	3,928	672	25,067	23,576	–	310	53,553
Inter-segment revenue	2	–	764	2,030	89	9,597	12,482
Segment revenue	3,930	672	25,831	25,606	89	9,907	66,035
Net (loss)/gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	(21,686)	–	746	–	–	–	(20,940)
Other income and gains or losses	(167)	–	(385)	–	–	(723)	(1,275)
Eliminations	(2)	–	(764)	(2,030)	(89)	(9,597)	(12,482)
Total income/(loss)	(17,925)	672	25,428	23,576	–	(413)	31,338
Segment results	(23,725)	416	(600)	1,872	(732)	(8,654)	(31,423)
Share of profits of associates	13	–	838	–	–	–	851
Fair value changes on non-controlling interests in consolidated investment fund	839	–	–	–	–	–	839
Loss before tax							(29,733)

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

	31 December 2016	30 June 2016 (restated)
	HK$'000	*HK$'000*
Proprietary investment	**303,991**	210,942
Properties investment	**96,080**	97,772
Brokerage	**888,789**	948,355
Corporate finance and capital markets	**9,401**	11,750
Asset management	**5,382**	5,377
Others	**400,135**	384,666
Total assets	**1,703,778**	1,658,862

4 LOSS BEFORE TAX

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

	Six months ended 31 December	
	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	**(5,550)**	(25,791)
– debt securities	**1,325**	(582)
– derivatives and others	**3,312**	5,433
Dividends from listed equity securities	**2,125**	1,928
Interest income from		
– bank deposits	**571**	939
– margin and cash clients	**3,308**	1,788
– debt securities	**2,622**	1,955
– loans	**3,854**	2,735
– others	**3,145**	17
Staff costs	**(37,917)**	(33,771)
Operating lease charges – land and buildings	**(1,433)**	(1,360)
Depreciation	**(5,928)**	(5,891)
Interest expenses on		
– unsecured bank loans wholly repayable within one month and overdrafts	**(29)**	–
– secured bank loans wholly repayable within one year	**(288)**	(711)
– others	**–**	(2)
Impairment loss for accounts receivable	**–**	(24)
Exchange loss (net)	**(2,113)**	(2,109)

5 INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current tax		
– PRC	**2**	–
Deferred tax	**237**	35
	239	35

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the current and prior periods. No tax is payable on the profits of certain subsidiaries arising in Hong Kong for the period since the estimated assessable profits of these subsidiaries of the Group of HK$6.3 million (31 December 2015: HK$5 million) are wholly absorbed by tax losses brought forward. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25%.

The Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$445 million and HK$9 million for Hong Kong Profits Tax and PRC Enterprise Income Tax respectively (30 June 2016: HK$433 million and HK$8 million) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. 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.

6 DIVIDENDS

Dividends recognised as distributions during the period

	Six months ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, declared and paid of 0.25 HK cent per share (2015: 0.3 HK cent per share)	**13,803**	16,564

Subsequent to the end of the interim reporting period, at a meeting held on 13 February 2017, the directors declared an interim dividend of 0.2 HK cent per share (31 December 2015: 0.2 HK cent per share) with an aggregate amount of HK$11,043,000 (31 December 2015: HK$11,043,000) based on the number of shares in issue at 13 February 2017.

7 LOSS PER SHARE

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

	Six months ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic and diluted loss per share (Loss attributable to owners of the Company for the period)	**(15,583)**	(29,628)
Number of shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	**5,521,304,882**	5,500,815,752

8 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 was 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 parties to the litigation have agreed to non-binding mediation and are in the process of setting a date for mediation. 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.

9 ACCOUNTS, LOANS AND OTHER RECEIVABLES

	Notes	**31 December 2016**	30 June 2016 (restated)
		HK$'000	*HK$'000*
Accounts and loans receivables			
Amounts due from brokers and clearing houses	*(a)*	**77,554**	74,631
Amounts due from margin clients	*(b)*	**40,299**	77,566
Amounts due from cash clients	*(c)*	**77,534**	121,135
Fixed-rate loans receivable	*(d)*	**56,953**	33,065
Other accounts receivable	*(e)*	**2,629**	7,917
		254,969	314,314
Less: Impairment losses		**(8,058)**	(8,058)
		246,911	306,256
Prepayments, deposits and other receivables		**6,304**	11,013
		253,215	317,269

Notes:

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

The amount due from a broker of HK$13,262,000 (30 June 2016: HK$20,849,000) was pledged as securities for the stock borrowing transactions.

(b) Margin clients of the brokerage division are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them is determined based on a discount on the value of securities accepted by the Group. At 31 December 2016, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$233 million (30 June 2016: HK$390 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 day determined under the relevant market practices or exchange rules. A receivable of HK$18 million is 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 the Stock Exchange.

(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 are secured by personal/corporate guarantee, property located in Hong Kong and/or by unlisted securities. The contractual maturity date of the fixed-rate loan receivables is within one year.

(e) The balance included an amount of HK$90,000 (30 June 2016: HK$270,000) 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 impairment losses based on invoice/advanced/trade date/ contractual maturity date is as follows:

	31 December 2016	30 June 2016 (restated)
	HK$'000	*HK$'000*
Current and within one month	**244,694**	301,937
More than one month and within three months	**1,721**	1,101
More than three months	**496**	3,218
	246,911	306,256

10 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	31 December 2016	30 June 2016 (restated)
	HK$'000	*HK$'000*
Accounts payable (current and within one month)		
Amounts due to brokers and clearing houses	**23,215**	18,744
Clients' accounts payable	**582,876**	573,300
Others	**4,746**	2,495
	610,837	594,539
Other creditors, accruals and other provisions	**26,100**	25,471
	636,937	620,010

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 exceeding the margin requirement received from clients for their trading of commodities and futures contracts were payable on demand.

11 RESTATEMENT OF COMPARATIVES

In prior years, clients' monies held in segregated bank accounts, segregated clearing house accounts and respective clients' payables were not dealt with in the consolidated financial statements. During the six months ended 31 December 2016, the directors of the Company have considered the Group's client assets held on behalf of clients should be recognised and presented in the consolidated statement of financial position with corresponding accounts payable on a gross basis. The change results in a more appropriate presentation of the financial position of the Group which in conformity with industry and market practice. Accordingly, the comparatives in the consolidated statements of financial position were restated as illustrated below:

	As previously reported	Adjustments	Restated
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position as at 30 June 2016			
Current assets			
Accounts, loans and other receivables	305,121	12,148	317,269
Bank balances and cash – trust accounts	–	498,434	498,434
Current liabilities			
Accruals, accounts and other payables	109,428	510,582	620,010
Consolidated statement of financial position as at 1 July 2015			
Current assets			
Accounts, loans and other receivables	284,791	20,127	304,918
Bank balances and cash – trust accounts	–	831,246	831,246
Current liabilities			
Accruals, accounts and other payables	234,555	851,373	1,085,928

Other comparative figures have been reclassified to conform to the current interim period presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

The Market

In 2016, the PRC and Hong Kong financial markets were affected by the devaluation of the RMB and the uncertain economic outlook. The Hong Kong financial market was supported by the gradual recovery of the commodities markets and the confirmation in August of the launch of Shenzhen Hong Kong Stock Connect later in the year. The Hang Seng Index reached a recent high at 24,100 on 9 September 2016. However, the expected interest rate hikes in the US, economy slowdown in the Mainland and political and economic uncertainties in Europe still weighed on sentiment of the global financial markets. The matured economies outperformed the emerging economies due to the strength of the US currency which led to the outflow of funds from most emerging markets.

The Hang Seng Index closed at 22,001 at the end of December 2016, compared with 20,794 at the end of June 2016 and 21,914 at the end of December 2015. The average monthly turnover on the Main Board and GEM Board during the six months ended 31 December 2016 ("the first half year of FY2017") was approximately HK$1,371 billion, dropped by 25% as compared with HK$1,821 billion for the first half year of FY2016. Funds raised from IPOs on the Main Board in the first half year FY2017 increased by 13% to HK$148 billion, as compared with HK$131 billion for the first half year of FY2016, mainly boosted by the listing of Postal Savings Bank of China Co., Ltd. at end of September that accounted for approximately 40% of the funds raised from IPOs during the period.

Financial Highlights

The Group recorded a loss of HK$16 million for the first half year of FY2017, as compared to a loss of HK$30 million for the first half year of FY2016. After taking into account the other comprehensive income for the period, the Group recorded a total comprehensive expense of HK$14 million, as compared to a total comprehensive expense of HK$29 million for the first half year of FY2016.

Commission and fee income from our financial intermediary business was HK$35 million for the first half year of FY2017, as compared with HK$44 million for the first half year of FY2016. Interest and dividend income was HK$16 million for the first half year of FY2017, an increase of 67% as compared with HK$9 million for the first half year of FY2016. Rental income from investment properties was HK$2 million for the first half year of FY2017, as compared with HK$1 million for the first half year of FY2016. The Group recorded a net loss on the disposal of financial assets/liabilities and the remeasurement to fair value of HK$1 million for the first half year of FY2017, as compared with HK$21 million for the first half year of FY2016. General and administrative expenses amounted to HK$59 million for the first half year of FY2017, slightly increased from HK$56 million for the first half year of FY2016. Staff costs increased by HK$4 million, mainly caused by the variable compensation related to the completion of the Company's capital raising project during the period.

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.

Business Development

On 1 December 2016, the Group entered into a joint venture agreement with several joint venture partners to establish a joint venture company in Chongqing, the PRC. Subject to final approvals of the China Securities Regulatory Commission ("CSRC"), it is contemplated that the joint venture company will become a full-licensed securities company principally engaged in the provision of regulated securities brokerage services, securities underwriting and sponsor services, proprietary trading, securities and asset management and any other business approved by the CSRC in the PRC. Pursuant to the joint venture agreement, the Group will make a capital contribution of RMB330 million (equivalent to approximately HK$372 million) into the joint venture Company, representing a 22% equity interest in the joint venture company. The transaction will be fully financed by the Group's internal resources and/or borrowings from financial institutions and/or alternative debt or equity financing. The Group will convene a special general meeting for the Company's shareholders to consider and approve the joint venture agreement and the transactions in February 2017.

The Group set up a representative office in Vietnam during the first half year of FY2017 to address the increased global investment interest in Vietnam. The representative office will identify both local and international enterprises in Vietnam for our client services teams to provide various advisory services in Hong Kong.

Brokerage

Total revenue of the division was HK$24 million for the first half year of FY2017, as compared with HK$26 million for the first half year of FY2016. The average daily market turnover decreased by 23% to HK$66 billion for the first half year of FY2017, compared with HK$86 billion for the first half year of FY2016. Hence, our brokerage commission income decreased by HK$6 million to HK$12 million for the first half year of FY2017, as compared with HK$18 million for the first half year of FY2016. As a result of the increase in the average loans outstanding amount, interest income from brokerage and loan financing clients increased by HK$2 million to HK$7 million for the first half year, as compared with HK$5 million for the first half year of FY2016.

The Company placed new shares to an independent third party placee on 13 July 2015. The placee paid the remaining balance of the placing proceeds of HK$73 million to the placing agent, a subsidiary of the Group, in July 2016 and paid interest expense of HK$3 million for the late settlement of the proceeds during the period.

Corporate Finance and Capital Markets

Total revenue of the division was HK$21 million for the first half year of FY2017, as compared with HK$26 million for the first half year of FY2016. The division, acting as the sponsor, completed the listing of Crosstec Group Holdings Limited in September 2016. The division also acted as compliance advisor of several listed companies and completed a number of financial advisory projects in this period. As a result, advisory fee income increased by HK$3 million to HK$16 million for the first half year of FY2017, as compared with HK$13 million for the first half year of FY2016. Capital market remained lacklustre in our target client segment and the underwriting and placement fee decreased to HK$5 million for the first half year of FY2017 from HK$10 million for the first half year of FY2016.

Asset Management

Total revenue of the division was HK$1 million for the first half year of FY2017. The division is now approaching several private equity funds and high net worth clients to provide assets management services to generate more revenue.

Proprietary Investment

Total revenue of the division was HK$5 million for the first half year of FY2017, as compared with HK$4 million for the first half year of FY2016. After including net loss on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value, total income was HK$1 million for the first half year of FY2017, as compared with total loss of HK$18 million for the first half year of FY2016. As at 31 December 2016, the carrying value of the unlisted investments, listed securities and listed debt securities was HK$36 million, HK$194 million and HK$65 million respectively (30 June 2016: HK$36 million, HK$125 million and HK$44 million). The Group continued to diversify its investment portfolio by invested in different investment products managed by external and internal investment managers. The Hang Seng Index rebounded and reached a recent high of 24,100 on 9 September 2016 from 20,794 on 30 June 2016 and closed at 22,000 on 31 December 2016. Under such volatile market conditions, our investment portfolio recorded a trading loss of HK$4 million for the first half year of FY2017. The investment portfolio received interest and dividend income of HK$5 million which compensated the trading loss recorded.

Properties Investment

Total revenue of the division was HK$2 million for the first half year of FY2017, as compared with HK$1 million for the first half year of FY2016. 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, therefore the fair value of our retail shop located at Kwun Tong decreased by HK$1 million to HK$60 million for the first half year of FY2017. The fair value of our office property located at Beijing was HK$27 million. Fair value decreased by an immaterial amount as a result of the devaluation in the RMB.

Outlook

Despite of the uncertainties following the inauguration of the new President of the United States, most capital markets performed well during January 2017. However, the markets are still concerned about the political uncertainties arising from upcoming elections in France and Germany and the pace of interest rate hikes in the United States. There are also increased concerns on the international trade relationships following the signing of an executive order by the new President of the United States to withdraw from the Trans-Pacific Partnership. As an international financial centre, the Hong Kong market is going to be affected by any unexpected developments in these international events.

Liquidity and Financial Resources

Total assets as at the end of December 2016 were HK$1,704 million, of which approximately 70% were current in nature. Net current assets were HK$444 million, accounting for approximately 47% of the net assets of the Group as at end of December 2016. The Group had cash and cash equivalents of HK$180 million as at end of December 2016, which was mainly denominated in Hong Kong dollars.

The Group generally finances its daily operations from internal resources. Total secured borrowings of HK$75 million as at the end of December 2016 was used to finance the investment portfolio of the Group. The bank borrowings were secured by the office property with carrying value of HK$297 million and corporate guarantee of HK$150 million provided by the Company. The bank loans were denominated in Hong Kong dollars and charged at floating interest rate. The Group's gearing ratio, calculated as a percentage of total borrowings over shareholder's equity, was approximately 8% as at the end of December 2016.

The Group had no material contingent liabilities as at the end of December 2016. The Company provided corporate guarantees of HK$364 million for banking facilities granted to its subsidiaries.

Foreign Exchange Exposure

The Group's assets are mainly in Hong Kong and the PRC and most of the monetary assets and liabilities of the Group are denominated in HK$. As part of our investment monitoring, financial assets denominated in foreign currencies, including equity and debt investments, are monitored on a daily basis together with the changes in market value of these investments. Financial instruments may be used as part of the overall investment strategy if deemed necessary by the investment managers. The Group 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.

Employees

As at 31 December 2016, the number of full time employees of the Group was 102 (30 June 2016: 97). Remuneration and bonus are based on performance and are reviewed annually in conjunction with the annual employee performance appraisal. It also takes into consideration the results of the division to which the employee belongs and the Group as a whole. The Group provides a full induction program and in-house training courses to all staff – particularly professionals registered with relevant regulatory bodies who must meet their mandatory continued professional training requirements. A share option scheme is available to directors, employees and consultants of the Group.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 0.2 HK cent per ordinary share for the six months ended 31 December 2016 (six months ended 31 December 2015: 0.2 HK cent). The dividend will be payable on Thursday, 20 April 2017 to shareholders whose names appear on the Register of Members at the close of business on Thursday, 23 March 2017.

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 six months ended 31 December 2016 except for a deviation which is summarised below:

Pursuant to code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to reelection 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 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 six months period under review and they have all confirmed that they have complied with the required standard set out in the Model Code.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 21 March 2017 to Thursday, 23 March 2017, both days inclusive, during which period no transfers of shares will be registered. To determine entitlement to the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited (at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:00p.m. on Monday, 20 March 2017.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the interim report and the unaudited condensed consolidated financial statements for the six months ended 31 December 2016. Terms of reference of the Audit Committee are available on request to shareholders of the Company. The Audit Committee is also responsible for reviewing the Group's financial controls, risk management and internal control systems. The Audit Committee has begun to implement the above responsibilities, including without limitation, reviewing the Company's risk relating to strategy, operation and finance and enhancing the Group's capacity to cope with the risk associated with the business of the Group.

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

During the six months ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The Group's external auditor has carried out a review of the unaudited condensed consolidated financial statements in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu independent review report is included in the interim report to be sent to shareholders.

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

Hong Kong, 13 February 2017

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 and Robert Tsai To Sze, Elizabeth Law and Huanfei Guan as Independent Non-Executive Directors.