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 2017

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 2017.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2017

	Notes	2017 HK$'000	2016 (restated) HK$'000
Revenue			
Commission and fee income		**86,675**	86,106
Interest and dividend income		**27,337**	19,903
Rental income		**4,407**	3,179
	4	**118,419**	109,188
Net gain/(loss) on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	4	**16,186**	(34,513)
Net gain/(loss) on disposal of an available-for-sale investment	4	**7**	(13,656)
Other income and gain or losses	4	**(3,171)**	(11,008)
		131,441	50,011
Operating expenses			
Commission expenses		**(7,659)**	(9,994)
General and administrative expenses		**(123,214)**	(109,734)
Finance costs		**(689)**	(1,289)
		(121)	(71,006)
Fair value changes on investment properties		**1,486**	(1,459)
Impairment loss on an available-for-sale investment		**(615)**	–
Fair value changes on non-controlling interests in consolidated investment fund	4	**(946)**	1,775
Share of (losses)/profits of associates	4	**(451)**	605
Loss before tax	5	**(647)**	(70,085)
Income tax expense	6	**(1,274)**	(213)
Loss for the year		**(1,921)**	(70,298)
Attributable to:			
Owners of the Company		**(1,929)**	(69,912)
Non-controlling interests		**8**	(386)
Loss for the year		**(1,921)**	(70,298)
Basic loss per share	8	**(0.03) HKcent**	(1.27) HKcent
Diluted loss per share	8	**(0.03) HKcent**	(1.27) HKcent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	2017	2016 (restated)
	HK$'000	*HK$'000*
Loss for the year	**(1,921)**	(70,298)
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)	**32,032**	11,797
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of overseas subsidiaries	**428**	1,841
Fair value changes on an available-for-sale investment	**–**	(14,619)
Reclassification upon disposal of an available-for-sale investment	**–**	13,656
	428	878
Other comprehensive income for the year	**32,460**	12,675
Total comprehensive income/(expense) for the year	**30,539**	(57,623)
Total comprehensive income/(expense) attributable to:		
Owners of the Company	**30,531**	(57,237)
Non-controlling interests	**8**	(386)
Total comprehensive income/(expense) for the year	**30,539**	(57,623)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	**2017** **HK$'000**	2016 (restated) *HK$'000*	2015 (restated) *HK$'000*
Non-current assets				
Investment properties		**92,787**	91,301	64,900
Properties and equipment		**348,986**	323,251	343,545
Intangible assets		**2,051**	2,051	2,051
Interests in associates		**13,631**	14,082	16,325
Available-for-sale investments		**34,170**	35,995	39,967
Financial assets at fair value through profit or loss		**20,823**	–	–
Other receivable	*9*	–	32,373	32,642
Other financial assets		**29,973**	9,289	11,357
		542,421	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		**142,086**	168,875	157,217
Accounts, loans and other receivables	*10*	**421,212**	317,269	304,918
Pledged bank balances		–	3,274	–
Bank balances and cash – trust account		**798,269**	498,434	831,246
Cash and cash equivalents		**179,840**	150,372	369,515
		1,541,407	1,150,520	1,664,114
Current liabilities				
Financial liabilities at fair value through profit or loss		**2,806**	13,681	1,940
Net assets attributable to holders of non-controlling interests in consolidated investment fund		**15,266**	15,671	17,446
Accruals, accounts and other payables	*11*	**1,031,103**	620,010	1,085,928
Bank loans and overdraft		**30,000**	17,100	95,000
Current taxation		**1,662**	1,459	1,450
		1,080,837	667,921	1,201,764
Net current assets		**460,570**	482,599	462,350
Total assets less current liabilities		**1,002,991**	990,941	973,137
Non-current liabilities				
Deferred tax liabilities		**27,886**	21,529	19,937
NET ASSETS		**975,105**	969,412	953,200
CAPITAL AND RESERVES				
Share capital		**552,130**	552,130	523,130
Reserves		**422,849**	417,164	429,566
Equity attributable to owners of the Company		**974,979**	969,294	952,696
Non-controlling interests		**126**	118	504
TOTAL EQUITY		**975,105**	969,412	953,200

NOTES

1 APPLICATION OF NEW AND AMENDMENTS TO 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 year and/or on the disclosures set out in these 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 7	Disclosure Initiative[2]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments ot HKFRSs	Annual Improvements to HKFRSs 2014 -2016 Cycle[5]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related amendments[1]
HKFRS 16	Leases[3]
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[3]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 January 2019
[4] Effective for annual periods on or after a date to be determined
[5] Effective for annual periods on or after 1 January 2017 or 1 January 2018, as appropriate

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

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

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, the Group has non-cancellable operating lease commitments of HK$6,285,000. A preliminary assessment indicates that these arrangement will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 are described below:

– All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent 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 have contractual terms of the financial asset that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("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.

Based on the Group's financial instruments and risk management policies as at 30 June 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. Furthermore, additional disclosures are required under HKFRS 7 "Financial Instruments: Disclosures". However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

Except for the standards mentioned as above, 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 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance. Except as described in note 3, the accounting policies and methods of computation used in these consolidated financial statements for the year ended 30 June 2017 are consistent with those applied in the prior year.

3 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 year ended 30 June 2017, 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 is in conformity with industry and market practice. The restatement has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding year. Hence, the Group presented a third statement of financial position as at the beginning of the preceding year and the comparatives in the consolidated statements of financial position were restated as illustrated below:

	As previously reported	**Adjustment**	**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

Certain comparative figures have also been reclassified to conform with the current annual year presentation.

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

	2017						
	Proprietary investment *HK$'000*	Property investment *HK$'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	9,361	4,407	42,910	58,539	167	3,035	118,419
Inter-segment revenue	2	–	1,608	–	1,255	28,327	31,192
Segment revenue	9,363	4,407	44,518	58,539	1,422	31,362	149,611
Net gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	13,303	–	2,883	–	–	–	16,186
Net gain on disposal of an available-for-sale investment	7	–	–	–	–	–	7
Other income and gain or losses	233	–	(2,981)	(2)	1	(422)	(3,171)
Eliminations	(2)	–	(1,608)	–	(1,255)	(28,327)	(31,192)
Total income	22,904	4,407	42,812	58,537	168	2,613	131,441
Segment results	8,542	2,165	(11,817)	5,439	(1,467)	(2,112)	750
Share of losses of associates	–	–	(451)	–	–	–	(451)
Fair value changes on non-controlling interests in consolidated investment fund	(946)	–	–	–	–	–	(946)
Loss before tax							(647)
Segment assets							
Segment assets	309,162	118,235	1,302,170	14,227	5,400	408,555	2,157,749
Interests in associates	–	–	13,631	–	–	–	13,631
							2,171,380
Eliminations							(87,552)
Total assets							2,083,828
Other segmental information							
Depreciation	–	1,208	238	2	–	10,160	11,608
Addition to non-current assets	–	–	–	–	–	–	–
Impairment losses for accounts receivable (net)	–	–	287	85	–	11	383
Commission expenses	232	–	6,608	819	–	–	7,659
Interest expenses	40	130	79	–	–	440	689
Interest income	5,588	–	17,951	1	–	24	23,564

	2016						
	Proprietary investment *HK$'000*	Property investment *HK$'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 and gain or losses	(314)	–	(8,626)	(1,305)	325	(1,088)	(11,008)
Eliminations	(3)	–	(1,541)	(2,030)	(697)	(21,735)	(26,006)
Total (loss) income	(42,011)	3,179	38,797	49,794	325	(73)	50,011
Segment results	(53,869)	(472)	(12,814)	7,644	(1,882)	(11,072)	(72,465)
Share of profits of associates	13	–	592	–	–	–	605
Fair value changes on non-controlling interests in consolidated investment fund	1,775	–	–	–	–	–	1,775
Loss before tax							(70,085)
Segment assets							
Segment assets (restated)	264,449	97,772	934,279	11,750	5,377	384,666	1,698,293
Interests in associates	–	–	14,082	–	–	–	14,082
							1,712,375
Eliminations							(53,513)
Total assets							1,658,862
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
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

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, financial assets at fair value through profit or loss, other receivable and other financial assets), based on the location of assets.

	Revenue		**Non-current assets**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**110,924**	98,487	**398,571**	373,619
The People's Republic of China (the "PRC")	**5,240**	4,282	**45,253**	42,984
Other	**2,255**	6,419	**–**	–
	118,419	109,188	**443,824**	416,603

5 LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2017	2016
	HK$'000	*HK$'000*
Net gain/(loss) on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value		
Held for trading investments		
– equity securities	**6,402**	(45,308)
– debt securities	**1,816**	789
– derivatives	**5,475**	10,006
Financial assets designated at fair value through profit or loss		
– investment loan	**2,493**	–
Dividend from listed equity securities	**3,773**	3,616
Interest income from		
– bank deposits	**1,583**	1,596
– margin and cash clients	**5,502**	3,419
– debt securities	**5,343**	4,352
– loans	**7,854**	5,536
– others	**3,282**	1,384
Staff costs	**(76,473)**	(64,331)
Minimum operating lease charges – land and buildings	**(3,409)**	(2,759)
Depreciation	**(11,608)**	(11,912)
Interest on		
– unsecured bank loans wholly repayable within one month and overdrafts	**(43)**	(150)
– secured bank loans wholly repayable within one year	**(582)**	(1,133)
– others	**(64)**	(6)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. The charge for the year to Hong Kong Profits Tax has been relieved by approximately HK$2,514,000 (2016: HK$2,290,000) as a result of tax losses brought forward from previous years of HK$15,237,000 (2016: HK$13,879,000).

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%.

	2017	2016
	HK$'000	*HK$'000*
Current tax – Provision for Hong Kong Profits Tax		
Tax expense for the year	**228**	9
Deferred tax		
Tax expense for the year	**1,046**	204
Income tax expense	**1,274**	213

As at 30 June 2017, the Group has unused estimated tax losses of approximately HK$459 million (2016: HK$455 million). A deferred tax asset of HK$2,269,000 (2016: HK$2,354,000) has been recognised in respect of tax losses of approximately HK$14 million (2016: approximately HK$14 million). The Group has not recognised deferred tax asset in respect of the remaining tax losses of approximately HK$445 million (2016: HK$441 million) due to the unpredictability of future profit streams. The tax losses of approximately HK$435 million (2016: HK$434 million) are from subsidiaries incorporated in Hong Kong and will not expire under current tax regulation while tax losses of approximately HK$10 million (2016: HK$7 million) are from PRC subsidiaries and are subject to expiry periods from 2020 to 2022 (2016: from 2020 to 2021) under the current tax legislation.

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

	2017	2016
	HK$'000	*HK$'000*
Interim dividend paid of 0.2 HK cent per share (2016: 0.2 HK cent per share)	**11,043**	11,043
Final dividend proposed after the end of the reporting period of 0.25 HK cent per share (2016: 0.25 HK cent per share)	**13,803**	13,803
	24,846	24,846

8 LOSS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic and diluted loss per share		
Loss for the year attributable to owners of the Company	**(1,929)**	(69,912)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**5,521,304,882**	5,511,004,336

9 OTHER RECEIVABLE

During the year ended 30 June 2011, the Group deposited an amount of HK$40,000,000 (the "Escrow Funds"), into an escrow account maintained by an international law firm in Hong Kong pursuant to the terms of an escrow agreement dated 28 March 2011. As has been widely reported, a partner of the law firm with which the funds were deposited has been arrested by the Hong Kong Police and charged with theft and forgery with respect to monies held in the law firm's escrow account. In August 2013, it was reported that the partner pleaded guilty to fraud and money laundering and was 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 had 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 in March 2017. In April 2017, the Group reached a confidential settlement with the firm and received the settlement amount in May 2017. It is considered that the settlement did not cause any material impact to the Group.

10 ACCOUNTS, LOANS AND OTHER RECEIVABLES

		2017	2016
			(restated)
	Notes	*HK$'000*	*HK$'000*
Accounts and loans receivables			
Amounts due from brokers and clearing houses	*(a)*	**207,398**	74,631
Amounts due from margin clients	*(b)*	**44,281**	77,566
Amounts due from cash clients	*(c)*	**94,812**	121,135
Fixed-rate loans receivable	*(d)*	**67,269**	33,065
Other accounts receivable	*(e)*	**8,325**	7,917
		422,085	314,314
Less: Impairment losses		**(8,058)**	(8,058)
		414,027	306,256
Prepayments, deposits and other receivables		**7,185**	11,013
		421,212	317,269

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 amount due from a broker of HK$5,267,000 (2016: HK$20,849,000) was pledged as collateral 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 2017, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$269 million (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 date determined under the relevant market practices or exchange rules. A receivable of HK$18 million (2016: 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 are mainly secured by personal/corporate guarantee, property located in Hong Kong, unlisted securities and trade receivables. The contractual maturity dates of the fixed-rate loans receivable are repayable within one year.

(e) The balance included an amount of HK$Nil (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 that were past due at the end of the reporting period but not impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one month past due	**242**	280
More than one month and within three months past due	**2,493**	2,227
More than three months past due	**204**	1,812
	2,939	4,319

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

	2017	2016
		(restated)
	HK$'000	*HK$'000*
Current and within one month	**411,088**	301,937
More than one month and within three months	**2,484**	1,101
More than three months	**455**	3,218
	414,027	306,256

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

	Amounts due from margin clients	**Amounts due from cash clients**	**Other accounts receivable**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 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 and 1 July 2016	6,640	1,418	–	8,058
Impairment losses recognised	–	–	383	383
Amounts written off as uncollectible	–	–	(383)	(383)
At 30 June 2017	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.

11 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	2017	2016
		(restated)
	HK$'000	*HK$'000*
Accounts payable (current and within one month)		
Amounts due to brokers and clearing houses	**55**	18,744
Clients' accounts payable	**995,413**	573,300
Others	**3,332**	2,495
	998,800	594,539
Other creditors, accruals and other provision	**32,303**	25,471
	1,031,103	620,010

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

MANAGEMENT DISCUSSION AND ANALYSIS

THE MARKET

The Hong Kong financial market was supported by improved sentiment after the US Federal Reserve signaled a less hawkish stance on future rate rises, the stellar performance of financial and tech stocks and the inclusion of A-share by the MSCI Emerging Markets Index. The Hang Seng Index reached 26,090 on 9 June 2017, close to the highest level in almost two years and the daily market turnover improved since February 2017. However, the rising crisis over North Korea's nuclear ambitions, the uncertainty on the new US President's proposed stimulus policies and the risk of a possible market correction may weigh on the sentiments of the global financial markets.

The Hang Seng Index closed at 25,765 at the end of June 2017, compared with 20,794 at the end of June 2016 and 22,001 at the end of December 2016. The average monthly turnover on the Main Board and GEM Board during the year ended 30 June 2017 ("FY2017") was approximately HK$1,452 billion, a drop of 9% as compared with HK$1,591 billion for FY2016. Funds raised from IPOs on the Main Board in FY2017 increased by 14% to HK$199 billion, as compared with HK$174 billion for FY2016. The increase was mainly boosted by the listing of Postal Savings Bank of China Co., Ltd. at September 2016 and Guotai Junan Securities Co., Ltd. at April 2017 that accounted for approximately 40% of the funds raised from IPOs during the period.

FINANCIAL HIGHLIGHTS

The Group recorded a loss of HK$2 million for FY2017, as compared to a loss of HK$70 million for FY2016. After taking into account the other comprehensive income for the year, the Group recorded a total comprehensive income of HK$31 million for FY2017, as compared to a total comprehensive expense of HK$57 million for FY2016. The Group recognised a revaluation surplus, net of tax, of HK$32 million for FY2017, as compared with HK$12 million for FY2016. The surplus was mainly due to the increase in value of the Hong Kong office held by the Group.

Commission and fee income from our financial intermediary business was HK$87 million for FY2017, as compared with HK$86 million for FY2016. Interest and dividend income was HK$27 million for FY2017, an increase of 37% as compared with HK$20 million for FY2016. Rental income from investment properties was HK$4 million for FY2017, as compared with HK$3 million for FY2016. The Group recorded a net gain on the disposal of financial assets/liabilities and the remeasurement to fair value of HK$16 million for FY2017, as compared with a net loss of HK$35 million for FY2016. General and administrative expenses amounted to HK$123 million for FY2017, an increase of HK$13 million from HK$110 million for FY2016. Staff cost increased by HK$12 million, which was mainly caused by the variable compensation related to the increase in corporate finance advisory fee and the completion of the Company's capital raising project during the year.

The Group had deposited HK$40 million into an escrow account of a law firm but the law firm failed to return the deposit to the Group in 2011. The Group entered into a confidential settlement agreement with the law firm during the year and withdrew the claim. The settlement did not cause any material impact to the Group.

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 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. The Group has still not obtained the approval for the establishment of the joint venture company from the CSRC.

The Group set up a representative office in Vietnam during 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.

The Group entered into an agreement for the formation of a company with an independent third party to pursue and develop business opportunities in relation to One-Belt-One-Road during FY2017. The company was incorporated in July 2017 and has not commenced its operations.

BROKERAGE

Total revenue of the division was HK$45 million for FY2017, as compared with HK$47 million for FY2016. The average daily market turnover decreased by 8% to HK$71 billion for FY2017, as compared with HK$77 billion for FY2016. Hence, our brokerage commission income decreased by HK$8 million to HK$23 million for FY2017, as compared with HK$31 million for FY2016.

The loan book was almost the same at about HK$100 million as at the end of June 2017 and 2016. The average loans outstanding balance increased for FY2017 as compared with FY2016, hence, interest income from brokerage and loan financing clients increased by HK$4 million to HK$13 million for FY2017, as compared with HK$9 million for FY2016. The growth was mainly driven by our Guangzhou based factoring subsidiary company which gradually picked up its business. The company generated HK$2 million interest income for the year.

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 year.

The division is working continuously to improve its network system and trading platform to fulfill the enhanced requirements of the Stock Exchange of Hong Kong. Moreover, the division is facing new compliance, tax and IT security requirements launched by different regulators. These enhancements will increase our operating expenses and will affect the performance of the division in the future.

CORPORATE FINANCE AND CAPITAL MARKETS

Total revenue of the division was HK$58 million for FY2017, as compared with HK$53 million for FY2016. Although the number of newly listed companies decreased from 247 of FY2016 to 84 of FY2017, the division, acting as the sponsor, completed the listing of Crosstec Group Holdings Limited, Goldway Education Group Limited, ECI Technology Holdings Limited and Winning Tower Group Limited during the year. The division also acted as compliance advisor of several listed companies and completed a number of financial advisory projects during the year. As a result, advisory fee income increased by HK$15 million to HK$45 million for FY2017, as compared with HK$30 million for FY2016. Capital market remained lackluster in our target client segment and the underwriting and placement fee decreased to HK$13 million for FY2017 from HK$18 million for FY2016. The staff cost of corporate finance team increased because more staff were recruited to handle the increased number of projects and the variable compensation paid was increased to reflect the increase in advisory fee.

ASSET MANAGEMENT

Total revenue of the division was HK$1 million for FY2017, same as FY2016. 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$9 million for FY2017, as compared with HK$8 million for FY2016. After including net gain or loss on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value, total income was HK$23 million for FY2017, as compared with total loss of HK$28 million for FY2016. Hang Seng Index rose to 25,765 as at the end of June 2017, a year-on-year increase of 24%, hence, the division recognised trading profit of HK$13 million on equity and debt securities and derivatives for FY2017, as compared with a trading loss of HK$36 million for FY2016. As at 30 June 2017, the carrying value of the unlisted investments, listed securities and listed debt securities was HK$34 million, HK$86 million and HK$56 million respectively (30 June 2016: HK$36 million, HK$125 million and HK$44 million). The Group invested in an investment portfolio through lending of an investment loan and placed deposit to subscribe for an unlisted investment fund during the year. Through investing in different investment products managed by external and internal investment managers, the return on investments is more stable. The investment portfolio received interest and dividend income of HK$9 million for FY2017, as compared with HK$8 million for FY2016.

PROPERTY INVESTMENT

Total revenue of the division was HK$4 million for FY2017, as compared with HK$3 million for 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$61 million for FY2017. The fair value of our office property located at Beijing was HK$30 million. The property recognised a revaluation surplus of HK$2 million after the recovery of the property market in Beijing.

OUTLOOK

The financial markets continued with their diverging trends. Following the United States, Canada became the second G7 countries to commence its interest rate hikes cycle. European Central Bank has indicated that it would review its asset purchase program to determine whether it would continue after December. Japan now becomes the only major economy with a firm commitment to continue quantitative easing measures. The financial markets seem to be quite comfortable with the current pace of changes and all major market indices are either breaking historical or recent years high. Geopolitical risks in this region are increasingly affecting the global market. China will hold its 19th Party Congress in October. Any unexpected changes in the leadership will affect the sentiments in the second largest economy of the world. The outcome of the confrontation between North Korea and the United States and its allies is also difficult to predict. Despite of these risks, the capital market in Hong Kong continues to enjoy the ample liquidity and both the turnover and the index level are at recent years high. Management will closely monitor the situation and adjust our strategy swiftly if there are strong indications that the positive trend has changed.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at the end of June 2017 were HK$2,084 million, of which approximately 74% were current in nature. Net current assets were HK$461 million, accounting for approximately 47% of the net assets of the Group as at end of June 2017. The Group had cash and cash equivalents of HK$180 million as at end of June 2017, which was mainly denominated in Hong Kong dollars.

The Group generally finances its daily operations from internal resources. Total secured borrowings of HK$30 million as at the end of June 2017 was used to finance the investment portfolio of the Group. The bank borrowings were secured by the office property and investment property with carrying value of HK$330 million and HK$61 million respectively and corporate guarantee of HK$185 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 3% as at the end of June 2017.

The Group had no material contingent liabilities as at the end of June 2017. The Company provided corporate guarantees of HK$399 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.

EMPLOYMENT, TRAINING AND DEVELOPMENT POLICIES

As at 30 June 2017, the number of full time employees of the Group was 95 (2016: 99). 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 2017 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 Wednesday, 22 November 2017, the payment of a final dividend of 0.25 HK cent per ordinary share for the year ended 30 June 2017 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 28 November 2017, if approved, the final dividend will be paid on Thursday, 7 December 2017.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The Register of Members of the Company will be closed from Friday, 17 November 2017 to Wednesday, 22 November 2017, 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 2017 Annual General Meeting. In order to qualify to attend and vote at the meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited (at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), for registration not later than 4:30 p.m. on Thursday, 16 November 2017.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The Register of Members of the Company will be closed on Tuesday, 28 November 2017 during which date, no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited (at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) not later than 4:30 p.m. on Monday, 27 November 2017.

AUDIT COMMITTEE REVIEW

The Group's audited consolidated financial results for the year ended 30 June 2017 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 2017 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 2017, 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 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, Robert Tsai To Sze, Elizabeth Law and Huanfei Guan as Independent Non-Executive Directors.