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 2017

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 2017.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Six months ended 31 December 2017 Unaudited** ***HK$'000***	2016 Unaudited *HK$'000*
Revenue			
Commission and fee income		**61,483**	35,160
Interest and dividend income		**12,075**	15,625
Rental income		**2,302**	1,960
	3	**75,860**	52,745
Net gain/(loss) on disposal of financial assets/ liabilities at fair value through profit or loss and remeasurement to fair value	*3*	**7,287**	(913)
Other income and gains or losses	*3*	**1,532**	(3,502)
	3	**84,679**	48,330
Operating expenses			
Commission expenses		**(5,492)**	(2,839)
General and administrative expenses		**(68,704)**	(58,758)
Finance costs		**(399)**	(317)
		10,084	(13,584)
Fair value changes on investment properties		**2,858**	(1,447)
Fair value changes on non-controlling interests in consolidated investment fund	*3*	**(736)**	(235)
Share of profit/(loss) of associates	*3*	**2,810**	(68)
Profit/(loss) before tax	*4*	**15,016**	(15,334)
Income tax expenses	*5*	**(2,208)**	(239)
Profit/(loss) for the period		**12,808**	(15,573)
Attributable to:			
Owners of the Company		**12,602**	(15,583)
Non-controlling interests		**206**	10
Profit/(loss) for the period		**12,808**	(15,573)
Basic earnings/(loss) per share	*7*	**0.2 HK cent**	(0.3) HK cent
Diluted earnings/(loss) per share	*7*	**0.2 HK cent**	(0.3) HK cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 December	
	2017	2016
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Profit/(loss) for the period	**12,808**	(15,573)
Other comprehensive income/(expense):		
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)	**30,982**	543
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of overseas subsidiaries	**91**	623
Fair value changes on available-for-sale investments	**615**	–
	706	623
Other comprehensive income for the period	**31,688**	1,166
Total comprehensive income/(expense) for the period	**44,496**	(14,407)
Total comprehensive income/(expense) attributable to:		
Owners of the Company	**44,290**	(14,417)
Non-controlling interests	**206**	10
Total comprehensive income/(expense) for the period	**44,496**	(14,407)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2017 Unaudited *HK$'000***	30 June 2017 Audited *HK$'000*
Non-current assets			
Investment properties		**95,645**	92,787
Properties and equipment		**379,749**	348,986
Intangible assets		**2,051**	2,051
Interests in associates		**16,441**	13,631
Available-for-sale investments		**54,285**	34,170
Financial assets at fair value through profit or loss		**20,492**	20,823
Other financial assets		**12,261**	29,973
		580,924	542,421
Current assets			
Financial assets at fair value through profit or loss		**164,929**	142,086
Accounts, loans and other receivables	*8*	**449,948**	421,212
Bank balances and cash – trust accounts		**437,379**	798,269
Cash and cash equivalents		**169,889**	179,840
		1,222,145	1,541,407
Current liabilities			
Financial liabilities at fair value through profit or loss		**1,365**	2,806
Net assets attributable to holders of non-controlling interests in consolidated investment fund		**16,002**	15,266
Accruals, accounts and other payables	*9*	**714,299**	1,031,103
Bank loans		**30,000**	30,000
Current taxation		**2,889**	1,662
		764,555	1,080,837
Net current assets		**457,590**	460,570
Total assets less current liabilities		**1,038,514**	1,002,991
Non-current liabilities			
Deferred tax liabilities		**32,716**	27,886
NET ASSETS		**1,005,798**	975,105
CAPITAL AND RESERVES			
Share capital		**552,130**	552,130
Reserves		**453,336**	422,849
Equity attributable to owners of the Company		**1,005,466**	974,979
Non-controlling interests		**332**	126
TOTAL EQUITY		**1,005,798**	975,105

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, certain available-for-sale investments and financial assets/ liabilities at fair value through profit or loss that are measured at revalued amounts or fair values, as appropriate.

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

	Six months ended 31 December 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*
Revenue from external customers	**3,816**	**2,302**	**26,392**	**42,569**	**252**	**529**	**75,860**
Inter-segment revenue	**2**	**–**	**857**	**–**	**1,095**	**15,660**	**17,614**
Segment revenue	**3,818**	**2,302**	**27,249**	**42,569**	**1,347**	**16,189**	**93,474**
Net gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	**6,344**	**–**	**943**	**–**	**–**	**–**	**7,287**
Other income and gains or losses	**204**	**(240)**	**220**	**(97)**	**2**	**1,443**	**1,532**
Eliminations	**(2)**	**–**	**(857)**	**–**	**(1,095)**	**(15,660)**	**(17,614)**
	10,364	**2,062**	**27,555**	**42,472**	**254**	**1,972**	**84,679**
Segment results	**1,069**	**2,989**	**14**	**8,045**	**576**	**249**	**12,942**
Share of profit of associates	**–**	**–**	**2,810**	**–**	**–**	**–**	**2,810**
Fair value changes on non-controlling interests in consolidated investment fund	**(736)**	**–**	**–**	**–**	**–**	**–**	**(736)**
Profit before tax							**15,016**

	Six months ended 31 December 2016						
	Proprietary investment	Property investment	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	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)	–	(1,987)	–	(3)	(1,407)	(3,502)
Eliminations	(1)	–	(727)	–	(615)	(10,329)	(11,672)
	1,054	1,960	24,303	21,221	(3)	(205)	48,330
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)

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

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
Proprietary investment	**223,415**	221,610
Property investment	**120,690**	118,235
Brokerage	**1,010,784**	1,315,801
Corporate finance and capital markets	**11,768**	14,227
Asset management	**5,388**	5,400
Others	**431,024**	408,555
Total assets	**1,803,069**	2,083,828

4 PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 31 December	
	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		
– equity securities	**8,401**	(5,550)
– debt securities	**2,014**	1,325
– derivatives and others	**(3,128)**	3,312
Dividends from listed equity securities	**1,189**	2,125
Interest income from		
– bank deposits	**867**	571
– margin and cash clients	**3,027**	3,308
– debt securities	**2,144**	2,622
– loans	**4,814**	3,854
– others	**34**	3,145
Staff costs	**(46,955)**	(37,917)
Operating lease charges – land and buildings	**(1,569)**	(1,433)
Depreciation	**(4,951)**	(5,928)
Interest expenses on		
– unsecured bank loans wholly repayable within one month and overdrafts	**(88)**	(29)
– secured bank loans wholly repayable within one year	**(278)**	(288)
– others	**(33)**	–
Impairment loss for accounts receivable	**(339)**	–
Exchange gain/(loss) (net)	**1,797**	(2,113)

5 INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Current tax		
– Hong Kong		
under provision for prior years	**988**	–
current year	**252**	–
– PRC	**175**	2
	1,415	2
Deferred tax	**793**	237
	2,208	239

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$14.9 million (31 December 2016: HK$6.3 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 asset in respect of the cumulative tax losses of approximately HK$442 million (30 June 2017: HK$445 million) due to the unpredictability of future profit streams. The tax losses of approximately HK$431 million (30 June 2017: HK$435 million) are from subsidiaries incorporated in Hong Kong and will not expire under current tax regulation while tax losses of approximately HK$11 million (30 June 2017: HK$10 million) are from PRC subsidiaries and are subject to expiry periods from 2020 to 2023 (30 June 2017: from 2020 to 2022) under the current tax legislation.

6 DIVIDENDS

Dividends recognised as distributions during the period

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, declared and paid of 0.25 HK cent per share (2016: 0.25 HK cent per share)	**13,803**	13,803

Subsequent to the end of the interim reporting period, at a meeting held on 13 February 2018, the directors declared an interim dividend of 0.2 HK cent per share (31 December 2016: 0.2 HK cent per share) with an aggregate amount of HK$11,043,000 (31 December 2016: HK$11,043,000) based on the number of shares in issue at 13 February 2018.

7 EARNINGS/(LOSS) PER SHARE

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

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Profit/(loss)		
Profit/(loss) for the purposes of basic and diluted earnings/(loss) per share (Profit/(loss) attributable to owners of the Company for the period)	**12,602**	(15,583)
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**5,521,304,882**	5,521,304,882

8 ACCOUNTS, LOANS AND OTHER RECEIVABLES

	Notes	31 December 2017 HK$'000	30 June 2017 HK$'000
Accounts and loans receivables			
Amounts due from brokers and clearing houses	*(a)*	**249,814**	207,398
Amounts due from margin clients	*(b)*	**62,001**	44,281
Amounts due from cash clients	*(c)*	**74,144**	94,812
Fixed-rate loans receivable	*(d)*	**58,565**	67,269
Other accounts receivable	*(e)*	**9,214**	8,325
		453,738	422,085
Less: Impairment losses		**(8,058)**	(8,058)
		445,680	414,027
Prepayments, deposits and other receivables		**4,268**	7,185
		449,948	421,212

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$Nil (30 June 2017: HK$5,267,000) was pledged as collateral for the stock borrowing transactions. As at 31 December 2017, the Group placed a deposit of HK$4,907,000 with The SEHK Options Clearing House Limited as margin deposit for the business of dealing in options (30 June 2017: HK$Nil).

(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 to the value of securities accepted by the Group. At 31 December 2017, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$402 million (30 June 2017: HK$269 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 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 (30 June 2017: 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. The management of the Group considers that the cash client has a strong financial position, and no impairment was made.

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

(e) 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 date of invoice/advance/trade or contractual maturity date is as follows:

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
Current and within one month	**445,522**	411,088
More than one month and within three months	**–**	2,484
More than three months	**158**	455
	445,680	414,027

9 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
Accounts payable (on demand or within one month)		
Amounts due to brokers and clearing houses	**42,554**	55
Clients' accounts payable	**638,553**	995,413
Others	**4,413**	3,332
	685,520	998,800
Other creditors, accruals and other provisions	**28,779**	32,303
	714,299	1,031,103

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 are payable on demand.

10 EVENT AFTER THE REPORTING PERIOD

On 8 January 2018, the Company announced that it proposed to raise approximately HK$142 million before expenses by issuing 1,380,326,220 offer shares at the offer price of HK$0.103 per offer share on the basis of one offer share for every four existing shares held on 14 February 2018. The open offer will enlarge the capital base of the Company, which will facilitate long-term development of the Group. The expected first day of dealings in the offer shares is 16 March 2018. The Company intends to apply the proceeds from the open offer to expand the Group's lending business in Hong Kong and the PRC, to invest in fixed income products and for general working capital of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The Market

Major financial markets rose to multi-year or historical highs on the backing of improving economic fundamentals. President Trump's proposed stimulus polices and the stellar performance of financial and tech stocks boosted the US major indexes which entered their ninth year of bull market. The strong economic growth in Eurozone economy strengthened consumers' and investors' confidence. The Hong Kong market continues to benefit from the low interest rate environment, and the ample liquidity. The market turnover of Southbound trading under Stock Connect reached HK$2,259 billion in 2017, an increase of 170% from levels in 2016. The Hang Seng Index was supported by the solid growth of GDP and Southbound capital and reached a ten-year high at 30,200 on 22 November 2017.

The Hang Seng Index closed at 29,919 at the end of December 2017, compared with 25,765 at the end of June 2017 and 22,001 at the end of December 2016. The average monthly turnover on the Main Board and GEM Board during the six months ended 31 December 2017 ("the first half year of FY2018") was approximately HK$2,085 billion, a sharp increase of 52% as compared with HK$1,371 billion for the first half year of FY2017. Funds raised from IPOs on the Main Board in the first half year of FY2018 amounted to HK$70 billion, as compared with HK$148 billion for the first half year of FY2017.

Financial Highlights

The Group recorded a profit after tax of HK$13 million for the first half year of FY2018, as compared to a loss after tax of HK$16 million for the first half year of FY2017. After taking into account the other comprehensive income for the period, the Group recorded a total comprehensive income of HK$44 million for the first half year of FY2018, as compared to a total comprehensive expense of HK$14 million for the first half year of FY2017. The Group recognised a revaluation surplus, net of tax, of HK$31 million for the first half year of FY2018, as compared with HK$1 million for the first half year of FY2017. The surplus was mainly due to the increase in value of the Hong Kong office owned by the Group.

Commission and fee income from our financial intermediary business was HK$61 million for the first half year of FY2018, as compared with HK$35 million for the first half year of FY2017. Interest and dividend income was HK$12 million for the first half year of FY2018, as compared with HK$16 million for the first half year of FY2017. Rental income from investment properties was HK$2 million for the first half year of FY2018, the same as the first half year of FY2017. The Group recorded a net gain on the disposal of financial assets/liabilities and the remeasurement to fair value of HK$7 million for the first half year of FY2018, as compared with a net loss of HK$1 million for the first half year of FY2017. General and administrative expenses amounted to HK$69 million for the first half year of FY2018, an increase of HK$10 million from HK$59 million for the first half year of FY2017. Staff cost increased by HK$9 million, which was mainly caused by the variable compensation related to the increase in corporate finance advisory fee.

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 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 but has not commenced its operations.

On 8 January 2018, the Company announced that it proposed to raise approximately HK$142 million before expenses by issuing 1,380,326,220 offer shares at the offer price of HK$0.103 per offer share on the basis of one offer share for every four existing shares held on 14 February 2018. The open offer will enlarge the capital base of the Company, which will facilitate long-term development of the Group. The expected first day of dealings in the offer shares is 16 March 2018. The Company intends to apply the proceeds from the open offer to expand the Group's lending business in Hong Kong and the PRC, to invest in fixed income products and to be used for general working capital of the Group. These offer shares will not be entitled to the interim dividend declared for the six months ended 31 December 2017.

Brokerage

Total revenue of the division was HK$27 million for the first half year of FY2018, as compared with HK$24 million for the first half year of FY2017. The average daily market turnover increased by 51% to HK$100 billion for the first half year of FY2018, as compared with HK$66 billion for the first half year of FY2017. As a result, our brokerage commission income increased by HK$5 million to HK$17 million for the first half year of FY2018, as compared with HK$12 million for the first half year of FY2017.

The loan book was about HK$114 million as at 31 December 2017 as compared with HK$91 million as at 31 December 2016. Interest income from brokerage and loan financing clients was HK$8 million for the first half year of FY2018, as compared with HK$7 million for the first half year of FY2017 as there was a slight increase on the average loans outstanding balance. Other interest income decreased by HK$3 million as the division received interest income of HK$3 million for the late settlement of the placing proceeds in last year. The division will place more efforts in the development of the lending business in Hong Kong and the PRC, with prudent risk management strategy, to enhance the return of the division.

The division is working continuously to improve its system and trading platform to meet the enhanced requirements of The Stock Exchange of Hong Kong Limited and other regulators. The division will implement the two-factor authentication for brokerage clients to login to their internet trading accounts in the 4th quarter of FY2018 to improve cybersecurity resiliency. 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$43 million for the first half year of FY2018, as compared with HK$21 million for the first half year of FY2017. The division, acting as the sponsor, completed the listing of Noble Engineering Group Holdings Limited, KML Engineering Limited, Sun Hing Printing Holdings Limited and Prosperous Printing Company Limited during the first half year of FY2018. The division also completed sponsorship for the listing of four companies in January 2018. As a result, advisory fee income increased by HK$19 million to HK$35 million for the first half year of FY2018, as compared with HK$16 million for the first half year of FY2017. Capital market for secondary fund raising remained lackluster in our target client segment and the underwriting and placement fee only increased by HK$2 million to HK$7 million for the first half year of FY2018 from HK$5 million for the first half year of FY2017. The staff cost of the corporate finance team increased because additional staff were recruited to handle the increased number of projects and the variable compensation accrual was increased to reflect the increase in fee income.

Asset Management

Total revenue of the division was HK$1 million for both the first half year of FY2018 and FY2017. The division is now approaching several private equity funds and high net worth clients to provide asset management services to generate more revenue.

Proprietary Investment

Total revenue of the division was HK$4 million for the first half year of FY2018, as compared with HK$5 million for the first half year of FY2017. 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$10 million for the first half year of FY2018, as compared with HK$1 million for the first half year of FY2017. The Hang Seng Index rose to 29,919 as at the end of December 2017, an increase of 16% when compared with the end of June 2017, hence, the division recognised trading profit of HK$8 million on equity securities for the first half year of FY2018, as compared with a loss of HK$6 million for the first half year of FY2017. As at 31 December 2017, the carrying value of the unlisted investments, unlisted investment loan, listed securities and listed debt securities was HK$54 million, HK$20 million, HK$104 million and HK$61 million respectively (30 June 2017: HK$34 million, HK$21 million, HK$86 million and HK$56 million). Through continuing to diversify the Group’s investment portfolio by investing in different investment products managed by external and internal investment managers, the return on investments has been more stable. The investment portfolio received interest and dividend income of HK$3 million for the first half year of FY2018, as compared with HK$5 million for the first half year of FY2017.

Property Investment

Total revenue of the division was HK$2 million for both the first half year of FY2018 and FY2017. The rental income received from these properties provided stable cash inflow for the division. The investment property located in Beijing recognised a revaluation surplus of HK$2 million mainly because of the appreciation of RMB during the period. The fair value of the retail shop located in Kwun Tong as at 31 December 2017 returned to the market value recorded at the end of June 2016 and the property recognised a revaluation surplus of HK$1 million for the first half year of FY2018, as compared with a revaluation loss of HK$1 million for the first half year of FY2017.

Outlook

The capital markets continued to perform well in January 2018. Hong Kong market reached historical high in the month. At this high level, the markets are very sensitive to any unexpected negative news. Nevertheless, the market volatility index stays at multi year low, which indicates a general complacency in the market. However, stepping into February, the US market began to worry about faster and additional rate hikes after positive employment figures were released. This resulted in the largest daily points drop in the Dow Jones index and a surge in volatility. The sell off spreaded to all major markets and Hong Kong lost nearly all its gains in January in two trading days. The markets are likely to remain volatile in the near future. The corporate finance segment is likely to be the major business driver in the coming months. However, new amendments to the Listing Rules that will come into effect on 15 February 2018 may have an impact in the corporate finance industry.

Liquidity and Financial Resources

Total assets as at the end of December 2017 were HK$1,803 million, of which approximately 68% were current in nature. Net current assets were HK$458 million, accounting for approximately 45% of the net assets of the Group as at end of December 2017. The Group had cash and cash equivalents of HK$170 million as at end of December 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 December 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$360 million and HK$62 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 December 2017.

The Group had no material contingent liabilities as at the end of December 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.

Employees

As at 31 December 2017, the number of full time employees of the Group was 102 (30 June 2017: 95). 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 2017 (six months ended 31 December 2016: 0.2 HK cent). The dividend will be payable on Thursday, 19 April 2018 to shareholders whose names appear on the Register of Members at the close of business on Monday, 5 March 2018.

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 2017 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 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 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 Friday, 2 March 2018 to Monday, 5 March 2018, 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 Thursday, 1 March 2018.

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 2017. 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 2017, 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 2018

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.