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 2018

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 2018.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue			
Commission and fee income		**152,693**	86,675
Interest and dividend income		**25,949**	27,337
Rental income		**3,292**	4,407
	3	**181,934**	118,419
Net gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	3	**6,031**	16,186
Net gain on disposal of an available-for-sale investment	3	**–**	7
Other income and gain or losses	3	**1,164**	(3,171)
		189,129	131,441
Operating expenses			
Commission expenses		**(11,013)**	(7,659)
General and administrative expenses		**(157,797)**	(123,214)
Finance costs		**(1,022)**	(689)
		19,297	(121)
Fair value changes on investment properties		**2,971**	1,486
Impairment loss on an available-for-sale investment		**–**	(615)
Fair value changes on non-controlling interests in consolidated investment fund	3	**(1,917)**	(946)
Share of profits/(losses) of associates	3	**2,621**	(451)
Profit/(loss) before tax	4	**22,972**	(647)
Income tax expense	5	**(2,511)**	(1,274)
Profit/(loss) for the year		**20,461**	(1,921)
Attributable to:			
Owners of the Company		**20,401**	(1,929)
Non-controlling interests		**60**	8
Profit/(loss) for the year		**20,461**	(1,921)
Basic earnings/(loss) per share	7	**0.34 HKcent**	(0.03) HKcent
Diluted earnings/(loss) per share	7	**0.34 HKcent**	(0.03) HKcent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) for the year	**20,461**	(1,921)
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)	**53,817**	32,032
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of overseas subsidiaries	**(305)**	428
Fair value changes on an available-for-sale investment	**1,428**	–
	1,123	428
Other comprehensive income for the year	**54,940**	32,460
Total comprehensive income for the year	**75,401**	30,539
Total comprehensive income attributable to:		
Owners of the Company	**75,341**	30,531
Non-controlling interests	**60**	8
Total comprehensive income for the year	**75,401**	30,539

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties		**95,758**	92,787
Properties and equipment		**401,051**	348,986
Intangible assets		**2,051**	2,051
Interests in associates		**16,254**	13,631
Loan to an associate		**6,089**	–
Available-for-sale investments		**55,098**	34,170
Other financial assets		**14,225**	29,973
Financial assets at fair value through profit or loss		**21,743**	20,823
		612,269	542,421
Current assets			
Financial assets at fair value through profit or loss		**173,893**	142,086
Accounts, loans and other receivables	*8*	**761,024**	421,212
Bank balances and cash – trust accounts		**673,038**	798,269
Cash and cash equivalents		**230,663**	179,840
		1,838,618	1,541,407
Current liabilities			
Financial liabilities at fair value through profit or loss		**3,290**	2,806
Net assets attributable to holders of non-controlling interests in consolidated investment fund		**17,183**	15,266
Accruals, accounts and other payables	*9*	**1,207,864**	1,031,103
Bank loans		**20,000**	30,000
Current taxation		**2,002**	1,662
		1,250,339	1,080,837
Net current assets		**588,279**	460,570
Total assets less current liabilities		**1,200,548**	1,002,991
Non-current liabilities			
Deferred tax liabilities		**36,240**	27,886
NET ASSETS		**1,164,308**	975,105
CAPITAL AND RESERVES			
Share capital	*10*	**690,163**	552,130
Reserves		**473,959**	422,849
Equity attributable to owners of the Company		**1,164,122**	974,979
Non-controlling interests		**186**	126
TOTAL EQUITY		**1,164,308**	975,105

NOTES

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time which are relevant to the Group:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC)-Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 19	Plan amendment, curtailment or settlement[2]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014-2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015-2017 cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.

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.

3 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 and capital appreciation
Brokerage	:	Provision of securities, options, funds, futures and commodities brokerage services, margin and other financing, factoring 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.

	2018						
	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	9,022	3,292	62,490	105,593	466	1,071	181,934
Inter-segment revenue	4	–	1,525	200	1,332	31,468	34,529
Segment revenue	9,026	3,292	64,015	105,793	1,798	32,539	216,463
Net gain on disposal of financial assets/liabilities at fair value through profit or loss and remeasurement to fair value	4,872	–	1,159	–	–	–	6,031
Other income and gain or losses	245	(240)	(72)	549	8	674	1,164
Eliminations	(4)	–	(1,525)	(200)	(1,332)	(31,468)	(34,529)
Total income	14,139	3,052	63,577	106,142	474	1,745	189,129
Segment results	(5,173)	2,135	2,071	19,703	778	2,754	22,268
Share of profits of associates	–	–	2,621	–	–	–	2,621
Fair value changes on non-controlling interests in consolidated investment fund	(1,917)	–	–	–	–	–	(1,917)
Profit before tax							22,972
Segment assets							
Segment assets	294,927	126,610	1,509,258	22,153	5,326	493,535	2,451,809
Interests in associates	–	2	16,252	–	–	–	16,254
							2,468,063
Eliminations							(17,176)
Total assets							2,450,887
Other segmental information							
Depreciation	–	1,207	158	7	–	8,958	10,330
Addition to non-current assets	–	–	125	192	–	622	939
Impairment losses for accounts receivable (net)	–	242	309	97	–	–	648
Commission expenses	271	–	10,732	10	–	–	11,013
Interest expenses	23	422	287	–	–	290	1,022
Interest income	6,160	–	16,986	1	–	96	23,243

	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

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, loan to an associate, available-for-sale investments, financial assets at fair value through profit or loss and other financial assets), based on the location of assets.

	Revenue		**Non-current assets**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**170,831**	110,924	**451,520**	398,571
The People's Republic of China (the "PRC")	**7,349**	5,240	**47,340**	45,253
Other	**3,754**	2,255	**–**	–
	181,934	118,419	**498,860**	443,824

4 PROFIT/(LOSS) BEFORE TAX

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

	2018	2017
	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	**8,008**	6,402
– debt securities	**(1,034)**	1,816
– derivatives	**(3,196)**	5,475
Financial assets designated at fair value through profit or loss		
– investment loan	**1,747**	2,493
– investment funds	**506**	–
Dividend from listed equity securities	**2,706**	3,773
Interest income from		
– bank deposits	**2,434**	1,583
– margin and cash clients	**6,317**	5,502
– debt securities	**3,851**	5,343
– loans	**10,566**	7,854
– others	**75**	3,282
Staff costs	**(115,112)**	(76,473)
Minimum operating lease charges – land and buildings	**(3,129)**	(3,409)
Depreciation	**(10,330)**	(11,608)
Interest expenses on		
– unsecured bank loans wholly repayable within one month and overdrafts	**(253)**	(43)
– secured bank loans wholly repayable within one year	**(708)**	(582)
– others	**(61)**	(64)

5 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$5,662,000 (2017: HK$2,514,000) as a result of tax losses brought forward from previous years of HK$34,315,000 (2017: HK$15,237,000).

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%.

	2018	2017
	HK$'000	*HK$'000*
Current tax		
– Hong Kong		
Under provision for prior years	**974**	–
Current year	**320**	35
– PRC	**502**	193
	1,796	228
Deferred tax	**715**	1,046
Income tax expense	**2,511**	1,274

As at 30 June 2018, the Group has unused estimated tax losses of approximately HK$438 million (2017: HK$459 million). A deferred tax asset of HK$920,000 (2017: HK$2,269,000) has been recognised in respect of tax losses of approximately HK$6 million (2017: approximately HK$14 million). The Group has not recognised deferred tax asset in respect of the remaining tax losses of approximately HK$432 million (2017: HK$445 million) due to the unpredictability of future profit streams. The tax losses of approximately HK$420 million (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$12 million (2017: HK$10 million) are from PRC subsidiaries and are subject to expiry periods from 2020 to 2023 (2017: from 2020 to 2022) under the current tax legislation.

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

	2018	2017
	HK$'000	*HK$'000*
Interim dividend paid of 0.2 HK cent per share (2017: 0.2 HK cent per share)	**11,043**	11,043
Final dividend proposed after the end of the reporting period of 0.3 HK cent per share (2017: 0.25 HK cent per share)	**20,705**	13,803
	31,748	24,846

7 EARNINGS/(LOSS) PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Earnings/(loss)		
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share		
Earnings/(loss) for the year attributable to owners of the Company	**20,401**	(1,929)
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	**5,936,586,811**	5,531,943,234

The weighted average number of ordinary shares for both years has been adjusted for the bonus elements of the open offer.

8 ACCOUNTS, LOANS AND OTHER RECEIVABLES

		2018	2017
	Notes	***HK$'000***	*HK$'000*
Accounts and loans receivables			
Amounts due from brokers and clearing houses	*(a)*	**284,195**	207,398
Amounts due from margin clients	*(b)*	**68,638**	44,281
Amounts due from cash clients	*(c)*	**267,637**	94,812
Loans receivable	*(d)*	**120,108**	67,269
Other accounts receivable	*(e)*	**14,993**	8,325
		755,571	422,085
Less: Impairment losses		**(534)**	(8,058)
		755,037	414,027
Prepayments, deposits and other receivables		**5,987**	7,185
		761,024	421,212

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$3,950,000 (2017: HK$5,267,000) 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 2018, the total market value of securities pledged as collateral in respect of the loans to margin clients was approximately HK$270 million (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 date determined under the relevant market practices or exchange rules. A receivable of HK$18 million (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 Stock Exchange. The management of the Group considered that the amount will be settled within one year.

(d) Loan receivable comprises of fixed-rate loans receivable of HK$82 million as at 30 June 2018 (2017: HK$46 million) and factoring receivables of HK$38 million (2017: HK$21 million). 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 loans receivable are mainly secured by personal/corporate guarantee, property located in Hong Kong, unlisted securities and trade receivables. The contractual maturity date of the loans receivable 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 that were past due at the end of the reporting period but not impaired is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one month past due	**3,661**	242
More than one month and within three months past due	**517**	2,493
More than three months past due	**150**	204
	4,328	2,939

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

	2018	2017
	HK$'000	*HK$'000*
Current and within one month	**750,709**	411,088
More than one month and within three months	**4,178**	2,484
More than three months	**150**	455
	755,037	414,027

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

	Amounts due from brokers and clearing houses	Amounts due from margin clients	Amounts due from cash clients	Other accounts receivable	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 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 and 1 July 2017	–	6,640	1,418	–	8,058
Impairment losses recognised	37	–	272	339	648
Amounts written off as uncollectible	–	(6,640)	(1,193)	(339)	(8,172)
At 30 June 2018	37	–	497	–	534

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

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

9 ACCRUALS, ACCOUNTS AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Accounts payable (on demand or within one month)		
Amounts due to brokers and clearing houses	**130,339**	55
Clients' accounts payable	**1,012,921**	995,413
Others	**4,290**	3,332
	1,147,550	998,800
Other creditors, accruals and other provision	**60,314**	32,303
	1,207,864	1,031,103

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

10 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares in issue	Issued capital
		HK$'000
At 1 July 2016, 30 June 2017 and 1 July 2017	5,521,304,882	552,130
Issue of shares on open offer	1,380,326,220	138,033
At 30 June 2018	6,901,631,102	690,163

During the year ended 30 June 2018, the movements in share capital were as follows:

On 15 March 2018, the Company issued 1,380,326,220 new ordinary shares as a result of the open offer at the price of HK$0.103 per share on the basis of one offer share for every four existing shares. The net proceeds arising from the open offer was approximately HK$138.6 million. Approximately HK$75.6 million and HK$8.7 million was used for the Group's lending business in Hong Kong and the PRC respectively. The Group invested in an investment property in Japan through the 30% equity interest of a company acquired in June 2018. Being a part of the total investment cost, the Group acquired a pro-rata shareholder loan of HK$6.1 million in June 2018 and paid in July 2018. As of the year ended 30 June 2018, the remaining proceeds have been deposited into bank account.

MANAGEMENT DISCUSSION AND ANALYSIS

THE MARKET

Major financial markets rose to multi-year or historical highs on the backing of improving economic fundamentals. The Hang Seng Index was stimulated by the solid growth of GDP and Southbound capital and reached a record high of 33,484 on 29 January 2018. 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 one day point drop in the Dow Jones index. The Hang Seng Index dropped more than 1,600 points in one day in February 2018 and the Hong Kong stock market lost nearly all its January 2018 gains. The threat of trade wars initiated by the United States further increased the market volatility of the Hong Kong stock market. The strength of USD and the depreciation of RMB led to runs on a number of smaller emerging market currencies. Amid the increased market volatility, the Index level and the monthly market turnover in the Hong Kong securities market still maintained modest gains compared with June last year.

The Hang Seng Index closed at 28,955 at the end of June 2018, compared with 25,765 at the end of June 2017 and 29,919 at the end of December 2017. The average monthly turnover on the Main Board and GEM Board during the year ended 30 June 2018 ("FY2018") was approximately HK$2,319 billion, a sharp increase of 60% as compared with HK$1,452 billion for FY2017. Funds raised from IPOs on the Main Board in FY2018 amounted to HK$117 billion, as compared with HK$199 billion for FY2017, as a result of a smaller number of listings of big cap companies.

FINANCIAL HIGHLIGHTS

The Group recorded a profit after tax of HK$20 million for FY2018, as compared to a loss after tax of HK$2 million for FY2017. After taking into account the other comprehensive income for the year, the Group recorded a total comprehensive income of HK$75 million for FY2018, as compared to HK$31 million for FY2017. The Group recognised a revaluation surplus on land and building, net of tax, of HK$54 million for FY2018 in other comprehensive income, as compared with HK$32 million for FY2017. The surplus was mainly due to the increase in the value of the Hong Kong office owned by the Group.

Commission and fee income from our financial intermediary business was HK$153 million for FY2018, as compared with HK$87 million for FY2017, mainly because of the stellar performance of the corporate finance and capital markets division. Interest and dividend income was HK$26 million for FY2018, as compared with HK$27 million for FY2017. Rental income from investment properties was HK$3 million for FY2018, as compared with HK$4 million for FY2017. The Group recorded a net gain on the disposal of financial assets/liabilities and the remeasurement to fair value of HK$6 million for FY2018, as compared with HK$16 million for FY2017. General and administrative expenses amounted to HK$158 million for FY2018, an increase of HK$35 million from HK$123 million for FY2017. Staff costs increased by HK$39 million, which was mainly caused by the variable compensation related to the increase in commission and fee income.

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 provided supplementary information to the CSRC but 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 at July 2017 but has not commenced its operations.

The Group acquired 30% shareholding interest of a Japan property company at the end of June 2018. The company holds an investment property with market value of approximately JPY0.6 billion (equivalent to HK$42.5 million) in Tokyo, Japan.

BROKERAGE

Total revenue of the division was HK$64 million for FY2018, as compared with HK$45 million for FY2017. The average daily market turnover on the Main Board and GEM Board increased by 159% to HK$113 billion for FY2018, as compared with HK$71 billion for FY2017 because of the improvement in the global economic markets and the low interest rate environment of the local market. Brokerage commission income increased by HK$18 million to HK$41 million for FY2018, as compared with HK$23 million for FY2017.

The loan book was about HK$189 million as at 30 June 2018, as compared with HK$105 million as at 30 June 2017. Interest income from brokerage and loan financing clients was HK$17 million for FY2018, as compared with HK$13 million for FY2017 as there was an 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 last year. The Company completed its open offer in March 2018 and approximately HK$84 million was used for the lending business in Hong Kong and the PRC. The division will place more efforts in the development of the lending business, 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 launched the two-factor authentication for brokerage clients to login to their internet trading accounts in April 2018 to improve cybersecurity resiliency. These ongoing 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$106 million for FY2018, as compared with HK$58 million for FY2017. There were 99 companies newly listed in The Stock Exchange of Hong Kong Limited during FY2018, of which ten IPO projects were completed by the division. The advisory fee income grew by 71% to HK$77 million for FY2018, as compared with HK$45 million for FY2017. The underwriting fee doubled from HK$13 million for FY2017 to HK$29 million for FY2018 following the completion of several IPO underwriting transactions, including Tsit Wing International Holdings Limited and B&S International Holdings Limited. However, the capital market for secondary fund raising remained lackluster in our target client segment. The staff costs 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 as a result of higher revenue for the division.

During the year, the Securities and Futures Commission issued a circular which set out standards that Sponsors are expected to comply with in carrying out sponsor work. The implementation of the standards will increase our compliance and operating costs and affect our performance.

ASSET MANAGEMENT

Total revenue of the division was HK$2 million for FY2018, as compared with HK$1 million for 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$9 million for both FY2018 and 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$14 million for FY2018, as compared with HK$23 million for FY2017. The Hang Seng Index rose to 28,955 as at the end of June 2018 from 25,765 as at the end of June 2017, a year-on-year increase of 12%, as compared with 24% for FY2017.

As at 30 June 2018, the carrying value of the unlisted investments, unlisted investment loan and investment funds, listed securities and listed debt securities was HK$35 million, HK$64 million, HK$86 million and HK$66 million respectively (30 June 2017: HK$34 million, HK$21 million, HK$86 million and HK$56 million). The division currently invested in 4 investment funds, hence, the unlisted investment funds increased by HK$42 million during the year. The division continues to invest in different investment products managed by external investment managers to stabilize the returns of the investment. The investment portfolio received interest and dividend income of HK$7 million for FY2018, as compared with HK$9 million for FY2017.

PROPERTY INVESTMENTS

Total revenue of the division was HK$3 million for FY2018, as compared with HK$4 million for FY2017. The rental income received from these properties provided stable cash inflow for the division. The investment property located at Beijing recognised a revaluation surplus of HK$1 million mainly because of the appreciation of RMB during the year. The fair value of the retail shop located at Kwun Tong recognised a revaluation surplus of HK$2 million for FY2018, as compared with a revaluation loss of HK$1 million for FY2017.

The division invested in Japan property market through acquiring 30% shareholding interest of a Japan company. The division granted a shareholder loan of JPY85.4 million, which was equivalent to HK$6.1 million to the Japan company. The company holds an investment property with market value of approximately JPY0.6 billion (equivalent to HK$42.5 million) in Tokyo, Japan. The division is now reviewing several overseas property projects to expand the property investment division.

CAPITAL STRUCTURE

The Company completed the Open Offer and issued 1,380,326,220 new shares with net proceeds of HK$139 million in 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. As of the year ended 30 June 2018, approximately HK$75.6 million and HK$8.7 million was used to finance Hong Kong and the PRC lending business respectively. The Group invested in an investment property in Japan through acquired 30% equity interest of a company in June 2018. Being a part of the total investment cost, the Group paid a shareholder loan of HK$6.1 million in July 2018.

OUTLOOK

The current focus of the world economies is clearly the trade wars between the United States and its major trading partners. Whilst there are positive developments in the negotiations with some counties, there is little progress in the discussion with China and the capital markets in the greater China region are affected. The labour market is strong and there are signs that inflation is picking up in the United States, the FOMC is likely to continue with its interest rate hike cycle. The liquidity tightens and a number of emerging economies in Latin America and Emerging Europe are feeling the pressure. Most of the Asian economies are in stronger positions but given the integration in the global supply chain, they are still vulnerable to the trade tension between US and China. Despite these macro challenges, there are still ample liquidity in Hong Kong and most corporates are still reporting healthy profits. However, more and more people are questioning how long the liquidity will remain and the impact on the property markets and the economy at large if Hong Kong has to follow the US interest rate hike cycle under the currency peg system. By strengthening the balance sheet through the capital fund raising during the year, we believe we are well prepared to ride the next wave of uncertainties.

LIQUIDITY AND FINANCIAL RESOURCES

Total assets as at the end of June 2018 were HK$2,451 million, of which approximately 75% were current in nature. Net current assets were HK$588 million, accounting for approximately 51% of the net assets of the Group as at end of June 2018. The Group had cash and cash equivalents of HK$231 million as at end of June 2018, which was mainly denominated in Hong Kong dollars.

The Group generally finances its daily operations from internal resources. Total secured borrowings of HK$20 million as at the end of June 2018 was used to finance the investment portfolio of the Group. 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 2% as at the end of June 2018. As at 30 June 2018, the office property and investment property with carrying value of HK$382 million and HK$62 million respectively (2017: HK$330 million and HK$61 million) were pledged to the banks as securities for banking facilities.

The Group had no material contingent liabilities as at the end of June 2018. The Company provided corporate guarantees of HK$309 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 operates a factoring business and purchased properties in the PRC. 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 2018, the number of full time employees of the Group was 104 (2017: 95). Remunerations and bonus are based on performance and are reviewed annually in conjunction with the annual employee performance appraisal. It also takes into consideration the results of the division to which the employee belongs and the Group as a whole. The Group provides a full induction program and in-house training courses to all staff – particularly professionals registered with relevant regulatory bodies who must meet their mandatory continued professional training requirements. A share option scheme is available to directors, employees and consultants of the Group.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited throughout the year ended 30 June 2018 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 Thursday, 22 November 2018, the payment of a final dividend of 0.3 HK cent per ordinary share for the year ended 30 June 2018 to shareholders whose names appear on the Register of Members of the Company on Friday, 30 November 2018, if approved, the final dividend will be paid on Thursday, 17 January 2019.

Shareholders will be given the option to receive the proposed 2018 final dividend of 0.3 HK cent per share in new shares in lieu of cash (the "Scrip Dividend Arrangement"). The Scrip Dividend Arrangement is subject to: (1) the approval of proposed 2018 final dividend at the 2018 Annual General Meeting; and (2) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Arrangement will be despatched to the Shareholders together with the form of election for scrip dividend in December 2018. Dividend warrants and share certificates in respect of the proposed 2018 final dividend are expected to be despatched to the Shareholders on 17 January 2019.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The Register of Members of the Company will be closed from Monday, 19 November 2018 to Thursday, 22 November 2018, both days inclusive, during which period no transfer of shares will be effected for the purpose of determining the identity of the shareholders entitled to attend and vote at the 2018 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 Friday, 16 November 2018.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The Register of Members of the Company will be closed from Wednesday, 28 November 2018 to Friday, 30 November 2018 (both days inclusive) during which period no transfer of shares will be effected for the purpose of determining the entitlement to the final dividend. In order to qualify for the proposed final 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) not later than 4:30 p.m. on Tuesday, 27 November 2018.

AUDIT COMMITTEE REVIEW

The Group's audited consolidated financial results for the year ended 30 June 2018 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 2018 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 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 18 September 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.